



遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

Executive Directors:

Mr. Cheung Sze Ming

Non-executive Director:

Mr. Zhu Weiwen

Independent non-executive Directors:

Mr. Mak Ka Wing, Patrick

Mr. Lam Wai Hung

Mr. Lam Cheung Shing, Richard

Registered office:

Unit D1, 8/F.

Kingston International Centre

19 Wang Chiu Road

Kowloon Bay, Hong Kong

22 November 2024

To the Shareholders

Dear Sir or Madam,

**(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED CHANGE IN BOARD LOT SIZE; AND
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE
HELD ON THE RECORD DATE**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing Agreement and the respective transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required under the Listing Rules; and (v) a notice convening the EGM.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) Existing Shares in issue be consolidated into one (1) Consolidated Share.

CONDITIONS OF THE SHARE CONSOLIDATION

The Share Consolidation is conditional upon the fulfillment of the following conditions:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under Hong Kong laws (where applicable) and the Listing Rules to effect the Share Consolidation.

Subject to the fulfillment of the conditions of the Share Consolidation, the Share Consolidation is expected to become effective on Tuesday, 17 December 2024, being the second Business Day immediately after the EGM. As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Effects of the Share Consolidation

As at the Latest Practicable Date, 1,089,118,593 Existing Shares have been allotted and issued. Upon the Share Consolidation becoming effective and assuming that no change in the number of Shares in issue from the Latest Practicable Date until the effective date of the Share Consolidation, there will be 108,911,859 Consolidated Shares in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. Other than the relevant expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder. Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Other securities of the Company

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Kingston Securities Limited as a designated broker to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Friday, 3 January 2025 to 4:00 p.m. on Thursday, 23 January 2025. Shareholders who wish to take advantage of this facility should contact Mr. James Lee of Kingston Securities Limited at 72/F., The Center, 99 Queen's Road Central, Central, Hong Kong (telephone number (852) 2298 6378 or by facsimile at (852) 2850 8511) during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Exchange of share certificates for Consolidated Shares

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Tuesday, 17 December 2024 to 4:00 p.m. on Monday, 27 January 2025 (both days inclusive), submit the existing share certificates for the Existing Shares to the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for delivery, trading and settlement purposes.

The colour of the new share certificates for the Consolidated Shares will be in yellow colour in order to distinguish them from the existing share certificates in blue colour.

Listing Application

An application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

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

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

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” above. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot of 3,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 3,000 Existing Shares to 6,000 Consolidated Shares per board lot upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.0380 per Existing Share (equivalent to the theoretical closing price of HK\$0.3800 per Consolidated Share) as at the Latest Practicable Date, (i) the value of each existing board lot of 3,000 Existing Shares is HK\$114; (ii) the value of each board lot of 3,000 Consolidated Shares would be HK\$1,140 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 6,000 Consolidated Shares would be HK\$2,280 assuming that the Share Consolidation and the Change in Board Lot Size becoming effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

For the avoidance of doubt, if the Share Consolidation and/or the Rights Issue is/are not approved at the EGM, the proposed Change in Board Lot Size will not become effective and the Shares will continue to be traded on the Stock Exchange in board lot of 3,000 Shares.

Reasons for the Share Consolidation and the Change in Board Lot Size

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated in September 2024 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

As at the Latest Practicable Date, the closing price per Existing Share is HK\$0.0380, which is considered as trading at extremity as refer to under Rule 13.64 of the Listing Rules. The Board considers that the proposed Share Consolidation and Change in Board Lot Size, resulting in the theoretical closing price of HK\$0.3800 per Consolidated Share (based on the current closing price of HK\$0.0380 per Existing Share as at the Latest Practicable Date) and the expected market value of each board lot of HK\$2,280 (based on board lot size of 6,000 Consolidated Shares and the theoretical closing price of HK\$0.3800 per Consolidated Share), will enable the Company to comply with the trading requirements under the Listing Rules.

It is expected that the Share Consolidation and Change in Board Lot Size will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. The Board believes that it will enhance the corporate image of the Company so as to make investing in the Consolidated Shares more attractive to a broader range of investors and other members of the investing public. In addition, the Share Consolidation is expected to decrease the overall transaction and handling costs of trading in the Shares as a percentage of the market value of each board lot, since most of the banks or securities houses will charge a minimum transaction cost for each securities trade. The Company considers that the Change in Board Lot Size will maintain the trading amount for each board lot at a reasonable level and attract more investors and broaden the shareholder base of the Company.

In view of the above reasons, the Company considers the proposed Share Consolidation and Change in Board Lot Size are justifiable notwithstanding of the potential costs and impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation and Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole and that will not have any material adverse effect on the financial position of the Group nor result in any changes in the relative rights of the Shareholders.

