

14 April 2025

*To: The Listing Rules Independent Board Committee and the Listing Rules Independent Shareholders of
HK Asia Holdings Limited*

Dear Sir/Madam,

**CONNECTED TRANSACTION
IN RELATION TO
PROPOSED ISSUANCE OF CONVERTIBLE NOTES UNDER
SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Listing Rules Independent Board Committee and the Listing Rules 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 14 April 2025 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 14 January 2025 (the “**Agreement Date**”), the Company, Top Legend and the Subscribers entered into the Subscription Agreement pursuant to which the Company conditionally agreed to issue, Top Legend and the Subscribers conditionally agreed to subscribe, in cash, for the Convertible Notes in the principal amount of HK\$33,750,000, which may be converted into 75,000,000 Conversion Shares at the initial Conversion Price of HK\$0.45 per Conversion Share upon the exercise of the Conversion Rights in full.

On 26 March 2025 (after trading hours), the Company, Top Legend and the Subscribers entered into the Supplemental Agreement to revise the Subscription Agreement so as to reflect that with effect from the date of the Supplemental Agreement, Top Legend will not subscribe for its agreed proportion of the Convertible Notes and the Subscriber 3 will take up and subscribe for such proportion of the Convertible Notes. Apart from the relevant change pursuant to the Supplement Agreement and the consequential changes therefrom, there is no other change or amendment made to the Subscription Agreement by virtue of the Supplemental Agreement.

With reference to the Board Letter, the Subscription constitutes connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Listing Rules Independent Board Committee comprising Ms. Yen Jung-Hui, Mr. Chen Xiaobing and Mr. Wong Yun Pun (all being independent non-executive Directors) has been established to advise the Listing Rules Independent Shareholders on (i) whether the terms of the Subscription are on normal commercial terms and are fair and reasonable so far as the Listing Rules Independent Shareholders are concerned; (ii) whether the Subscription is in the interests of the Company and the Shareholders as a whole; and (iii) how the Listing Rules 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 Listing Rules Independent Board Committee and the Listing Rules Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in relation to Offer, details of which were set out in the Company's response document dated 28 February 2025. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company during the past two years immediately preceding the Latest Practicable Date. Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser. Having considered the above and that none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Listing Rules Independent Board Committee and the Listing Rules Independent 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 Company. We have assumed that all information and representations that have been provided by the Company, for which it is 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 Company's 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 13.80 of the Listing Rules.



The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 Subscribers, their respective subsidiaries or associates (as the case may be), 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. Nevertheless, Shareholders will be notified if there are any material changes to our opinion, advice and/or recommendation in this letter after the Latest Practicable Date. 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 while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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:

1. Background of and reasons for the Subscription

Information on the Group

With reference to the Company's annual report for the financial year ended 31 March 2024 (the "**2024 Annual Report**"), the Group is principally engaged in the wholesale and retail sales of Pre-Paid Products in Hong Kong, targeted at Indonesian and Filipino consumers and mobile users who demand for making local and international phone calls and/or mobile data services in Hong Kong and overseas ("**Other Users**"). The Pre-Paid Products are sold through (i) wholesale to the Group's distributors to be further distributed to the consumers by way of retail sales (the "**Wholesale Business**"); and (ii) the Group's self-managed retail shops (the "**Retail Business**").

Based on information provided by the Company, for the year ended 31 March 2024, the Group's sales to (a) Indonesian and Filipino consumers; and (b) Other Users accounted for approximately 67% and 33% of the Group's revenue respectively; and the Group's revenue from Wholesale Business and Retail Business accounted for approximately 55% and 45% of the Group's revenue respectively.

In addition, with reference to the Company's announcements dated 16 February 2025, 23 February 2025 and 21 March 2025 that as at 21 March 2025, the Group purchased an aggregate of approximately 18.88 units of Bitcoin in open market transactions (the "Bitcoin Purchases"), indicating its initial steps in realising the Joint Offerors' intention with the Group (i.e. explore investment opportunities relating to cryptocurrencies, Web 3.0 and blockchain projects (with expected focus on Bitcoin)) as set out in the offer document regarding the Offer dated 7 February 2025 (the "Offer Document").