As at the Latest Practicable Date, save for the proposed Rights Issue, the Company has no plan or intention to carry out any equity and/or other corporate actions which may have an effect of undermining or negating the intended purpose of the Share Consolidation and the Change in Board Lot Size in the next twelve (12) months. However, the Board cannot rule out the possibility that the Company may conduct further debt and/or equity fund raising exercises

when suitable fund-raising opportunities arise in order to support future development of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

PROPOSED RIGHTS ISSUE

The Company proposes subject to, among other things, the Share Consolidation and the Change in Board Lot Size becoming effective, to raise gross proceeds of up to approximately HK\$72.75 million (assuming full subscription under the Rights Issue) by way of a rights issue of up to 217,823,718 Rights Shares at the Subscription Price of HK\$0.334 per Rights Share on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date. Details of the Rights Issue are set out below:

Rights Issue statistics

Basis of the Rights Issue	:	two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.334 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	1,089,118,593 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	:	108,911,859 Consolidated Shares
Number of Rights Shares	:	up to 217,823,718 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Number of Consolidated Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	326,735,577 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	Approximately HK\$72.75 million before expenses (assuming full subscription under the Rights Issue and assuming no change in the number of Consolidated Shares in issue on or before the Record Date)

Net proceeds from the Rights Issue	:	Approximately HK\$69.55 million after expenses (assuming full subscription under the Rights Issue and assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Net price (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	approximately HK\$0.3193 per Rights Share
Rights of excess application and underwriter	:	There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten.
Compensatory arrangements	:	Any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to Independent Placees on a best effort basis under the Compensatory Arrangements. Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

As at the Latest Practicable Date, the Group has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible into or giving rights to subscribe for, convert or exchange into any Existing Shares or Consolidated Shares, as the case maybe.

Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 217,823,718 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represent (i) 200.00% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) 66.67% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

The Company had approached Kingston Securities Limited (i.e. the Placing Agent) to underwrite the Rights Issue. However, it agreed only to take up the role of Placing Agent to place down the Unsubscribed Rights Shares and ES Unsold Rights Shares, if any, on a best effort basis. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent declined the offer to be an underwriter after considering various factors that, among others, the Placing Agent has recently been more inclined to be a placing agent rather than an underwriter during a period of a weak capital market sentiment.

In addition, the Company had also approached two other local securities houses but was informed that they had no interest in underwriting the Rights Issue notwithstanding the theoretical dilution effect being close to the maximum of 25% given that the Group is still loss making and has a high gearing ratio.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully-subscribed, any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to Independent Placees on a best effort basis by the Placing Agent under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken-up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

As at the Latest Practicable Date, the Board has not received any information or undertaking from any substantial shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue.

Subscription Price

The Subscription Price is HK\$0.334 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 12.11% to the theoretical closing price of HK\$0.3800 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0380 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) discount of approximately 35.77% to the theoretical closing price of HK\$0.5200 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0520 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

- (iii) a discount of approximately 35.27% to the theoretical average closing price of approximately HK\$0.5160 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0516 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 37.10% to the theoretical average closing price of approximately HK\$0.5310 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0531 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 15.66% to the theoretical ex-rights price of approximately HK\$0.3960 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the theoretical closing price of HK\$0.5200 per Consolidated Share (after taking into account the effect of the Share Consolidation, based on the closing price of HK\$0.0520 per Existing Share as quoted on the Stock Exchange on the Last Trading Day);
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 23.85%, represented by the theoretical diluted price of approximately HK\$0.3960 per Consolidated Share to the theoretical benchmarked price of HK\$0.5200 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.0520 per Existing Share and the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the Announcement of approximately HK\$0.0518 per Existing Share); and
- (vii) a discount of approximately 80.59% to the consolidated net asset value per Consolidated Share of approximately HK\$1.7204 (based on the consolidated net asset value of the Company as at 30 June 2024 of approximately HK\$187.37 million and the total number of issued Consolidated Shares after the Share Consolidation, which will be 108,911,859 Consolidated Shares).

The Subscription Price was determined by the Company with reference to (i) the prevailing market conditions and weak market sentiment of the capital market in Hong Kong as mentioned below; (ii) the prevailing market price of the Shares; (iii) low liquidity of the Shares for the six months preceding the Last Trading Day with the average daily trading volume of approximately 443,834 Shares, representing approximately 0.04% of the total number of issued Shares as at the Last Trading Day; (iv) the financial position of the Group, in particular, the loss for the year ended 31 December 2023 attributable to owners of the Company of approximately HK\$72.85 million; (v) the high gearing ratio as at 30 June 2024 of approximately 776% (which was calculated by dividing total debts (including the bank borrowing, loan from a non-controlling interest and other loans) over the equity attributable to owners of the Company) as shown in the interim report of the Company for the six months

ended 30 June 2024; and (vi) the reasons and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” below in this circular.

There is a weak market sentiment of the capital market in Hong Kong recently. The Hang Seng Index, which represents the most widely quoted indicator of the performance of the Hong Kong stock market, stood at 16,788 points on 2 January 2024 and increased to 20,926 points on 8 October 2024, with the liquidity of the capital market shooting up to HK\$11.26 billion. However, as at the Last Trading Day, although the Hang Seng Index remains around 20,426 points, the liquidity of the capital market has significantly decreased to HK\$3.65 billion.