Financial performance

Set out below is a summary of the Group's audited consolidated financial information for each of the two years ended 31 March 2024 as extracted from the 2024 Annual Report:

	For the year ended 31 March 2024 ("FY2023/24") HK\$'000	For the year ended 31 March 2023 ("FY2022/23") HK\$'000	Year on year change %
Revenue	252,383	204,568	23.37
Gross profit	61,647	45,304	36.07
Gross profit margin (%)	24.43	22.15	
Profit for the year attributable to owners of the Company	14,842	3,940	276.70

As depicted from the above table, the Group's revenue increased from approximately HK\$204.6 million for FY2022/23 to HK\$252.4 million for FY2023/24, representing an increase of approximately 23.37%. With reference to the 2024 Annual Report, such increase was mainly attributable to the increase in sales to Indonesian and Filipino consumers of approximately HK\$72.0 million, partly offset by the decrease in sales to Other Users of approximately HK\$24.2 million. Driven by the aforesaid increase in revenue and increase in gross profit margin, the Group's gross profit increased from approximately HK\$45.3 million for FY2022/23 to approximately HK\$61.6 million for FY2023/24, representing an increase of approximately 36.07%. The Group's gross profit margin also increased from approximately 22.15% for FY2022/23 to approximately 24.43% for FY2023/24, representing an increase of approximately 2.28 percentage points. As advised by the Directors, despite the decrease in sales to Other Users as aforementioned, the proportion of sales of Pre-Paid Products with overseas mobile data services (with higher gross profit margin) increased among the sales to Other Users, thereby increased the Group's gross profit margin.

As a result of the foregoing, the Group's profit for FY2023/24 attributable to owners of the Company increased by approximately 276.70% as compared to that for FY2022/23.

Set out below is a summary of the Group's unaudited consolidated financial information for the six months ended 30 September 2024 (with comparative figures in 2023) as extracted from the Company's interim report for the six months ended 30 September 2024 (the "2024 Interim Report"):

	For the six months ended 30 September 2024 ("HY2024/25") HK\$'000	For the six months ended 30 September 2023 ("HY2023/24") HK\$'000	Year on year change %
Revenue	98,542	129,004	(23.61)
Gross profit	18,478	31,873	(42.03)
Gross profit margin (%)	18.75	24.71	
Profit for the period attributable to owners of the Company	691	10,841	(93.63)

As depicted from the above table, the Group's revenue for HY2024/25 decreased by approximately 23.61% as compared to that for HY2023/24. With reference to 2024 Interim Report and as advised by the Directors, such decrease was mainly attributable to the decrease in sales to Other Users of approximately HK\$24.3 million and the decrease in sales to Indonesian and Filipino consumers of approximately HK\$6.2 million which were mainly due to increase in pricing of overseas voice calls by supplier for some Pre-Paid Products which diminished the consumers' willingness to purchase such Pre-Paid Products and keen market competition. Due to the aforesaid decrease in revenue and the decrease in the Group's gross profit margin as a result of increase in discounts provided to customers in light of keen market competition, the Group's gross profit for HY2024/25 decreased by approximately 42.03% as compared to that for HY2023/24.

As a result of the foregoing, the Group's profit for HY2024/25 attributable to owners of the Company decreased by approximately 93.63% as compared to that for HY2023/24.

Financial position

Set out below is a summary of the consolidated financial position of the Group as at 31 March 2023, 31 March 2024 and 30 September 2024, as extracted from the 2024 Annual Report and the 2024 Interim Report:

	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)	As at 31 March 2023 HK\$'000 (audited)
Total assets	136,851	138,744	179,048
Total liabilities	31,621	14,205	9,351
Net assets attributable to owners of the Company ("NAV")	105,230	124,539	169,697

The Group's NAV decreased from approximately HK\$169.7 million as at 31 March 2023 to approximately HK\$124.5 million as at 31 March 2024, and further decreased to approximately HK\$105.2 million as at 30 September 2024, due to the special dividends of HK\$0.15 per Share ("2023 Special Dividend") and HK\$0.05 per Share ("2024 Special Dividend") declared by the Board on 17 August 2023 and 20 September 2024 respectively, partially offset by the profits recorded by the Group.