The Board noted the relatively large discount of the Subscription Price as mentioned above. In order to assess the fairness and reasonableness of the terms of the Rights Issue, the Board has identified an exhaustive list of 25 rights issue transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange during the period from 1 July 2024 to the Last Trading Day (the “**Comparable Review Period**”), excluding those rights issue transactions that have been terminated or lapsed. Although the Comparables having rights issue on different bases, engaged in different business or with different financial performance and funding needs, having considered that (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) the analysis is mainly concerned with the principal terms of the rights issues; (iii) an approximately four months period for selection of the Comparables having generated a reasonable sampling size to reflect the market practice regarding rights issue in the recent period; and (iv) the Comparables were sorted out without filtering so the Comparables represent a complete picture of the recent market trends for similar rights issue transactions conducted by other issuers listed on the Stock Exchange, the Board considers the list of Comparables to be representative. In addition, the Board considers that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide the Shareholders with the recent and relevant information in relation to the rights issues to demonstrate the prevailing market practices prior to the Last Trading Day under the prevailing market conditions; and (ii) the Board is able to identify sufficient number of samples of 25 representative Comparables that meet the aforesaid criteria for comparison analysis in such period.

Set out below is an exhaustive list of the Comparables announced during the Comparable Review Period:

Company	Stock code	Date of initial announcement	Rights Issue basis	Expected maximum gross proceeds HK\$ million	Premium/(discount) of the subscription price to the average closing price per share on the last trading day immediately prior to publication of announcement in relation to the respective rights issue (the "LTD Discount") %	Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day immediately prior to publication of announcement in relation to the respective rights issue (the "5-Day Discount") %	Premium/(discount) of the subscription price to the average closing price per share for the last ten consecutive trading days immediately up to and including the last trading day immediately prior to publication of announcement in relation to the respective rights issue (the "10-Day Discount") %	Premium/(discount) of the subscription price to the theoretical rights price per share based on the benchmarked price in relation to the respective rights issue (the "TERP Discount") %	Theoretical dilution effect (the "Dilution Effect") (note 1)	Excess application/Compensatory arrangements	Placing commission
Tongkai New Energy Group Holdings Limited	8326	27/2/2024	1 for 2	40.90	(41.18)	(41.18)	(41.18)	(33.30)	11.76%	Compensatory arrangements	HK\$100,000 or 1% (whichever is higher)
Guan Chao Holdings Limited	1872	12/7/2024	4 for 1	172.80	(20.00)	(20.00)	(13.98)	(4.76)	20.07%	Compensatory arrangements	0.75%
Trendon Holdings Group Limited	1885	19/7/2024	4 for 1	102.00	(14.30)	(17.40)	(17.40)	(4.30)	14.60%	Compensatory arrangements	1%
Roma (Meta) Group Limited	8072	22/7/2024	3 for 1	25.30	(23.08)	(24.24)	(Note 6)	(7.44)	18.18%	Compensatory arrangements	HK\$100,000 + 1.25%
Emperor International Holdings Limited	163	31/7/2024	1 for 2	459.70	(30.60)	(31.50)	(Note 6)	(23.60)	10.50%	Excess application	N/A
Asia Television Holdings Limited	707	2/8/2024	1 for 2	71.24	(46.80)	(41.60)	(45.70)	(57.00)	13.00%	Compensatory arrangements	HK\$100,000 + 2%
Beijingwest Industries International Limited	2339	22/8/2024	1 for 2	48.20	(13.85)	(13.85)	(13.38)	(9.68)	4.62%	Excess application	N/A
Guangdong — Hong Kong Greater Bay Area Holdings Limited	1396	25/9/2024	1 for 2	62.41	(22.03)	(21.77)	(26.63)	(15.85)	8.28%	Excess application	N/A
China New Consumption Group Limited	8275	4/9/2024	1 for 2	24.00	(5.66)	(7.41)	(9.09)	(4.76)	2.47%	Compensatory arrangements	HK\$50,000 or 1.5% (whichever is higher)
Crown International Corporation Limited	727	9/9/2024 (Note 4)	1 for 2	155.40	—	12.25	(0.34)	—	(Note 5)	Excess application	N/A
Shougang Century Holdings Limited	103	13/9/2024	1 for 5	129.25	10.00	8.20	7.84	8.20	6.89%	Excess application	N/A
Dragon Rise Group Holdings Limited	6829	13/9/2024	1 for 1	28.80	(48.70)	(48.20)	(61.70)	(33.10)	24.90%	Compensatory arrangements	HK\$100,000 or 1.0% (whichever is higher)
Shougang Fushan Resources Group Limited	639	23/9/2024	1 for 30	427.00	1.06	2.52	2.04	1.90	0.06%	Excess application	N/A
Huatai Group Limited	9385	23/9/2024	3 for 1	32.10	(31.30)	(24.00)	(22.40)	(10.40)	23.90%	Compensatory arrangements	1%
Imovax Holding Limited	2680	26/9/2024	2 for 1	15.00	(67.39)	(68.35)	(68.13)	(39.02)	22.18%	Compensatory arrangements	1%
China National Culture Group Limited	745	21/10/2024	2 for 1	37.00	(13.97)	(31.31)	(23.35)	(13.39)	21.18%	Compensatory arrangements	2%
Yidita Group Holdings Group Limited	8179	8/10/2024	1 for 2	71.00	(18.07)	(42.40)	(43.83)	(66.00)	6.13%	Excess application	N/A
V & V Technology Holdings Limited	8113	8/10/2024	1 for 2	24.20	(31.31)	(26.40)	(33.30)	(23.23)	10.50%	Excess application	N/A
Emmence Enterprise Limited	619	15/10/2024	2 for 1	62.20	(35.09)	(34.40)	(35.09)	(21.85)	21.30%	Excess application	N/A
Guadi Holdings Limited	4016	18/10/2024	1 for 2	30.20	37.00	38.10	30.30	12.10	2.06%	Compensatory arrangements	1%
Kingley Financial International (Holdings) Limited	1468	18/10/2024 (Note 7)	1 for 2	417.51	(2.56)	(6.17)	(2.49)	(Note 6)	2.06%	Excess application	N/A
China 33 Media Group Limited	8087	21/10/2024	3 for 2	19.40	(7.41)	(8.54)	(9.64)	(3.23)	5.12%	Compensatory arrangements	HK\$100,000 or 1.5% (whichever is higher)
IBC Limited	1029	22/10/2024	1 for 2	362.09	(15.00)	(17.20)	(20.40)	(10.50)	4.90%	Excess application	N/A
Yixiao Group Holdings Company Limited	1638	31/10/2024	49 for 100	112.20	(75.68)	(72.89)	(73.86)	(65.27)	24.23%	Excess application	N/A
China Water Industry Group Limited	1129	6/11/2024	1 for 1	93.68	(49.85)	(49.54)	(49.54)	(33.20)	24.92%	Compensatory arrangements	2%
Minimum				12.00	(73.68)	(72.99)	(73.86)	(65.27)	0.00%		
Mean				62.41	(20.00)	(24.00)	(18.30)	(10.45)	11.13%		
Max				459.70	37.90	38.90	30.30	12.10	24.92%		
Average				120.02	(22.16)	(22.10)	(22.61)	(16.11)	12.70%		
The Company				72.75	(35.77)	(35.27)	(37.10)	(15.66)	23.85%	Compensatory arrangements	2.5%

Source: the website of the Stock Exchange

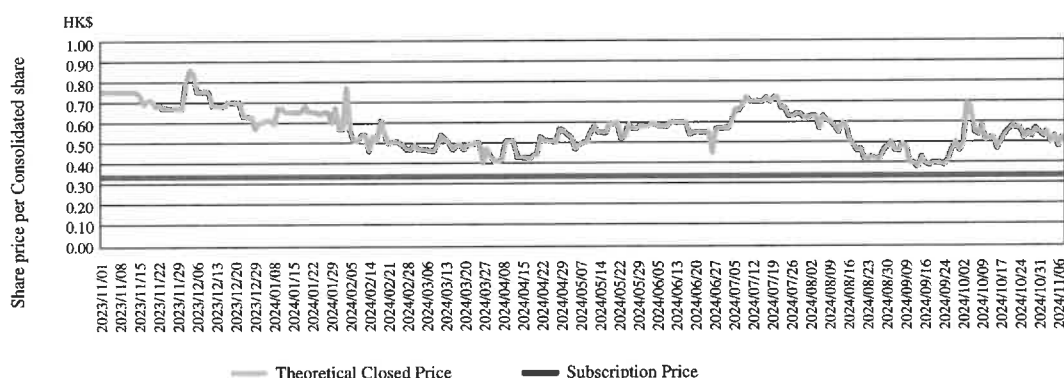
Notes:

- The dilution effect represented by the theoretical diluted price per share of the respective Comparables to the theoretical benchmarked price per share of the respective Comparables (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the last trading day of per share of the respective Comparables and the average closing price per share of the respective Comparables as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the publication of the announcement.
- It represented a discount to the theoretical benchmarked price per consolidated share (after taking into account the effect of the share consolidation) based on the benchmarked price per existing share.
- The company was in a net deficit position based on the information disclosed in its announcement.
- The company announced a classification announcement on 10 September 2024 in relation to the classification on the subscription price and the results of such classification.
- Based on the announcement of the Company, the rights issue was in compliance with the theoretical dilution limit under Rule 7.27B of the Listing Rules but no disclosure on the percentage of the theoretical dilution effect.
- No disclosure was made on the announcement.
- The Company announced a supplemental announcement on 4 November 2024 in relation to the revision of the subscription price.

It is observed that the discounts of the LTD Discount, 5-Day Discount, 10-Day Discount, TERP Discount and the NAV Discount of approximately 35.77%, 35.27%, 37.10%, 15.66% and 80.59%, respectively, are within the market range of the Comparables. The discounts are lower than the minimum of the respective Comparables which are approximately 73.68%, 72.99%, 73.86%, 65.27% and 98.98% and higher than the median of the respective Comparables, which are approximately 20.00%, 24.00%, 18.30%, 10.45% and 88.59%, respectively. The discounts are also higher than most of the average of the respective Comparables of approximately 22.16%, 22.10%, 22.61%, 16.11% and 58.21%, respectively. The theoretical dilution effect of approximately 23.85% is similar with the maximum of the Comparables of approximately 24.92%. The Board believes that it is reasonable to offer discount for the Subscription Price to promote its attractiveness given the generally thin average daily trading volume for the six months preceding the Last Trading Day as mentioned above.