Outlook of the Pre-Paid Products

As aforementioned, the Group principally engaged in the wholesale and retail of the Pre-Paid Products in Hong Kong primarily targeted at Indonesian, Filipino and Other Users through the Group's distribution network and self-managed retail shops. Accordingly, we searched for statistics relevant to the Group's existing business.

Number of foreign domestic helpers in Hong Kong

We understood from the Directors that a substantial portion of the Group's revenue were derived from the Pre-Paid Products targeted at Filipino and Indonesian, most of whom are domestic helpers in Hong Kong. As such, we searched for the number of foreign domestic helpers in Hong Kong during the five years ended 31 December 2023, being the latest five full-year statistics as extracted from the Hong Kong Annual Digest of Statistics (2024 Edition) published by the Hong Kong Census and Statistics Department on 30 October 2024:

	2019	2020	2021	2022	2023
Number of foreign domestic helpers in Hong Kong	399,320	373,884	339,451	338,189	356,231
<i>By country:</i>					
– Philippines	219,073	207,402	191,783	190,059	199,516
– Indonesia	170,828	157,802	140,057	139,961	147,597
– Others	9,419	8,680	7,611	8,169	9,118

As illustrated in the above table, the number of foreign domestic helpers recorded year-on-year decrease for each of the year 2020, 2021 and 2022, and recovered for the year 2023. Foreign domestic helpers from Philippines and Indonesia are the two major population and accounted for over 95% of the population of foreign domestic helpers in Hong Kong in aggregate.

Telecommunication indicators in Hong Kong

Set out below are certain telecommunication indicators in Hong Kong during the five fiscal-years ended 31 March 2024, being the latest five fiscal-years statistics published by the Office of the Communications Authority of Hong Kong on 20 January 2025:

	For the year ended 31 March 2020	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2023	For the year ended 31 March 2024
Public mobile subscriptions in Hong Kong (million)	23.21	22.75	26.13	21.61	25.35
Mobile subscriber penetration rate (%)					
(Note)	275	291	342	282	328
International outgoing telephone calls (minutes in billion)	1.35	1.21	0.98	0.92	0.81
International incoming telephone calls (minutes in billion)	0.78	0.76	0.59	0.52	0.51

Note: Mobile subscriber penetration rate is calculated by dividing the number of mobile subscribers by the population in Hong Kong and multiplied by 100%.

As illustrated in the above table, there are over 20 million public mobile subscriptions (including both basic voice services and mobile data services under “pre-paid mobile subscription” and “post-paid mobile subscription”) in Hong Kong for the latest five fiscal-years ended 31 March

2024, with penetration rates ranged from approximately 275% to 342%. Such high penetration rates reflect the widespread and availability of mobile services to the Hong Kong population. Notwithstanding the high penetration rate of mobile subscribers in Hong Kong, both the international outgoing telephone calls and the international incoming telephone calls recorded year-on-year decrease for each of the years ended 31 March 2021, 2022, 2023 and 2024. As advised by the Directors, the decreases in both international outgoing telephone calls and the international incoming telephone calls in recent years were primarily attributed to the shift in communication patterns from traditional voice calls to internet-based communication tools.

As noted from the 2024 Interim Report, in addition to the Group's existing product offering, during HY2024/25, the Group obtained four more Pre-Paid Products with local phone calls and mobile data services in Hong Kong, and 26 more Pre-Paid Products with overseas mobile data services in various countries for sale in Hong Kong. We understood from the Directors that, although the Company has no information on the market shares taken up by the Group, the Group plans to (i) with regards to the Wholesale Business, increase the number of retailers in sales network by actively engaging and onboarding additional retailers to enhance market reach; (ii) strengthen the Group's inventory management capability; and (iii) adopt other alternatives to reduce the operating costs (such as cessation of certain self-managed retail shops with high rental costs with regards to the Retail Business).

Despite the keen market competition (which is one of the factors causing the Group's decrease in revenue and gross profit margin for HY2024/25 as compared to those for HY2023/24) and the shift in communication patterns from traditional international voice calls to internet-based communication tools, the rather stable penetration rate of mobile subscription in Hong Kong as illustrated above shows that the mobile services is a necessity to the Hong Kong population, coupled with the dominate population of Filipino and Indonesian among the foreign domestic helpers in Hong Kong, we are of the view that the Group's existing business (being the sales of the Pre-Paid Products in Hong Kong, through Wholesale Business and Retail Business) is generally sustainable.