In order to assess the fairness and reasonableness of the Subscription Price, the Board has performed a review on the theoretical closing prices of the Consolidated Share (after taking into account the effect of the Share Consolidation) from 1 November 2023 to the Last Trading Day (the “**Share Price Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. The Board considered that the Share Price Review Period is a reasonably long period covering the annual operating cycle of the Company for analysis purpose to illustrate the general trend and level of movement of the theoretical closing price of the Consolidated Shares and thus the Share Price Review Period is fair and representative to reflect the market assessment on the financial performance of the Group and the general market sentiment.

Chart 1: Historical theoretical closing prices of the Consolidated Shares during the Share Price Review Period



Source: website of the Stock Exchange

As shown in Chart 1, the theoretical closing price of the Consolidated Shares during the Share Price Review Period showed a decreasing trend in general from the highest theoretical closing price of HK\$0.860 per Consolidated Share on 4 December 2023 to the lowest theoretical closing price of HK\$0.380 on 13 September 2024, which represents a decrease of approximately 55.81%. The average theoretical closing price over the Share Price Review Period is approximately HK\$0.571 per Consolidated Share.

During the Share Price Review Period, there were 253 trading days in total. However, there were 88 trading days with no trading record for the Existing Shares. The percentage of the average daily trading volume of the Existing Shares over total number of Existing Shares in issue were in the range of approximately 0.0033% to approximately 0.1101% with an average of approximately 0.0330%. Given that the theoretical closing price of the Consolidated Shares showed a decreasing trend in general and the trading liquidity of the Shares was relatively thin during the Share Price Review Period as discussed above, the Board considered that it is reasonable for the Subscription Price to be set at an attractive discount to the prevailing closing prices of the Shares in order to raise the fund amount as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” below.

In addition, the Board considers, despite the potential dilution impact of the proposed Rights Issue of approximately 23.85% on the shareholding of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Rights Issue under the non-underwritten basis is in compliance with the Listing Rules; (ii) the Company had used its best endeavors to approach three securities firms to act as underwriters but all of them declined the offers; (iii) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (iv) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; (v) the proceeds from the Rights Issue can fulfil the funding needs of the Group; and (vi) the reasons for and benefits of the of the Rights Issue as mentioned in the section headed “Reasons for and benefits of the Rights Issue and use of Proceeds” below.

Qualifying Shareholders

The Company will make available the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, subject to the results of the enquiries made by the Company from such legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may make available copies of the Prospectus to them for their information only, but no PAL will be sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be an Excluded Shareholder.

Beneficial owners whose Shares are held by nominee companies (or held in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by nominee companies (or held in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of the Consolidated Share(s) (with the relevant share certificates) for registration with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by 4:30 p.m. on Thursday, 19 December 2024.

The last day of dealing in the Shares on cum-rights basis is Tuesday, 17 December 2024. The Shares will be dealt with on an ex-rights basis from Wednesday, 18 December 2024.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue. The Company will send the Prospectus (without the PAL) to the Excluded Shareholders for their information only. For the avoidance of doubt, the Overseas Shareholders, if any, are entitled to attend and vote at the EGM.

The Company notes the requirements specified in the notes to Rule 13.36(2)(a) of the Listing Rules, and is in the process of making reasonable enquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders present on the Record Date. If, after such enquiries, the Company is of the opinion that it would be necessary or expedient, on account of the legal restrictions or prohibitions under the laws of the relevant jurisdictions or any requirements of the relevant regulatory body or stock exchange in such jurisdictions, not to offer the Rights Shares to the relevant Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Such Overseas Shareholders will be regarded as Excluded Shareholders and will not qualify for the Rights Issue. The basis of exclusion of Excluded Shareholders, if any, will be disclosed in the Prospectus.

As at the Latest Practicable Date, there are 24 Overseas Shareholders with the following shareholding structure:

Jurisdiction	Number of Overseas Shareholder(s)	Aggregated number of Shares held by Overseas Shareholder(s) in the jurisdiction	Approximate % of the issued share capital of the Company (note)
Australia	1	104	0.0000%
Canada	1	1,848	0.0002%
PRC	1	4,400	0.0004%
United Kingdom	3	184	0.0000%
Macau	14	32,848	0.0030%
Philippines	1	1,170	0.0001%
United States of America	3	1,630	0.0001%
	<u>24</u>	<u>42,184</u>	<u>0.0039%</u>

Note: The percentage figures have been subject to rounding adjustment. Any discrepancies between totals and sums of amount listed herein are due to rounding adjustment.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company.

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

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) Consolidated Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. There will be no excess application arrangements in relation to the Rights Issue.

No fractional entitlements to the Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date, no fractional entitlements to the Rights Shares shall arise under the Rights Issue. No odd lot matching services in relation to the Rights Issue will be provided.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 12 February 2025. If the Rights Issue does not become unconditional, refund cheques are expected to be posted on or before Wednesday, 12 February 2025 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

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

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and ES Unsold Rights Shares to Independent Placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 11 November 2024 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the Independent Placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares during the Placing Period to Independent Placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is capitalized will be paid to those No Action Shareholders on a pro rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 3 February 2025, subscribers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares. Any Unsubscribed Rights

Shares and the ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefits.