Outlook of the cryptocurrencies market

As the Bitcoin Purchases indicated the Group's initial steps in realising the Joint Offerors' intention with the Group (i.e. explore investment opportunities relating to cryptocurrencies, Web 3.0 and blockchain projects (with expected focus on Bitcoin)), we searched for statistics relevant to the global blockchain industry to assess the prospects of the overall blockchain industry and Web 3.0 blockchain market.

Global blockchain industry

Set out below are certain blockchain-related statistics and projections published by Grand View Research on its database available as at the Latest Practicable Date (according to its website, Grand View Research, founded in 2014 with over 500 analysts, is an India and United States based market research and consulting company registered in the State of California and headquartered in San Francisco, the United States. It provides syndicated research reports, customised research reports, and consulting services. Its database features thousands of statistics and in-depth analysis on 46 industries in 25 major countries worldwide, it is used by the world's renowned academic institutions

and Fortune 500 companies and cited by media such as Consumer News and Business Channel (CNBC), British Broadcasting Corporation (BBC) and the Guardian). Please note that as we could not identify actual market size of global blockchain technology for 2023 and 2024 and actual market size of global Web 3.0 blockchain for 2024 from appropriate source, we adopted projected figures published by Grand View Research for our analysis and we are unable to cross-check the projected figures with actual figures.

	2020	2021	2022	2023	2024
Market size of global blockchain technology					
(US\$ million)	3,669.6	5,922.6	10,015.2	17,456.5 (Note)	31,282.0 (Note)
Year-on-year change (%)		61.40	69.10	74.30	79.20
Market size of global Web 3.0 blockchain					
(US\$ million)	1,062.7	1,364.0	1,729.0	2,250.7	3,026.9 (Note)
Year-on-year change (%)		28.35	26.76	30.17	34.49

Note: projected figures

As illustrated in the above table:

- The market size of global blockchain technology increased significantly for each of the year 2021 and 2022, and it was projected that such growth shall further increase for the year 2023 and 2024. Based on the historical market size of global blockchain technology for the three years ended 2022, the global blockchain technology market recorded a compound annual growth rate ("CAGR") of approximately 65.20%; while based on the projected market size of the global blockchain technology for the year 2024, it represented a projected CAGR of approximately 70.87% as compared to that for the year 2020.
- The market size of global Web 3.0 blockchain recorded year-on-year increase for each of the years 2021, 2022 and 2023, and it was projected to reach approximately US\$3,026.9 million for the year 2024, representing an increase of 34.49% as compared to that for the year 2023. Based on the historical market size of global Web 3.0 blockchain for the four years ended 2023, the global Web 3.0 blockchain market recorded a CAGR of approximately 28.42%; while based on the projected market size of the global Web 3.0 blockchain for the year 2024, it represented a projected CAGR of approximately 29.91% as compared to that for the year 2020.

Historical closing price of Bitcoin

As it is also the Joint Offerors' intention to explore investment opportunities in cryptocurrencies, with focus primarily on Bitcoin and the Group had made the Bitcoin Purchases; and that Bitcoin is a major constituent of the cryptocurrency market as its total market capitalisation accounted for approximately 57% of the market capitalisation of all cryptocurrencies as at the Agreement Date based on the data from CoinMarketCap (as described below), we consider Bitcoin is a fair representation of the overall cryptocurrency market and thus we searched for the historical price movement of Bitcoin for our analysis. Set out below is a chart showing the movement of the closing prices of Bitcoin for approximately five years from 1 January 2020 up to and including the Latest Practicable Date (the "Bitcoin Review Period"):