Placing Agreement for the Unsubscribed Rights Shares and the ES Unsold Rights Shares

Principal terms of the Placing Agreement are as follows:

Date	:	11 November 2024 (after trading hours of the Stock Exchange)
Issuer	:	The Company
Placing Agent	:	Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on a best effort basis, Independent Placees to subscribe for the Unsubscribed Rights Shares and ES Unsold Rights Shares during the Placing Period.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent is ultimately controlled by Mrs. Chu Yuet Wa, who is a substantial shareholder of a subsidiary of the Company. Therefore, the Placing Agent is an associate (as defined in the Listing Rules) of Mrs. Chu Yuet Wa and is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

- Placing Period : The period commencing from Thursday, 23 January 2025 and ending at 4:00 p.m. on Monday, 3 February 2025.
- Commission and expenses : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong Dollars, of 2.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement. Assuming none of the Qualifying Shareholders has taken up their entitled Rights Shares and all Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placed Agent, the total placing commission will be approximately HK\$1.82 million in cash to be deducted from the gross proceeds of the Rights Issue.
- Placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and the ES Unsold Rights Shares shall be not less than the Subscription Price. The final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and ES Unsold Rights Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and ES Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and none of the placees shall be a party acting in concert (as defined in the Takeovers Code) with any of them or other placees.

The Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing. The Company will continue to comply with the Public Float Requirement upon completion of the Placing and the Rights Issue.

- Ranking of the placed Unsubscribed Rights Shares and ES Unsold Rights Shares : The placed Unsubscribed Rights Shares and ES Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue as at the date of completion of the Rights Issue.
- Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
 - (ii) the Share Consolidation and Change in Board Lot Size having become effective;
 - (iii) the passing of all necessary resolutions to be proposed at the EGM to be convened to consider and, approve, among others, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder;
 - (iv) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
 - (v) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and

(vi) the Placing Agreement not having been terminated accordance with the provisions thereof.

Save for condition (v) which may be waived by either party by notice in writing to the other party, none of the above conditions is capable of being waived.

The condition (v) above being waivable may confer flexibility on the parties to proceed with completion of the Placing despite any minor breach of the representations, warranties or undertakings under the Placing Agreement, if any, which would not have any material adverse impact on the Rights Issue and/or the Placing. That said, neither party to the Placing Agreement intended to waive condition (v) above as at the Latest Practicable Date.

In the event that the above condition precedents have not been fulfilled or waived (as the case may be) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the approvals from the Board and the board of directors of the Placing Agent authorising the entering into of the Placing Agreement, there were no consents and approvals as mentioned in condition (iv) above being required to be obtained by the Placing Agent and/or the Company in respect of the Placing Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, save for condition (iv), none of the above conditions has been fulfilled or waived (as the case may be).

Termination

: Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Rights Shares and the ES Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or

- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
- (v) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (vi) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

Basis of the placing commission

The engagement between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the

Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

To assess the fairness and reasonableness of the placing commission under the Compensatory Arrangements, the Board identified an exhaustive list of 13 placing comparables (the “**Placing Comparables**”) during the Comparable Review Period (excluding 12 Comparables that were involved in excess application for the rights issue, as opposed to the case where the Company provides compensatory arrangements). Details of the Comparables (including the Placing Comparables) are set out in the paragraph headed “Subscription Price” under the section headed “Proposed Rights Issue”.

Having considered that (i) all of the Placing Comparables and the Company are listed on the Stock Exchange; (ii) the analysis is mainly concerned with the placing commission; (iii) an approximately four months period for the selection of the Comparables has generated a reasonable sampling size to reflect the market practice regarding the compensatory arrangements under rights issues in the recent period; and (iv) the Placing Comparables were directly sorted out in the Comparable Review Period without filtering such that the Placing Comparables represent a complete picture of the recent market practice on the placing commission payable by the company under the compensatory arrangements as compared to the rights issue transactions conducted by other issuers listed on the Stock Exchange, the Board considers the list of Placing Comparables to be representative. In addition, the Board considers that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide the Shareholders with the recent and relevant information in relation to the compensatory arrangements under the rights issues to demonstrate the prevailing market practices prior to the Last Trading Day under the prevailing market conditions; and (ii) the Board is able to identify sufficient number of samples of 13 representative Placing Comparables that meet the aforesaid criteria for comparison analysis in such period.

Based on the 13 Placing Comparables, the expected maximum gross proceeds from the Placing Comparables ranged from HK\$12.00 million to HK\$172.80 million, with an average of approximately HK\$51.43 million, where the size of the fundraising of the Company is within the range of the Placing Comparables. Among the Placing Comparables, the placing agent of the subject companies for the relevant rights issue charged a commission ranging from nil to 3.5%, or with a minimum charge ranging from HK\$100,000 to HK\$250,000. The commission of 2.5% charged by the Placing Agent is within the range of the Placing Comparables. The Board (including the independent non-executive Directors) consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares (including the placing commission) are (i) fair and reasonable; (ii) on normal commercial terms or better; and (iii) in the interests of the Company and its Shareholders as a whole.