Source: CoinMarketCap.com

According to CoinMarketCap's website, CoinMarketCap was founded in May 2013 and acquired by Binance (a major blockchain ecosystem founded by in 2017 with a product suite that includes, among other things, (i) Binance Exchange, a crypto exchange with average daily turnover of US\$65 billion; (ii) Binance Research, a platform to provide institutional-grade analysis, in-depth insights and unbiased information; (iii) Binance Academy, an open-access learning hub that provides free blockchain and crypto education in over 10 languages; and (iv) Binance NFT, a marketplace of non-fungible tokens dedicated to building a community-focused platform) in April 2020. CoinMarketCap is a highly referenced price-tracking website for cryptoassets in the growing cryptocurrency space. Data and statistics published by CoinMarketCap are cited by media, institutions and government authorities such as Consumer News and Business Channel (CNBC), Bloomberg, Financial Times, MIT (Massachusetts Institute of Technology) Digital Currency Initiative, the United States Department of Treasury and the Hong Kong Monetary Authority.

As stated in CoinMarketCap's website, (i) CoinMarketCap and Binance are separate entities that maintain a strict policy of independence from one another; (ii) Binance has no bearing on CoinMarketCap's ranking activities; (iii) CoinMarketCap has no influence over Binance's operations; and (iv) no Binance employee has control over CoinMarketCap's ranking algorithms or listing processes. Therefore, we consider CoinMarketCap is an independent and reliable source of objective information for the purpose of our analysis on the closing prices of Bitcoin.

As illustrated above, despite the increasing supply of Bitcoin throughout the entire Bitcoin Review Period, the closing price of Bitcoin had nevertheless increased significantly during the same period. The closing price of Bitcoin increased from US\$7,200.17 on 1 January 2020 to US\$96,534.04 as at the Agreement Date, representing an increase of over 12 times, the price of Bitcoin is highly volatile. From the Agreement Date to the Latest Practicable Date, the closing price of Bitcoin fluctuated between US\$76,271.95 and US\$106,146.26. We noted from various news articles and publications that suggested the factors for the fluctuation in price of Bitcoin during the Bitcoin Review Period, such as the monetary policies adopted by the U.S. government (e.g. changes to interest rates), investment appetite of retail and institutional investors (e.g. the hype, fear-of-missing-out (FOMO) and panic selling in response to news and media speculations around Bitcoin), geopolitical tension between Russia and Ukraine, and the regulatory environment for cryptocurrencies following the election of the United States president in 2024.

On 23 January 2025, the United States President Donald John Trump signed an executive order that sets forth the administration's policy to support the responsible growth and the use of digital assets, blockchain technology, and related technologies across all sectors of economy, with the aims of, among other things, protecting and promoting crypto companies' access to banking services and providing regulatory clarity and certainty for the cryptocurrency market.

As also noted from the Offer Document, the Hong Kong government has been actively fostering the growth of the Web 3.0 and cryptocurrency industries through strategic initiatives and supportive policies. Recent efforts include the establishment of a dedicated task force on promoting Web 3.0 development, chaired by the Financial Secretary, to provide guidance on sustainable and responsible industry growth. Additionally, the government has allocated HK\$50 million in the 2023-2024 Budget to expedite the development of the Web 3.0 ecosystem and has implemented a robust regulatory framework for virtual asset service providers (VASPs) to balance innovation with investor protection. The prospects for Web 3.0 and cryptocurrency are highly promising, as these technologies are poised to revolutionize the digital economy by enabling decentralized finance (DeFi), tokenized assets, and enhanced data privacy. With its commitment to innovation and its position as a global financial hub, Hong Kong is well-positioned to lead in shaping the future of blockchain technology and digital assets, attracting international talent and investment.

With the development of Web 3.0 in recent years which utilises blockchain technology and cryptocurrencies to eliminate centralized intermediaries, create a system where no single person or company controlled a set of data to address issues such as data privacy and corporate control in Web 2.0, thereby achieving a decentralised ecosystem, as illustrated by the blockchain-related statistics/projections and the price trend of Bitcoin as set out in the sub-sections headed "Global blockchain

industry” and “Historical closing price of Bitcoin” above, and the promotion of Web 3.0 by the Hong Kong government, we consider the prospects of Web 3.0 and blockchain technology are generally positive.

Information on the Subscribers

Information on the Subscribers is set out in the section headed “Information on the Subscribers” of the Board Letter. Each of the Subscribers is regarded as a connected person to the Company under Chapter 14A of the Listing Rules.