As explained above, the Unsubscribed Rights Shares and the ES Unsold Rights Shares will be placed by the Placing Agent and/or its sub-placing agent(s) to Independent Placees on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and ES Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole:

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and ES Unsold Rights Shares will be first offered to Independent Placees and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by the licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing shares. The terms and the conditions of the Placing Agreement (including the placing commission) are normal commercial terms or better, and in the best interest of the Company and the Shareholders as a whole; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Excluded Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the Company.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges other than the Stock Exchange.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lot size of 6,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the passing of all the necessary resolution(s) at the EGM to be convened to consider and, approve, among others, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders or the Independent Shareholders (as the case may be);
- (ii) the Share Consolidation and the Change in Board Lot Size having become effective;
- (iii) the delivery to the Stock Exchange for capitalized in and the registration with the Registrar of Companies in Hong Kong respectively one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached hereto) in electronic format and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;
- (iv) the Prospectus Documents are made available to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;

- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms;
- (vi) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events; and
- (vii) compliance with the requirements under the applicable laws and regulations of Hong Kong.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of the conditions of the Rights Issue set forth above. In the event that the Rights Issue is not fully subscribed and provided the Placing Agreement has not been terminated in accordance with the provisions thereof, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid Rights Shares together with the ES Unsold Rights Shares will be placed to Independent Placees on a best effort basis under the Compensatory Arrangements. In the event of any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Compensatory Arrangements, the Rights Issue will continue to proceed but such Unsubscribed Rights Shares or ES Unsold Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Meanwhile, in the event that the Rights Issue is not fully subscribed and the Placing Agreement is terminated for whatever reasons, the Rights Issue will not proceed. For the avoidance of doubt, given the Placing will be proceeded on a best effort basis, there is no guarantee that all the Unsubscribed Rights Shares or ES Unsold Rights Shares could eventually be successfully placed by the Placing Agent.

CLOSURE OF REGISTER OF MEMBERS FOR EGM

The register of members of the Company will be closed from Monday, 9 December 2024 to Friday, 13 December 2024 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

CLOSURE OF REGISTER OF MEMBERS FOR RIGHTS ISSUE

The register of members of the Company will be closed from Friday, 20 December 2024 to Monday, 30 December 2024 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company mainly engaged in property investment. The Company operates its business through two segments, comprising the property investment segment and the securities investment segment. The property investment segment is focus on commercial units located in Hong Kong, while the securities investment segment is involved in short term securities investment.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$72.75 million and the relevant expenses would be approximately HK\$3.20 million. The net subscription price per Rights Share is expected to be approximately HK\$0.3193. Accordingly, the maximum net proceeds (after deducting the estimated expenses) of the Rights Issue are estimated to be approximately HK\$69.55 million.

The Company intends to use approximately HK\$44.00 million (representing approximately 63.26%) of the net proceeds from the Rights Issue for the partial repayment of a loan due to Mrs. Chu Yuet Wah (“Mrs. Chu”) (who is a substantial shareholder of a subsidiary of the Company), while the remaining HK\$25.55 million (representing approximately 36.74%) will be used for the Group’s general working capital.

In the event that there is an undersubscription of the Rights Issue, the use of proceeds raised from the Rights Issue will be allocated on a pro-rata basis for the purpose as disclosed above, i.e., (i) approximately 63.26% of the net proceeds from the Rights Issue will be used for the partial repayment of a loan due to Mrs. Chu; and (ii) approximately 36.74% of the net proceeds from the Rights Issue will be used for the Group’s general working capital.

Funding needs of the Group

According to the Company’s interim report for the six months ended 30 June 2024, the Group’s total assets amounted to approximately HK\$867.51 million, which were financed by current liabilities of approximately HK\$680.13 million and capital and reserves of approximately HK\$187.37 million. The gearing ratio, expressed as a percentage of total debts (including the bank borrowing, loan from a non-controlling interest and other loans) to equity attributable to owners of the Company was 776% as at 30 June 2024, representing an increase of approximately 606.9% compared to the gearing ratio of 169.1% as at 31 December 2023. However, the Group’s current assets as at 30 June 2024, which mainly included held-for-trading investment and bank balance and cash, were approximately HK\$4.83 million only.

As mentioned in the Announcement, there was a loan in the amount of approximately HK\$49.43 million with interest rate of 15% per annum falling due. Such loan has been extended to a maturity date falling on 9 January 2026, on the condition that part of the net proceeds (i.e., approximately HK\$44.00 million if the Rights Issue is fully-subscribed; or approximately 63.26% of the net proceeds if the Rights Issue is undersubscribed) from the Rights Issue will be used to settle the loan upon the completion of the Rights Issue. The loan will be repaid wholly or partly upon completion of Rights Issue on or before 12 February 2025 based on the use of proceeds as mentioned above. In view of the Group's bank balance and cash of approximately HK\$1.98 million as at the Latest Practicable Date, the Directors consider that there is a need for the Group to raise funds to lower its debts and maintain its working capital.

In the event that the Rights Issue is not fully-subscribed, as at the Latest Practicable Date, the Company has no plan or intention to conduct other fundraising activities in the next twelve (12) months. However, the Board cannot rule out the possibility that the Company may conduct further debt and/or equity fund raising exercises when suitable fund-raising opportunities arise in order to support future development of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

Rights Issue as the preferred fund raising activity of the Group

The Board has considered various ways of raising funds and believes that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs.

The Board has considered other fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, given high gearing ratio of the Group, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue and offer Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

The Board (excluding the Independent non-executive Directors who will give their view after taking into consideration of the advice of the Independent Financial Adviser) considers that the terms of the Rights Issue are fair and reasonable and raising funds through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation; (iii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders; and (iv) immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholders, for illustration purposes only:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Share Consolidation		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders and the Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placing Agent	
	No. of issued shares	%	No. of issued shares	%	No. of issued shares	%	No. of issued shares	%
Public shareholders	1,089,118,593	100.00	108,911,859	100.00	326,735,577	100.00	108,911,859	33.33
Independent Placees	—	—	—	—	—	—	217,823,718	66.67
	<u>1,089,118,593</u>	<u>100.00</u>	<u>108,911,859</u>	<u>100.00</u>	<u>326,735,577</u>	<u>100.00</u>	<u>326,735,577</u>	<u>100.00</u>

Note:

- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

The public float requirement under Rule 8.08 of the Listing Rules shall be fulfilled by the Company at all times. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 8.08 of the Listing Rules.

FUND RAISING EXERCISE IN THE PAST 12 MONTHS

The Company had not conducted any other equity fund-raising activities in the past twelve months immediately prior to the Latest Practicable Date.

LISTING RULES IMPLICATIONS

In compliance with Rules 7.19A and 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM at which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, there are no controlling shareholders. As such, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM.

As disclosed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” above, approximately HK\$44.00 million (representing approximately 63.26%) of the net proceeds from the Rights Issue is expected to be utilised for the partial repayment of a loan due to Mrs. Chu, and thus, Mrs. Chu is considered to be interested in the Rights Issue. As at the Latest Practicable Date, Mrs. Chu is interested in an aggregate of 54,245,000 Existing Shares, of which (i) 3,861,000 Existing Shares, representing approximately 0.35% of the entire issued share capital of the Company, were held by Kingston Finance Limited, which is wholly and beneficially owned by Mrs. Chu; and (ii) 50,384,000 Existing Shares, representing approximately 4.63% of the entire issued share capital of the Company, were held by Turbo Kingdom International Limited, which is wholly and beneficially owned by Mrs. Chu. As such, Kingston Finance Limited and Turbo Kingdom International Limited, each being an associate of Mrs. Chu, shall abstain from voting on the resolution approving the Rights Issue at the EGM.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, none of the Directors and the chief executive of the Company and their respective associates is interested in any Shares as at the Latest Practicable Date. Save as disclosed above, no Shareholders, Directors, chief executive of the Company and their respective associates are required under the Listing Rules to abstain from voting in favour of the resolution approving the Rights Issue at the EGM.

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

As at the Latest Practicable Date, the Placing Agent is ultimately controlled by Mrs. Chu, who is a substantial shareholder of a subsidiary of the Company. Therefore, the Placing Agent is an associate (as defined in the Listing Rules) of Mrs. Chu and is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Accordingly, the engagement of the Placing Agent in consideration of placing commission under the Placing Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the percentage ratios (as defined in the Listing Rules) (other than the profit ratio) of the Placing Agreement are less than 25% and the total consideration is less than HK\$10,000,000, the Placing Agreement and the transactions contemplated thereunder fall below the de minimus threshold as stipulated under Rule 14A.76(2) of the Listing Rules, and therefore are subject to reporting and announcement requirements but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that although the Placing Agreement was not entered into in the ordinary and usual course of business of the Group and, the terms of the Placing Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company the Shareholders as a whole.

None of the Directors has a material interest in the Placing Agreement and the transaction contemplated thereunder and therefore no Director is required to abstain from voting on the Board resolution(s) of the Company to approve the Placing Agreement and the transactions contemplated thereunder. The Placing Agreement and the transaction contemplated thereunder are approved by the Board.

GENERAL

The EGM will be convened for the Shareholders and the Independent Shareholders (as the case may be) to consider and, if thought fit, approve the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder. The register of members of the Company will be closed from Monday, 9 December 2024 to Friday, 13 December 2024 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

In order to be registered as a member of the Company on the record date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar for registration by no later than 4:30 p.m. (Hong Kong time) on Friday, 6 December 2024.

The Company will make available the Prospectus Documents containing, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and PAL(s) to the Qualifying Shareholders on or before Tuesday, 31 December 2024. The Company may, to the extent reasonably practicable and legally permitted and subject to the results of the enquiries made by the Company from such legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, make available the Prospectus to the Excluded Shareholders (if any) for their information only, but the Company will not send the PAL to the Excluded Shareholders (if any).

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 18 December 2024. Dealings in the Rights Shares in nil-paid form in the new board lot of 6,000 Rights Shares are expected to take place from Friday, 3 January 2025 to Friday, 10 January 2025 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed “Conditions of the Rights Issue” in this announcement above.

Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any Shareholder or other person dealing in the Shares and/or the nil-paid Rights Shares up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

RECOMMENDATIONS

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Mak Ka Wing, Patrick, Mr. Lam Wai Hung and Mr. Lam Cheung Shing, Richard has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the advice from the Independent Financial Adviser. Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, in particular, as to whether the terms of the Rights Issue are fair and reasonable. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

Your attention is drawn to the letter from the Independent Board Committee set out on page 43 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 44 to 66 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that proposed Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution approving the Share Consolidation to be proposed at the EGM. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution approving the Rights Issue to be proposed at the EGM.

ADDITIONAL INFORMATION

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

For and on behalf of
Far East Holdings International Limited

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Cheung Sze Ming
Executive Director