Reasons for and benefits of the Subscription and use of proceeds

With reference to the Board Letter:

- (i) The Directors consider that the issue of the Convertible Notes is an appropriate means of providing additional working capital for the Company since it is non-interest bearing and will not have an immediate dilution effect on the shareholding of the existing Shareholders. In addition, the Subscription by the Subscribers, also being the Joint Offerors to the Offer, demonstrate a strong support from the new group of Shareholders holding the majority interest in the Company in the existing business of the Group.
- (ii) It is intended that the Company will use the net proceeds of approximately HK\$33,250,000 (the “**Net Proceeds**”) for general working capital of the Group (i.e. purchase of the Pre-paid Products) and for capturing potential investment opportunities which may arise in future in the following manners:
 - (a) approximately up to HK\$6,650,000, representing up to approximately 20% of the Net Proceeds, will be used as general working capital, of which:
 - approximately HK\$2 million will be used for expanding the existing business of the Company, including but not limited to the purchase of pre-paid products such as SIM cards and top-up vouchers; and
 - approximately HK\$4.65 million for covering general administrative and operating expenses, including but not limited to, staff costs and related general office expenses.
 - (b) approximately up to HK\$26,600,000, representing approximately 80% of the Net Proceeds, will be used for capturing potential investment opportunities which may arise in future by leveraging the Subscribers’ existing resources and connections to explore cryptocurrency investments and opportunities in Web 3.0, and/or for the acquisition of digital assets such as bitcoins.

As mentioned in the section headed “Outlook of the Pre-Paid Products” above, the Group plans to (i) with regards to the Wholesale Business, increase the number of retailers in sales network by actively engaging and onboarding additional retailers to enhance market reach; (ii) strengthen the

Group's inventory management capability; and (iii) adopt other alternatives to reduce the operating costs (such as cessation of certain self-managed retail shops with high rental costs with regards to the Retail Business).

As mentioned in the section headed "Outlook of the cryptocurrencies market" above, the prospects of Web 3.0 and blockchain technology are generally positive. In addition, the Bitcoin Purchases indicated the Group's initial steps in realising the Joint Offerors' intention with the Group (i.e. explore investment opportunities relating to cryptocurrencies, Web 3.0 and blockchain projects (with expected focus on Bitcoin)).

Given the above, we consider that application of the Net Proceeds for general working capital of the Group (i.e. purchase of the Pre-paid Products) and for capturing potential investment opportunities which may arise in future will facilitate the business operation and development of the Group.

Having also considered that the Subscription will provide funding for the Group without incurring any interest (the Convertible Notes are non-interest bearing), we are of the view that although the Subscription is not conducted in the ordinary and usual course of business of the Company, it is in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Subscription

The Subscription Agreement (as amended by the Supplemental Agreement)

Date

14 January 2025 (as amended on 26 March 2025)

Parties

Issuer: the Company

Subscriber 1: 210K Capital, LP

Subscriber 2: Sora Valkyrie Limited

Subscriber 3: Allied Top Investments Limited

Subject matter

The Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe, in cash, for the Convertible Notes in the principal amount of HK\$33,750,000, which may be converted into 75,000,000 Conversion Shares at the initial Conversion Price of HK\$0.45 per Conversion Share upon the exercise of the Conversion Rights in full.

Conditions Precedent

Subscription Completion is conditional upon fulfilment or waiver (as the case may be) of the Subscription Conditions. Further details of Subscription Conditions are set out under the sub-section headed “Conditions Precedent for the Subscription Agreement” of the Board Letter.

The Convertible Notes

Issuer

The Company

Subscribers

Subscriber 1: 210K Capital, LP

Subscriber 2: Sora Valkyrie Limited

Subscriber 3: Allied Top Investments Limited

Principal amount

HK\$33,750,000, which shall be settled by the Subscribers in cash.

The respective principal amount of the Convertible Notes which the Subscribers agree to subscribe is set out below:

Subscriber 1: HK\$11,475,000

Subscriber 2: HK\$11,137,500

Subscriber 3: HK\$11,137,500

Maturity Date

The date falling on the second anniversary date of the issue date of the Convertible Notes.

Interest

Non-interest bearing.

Conversion price

The initial Conversion Price will be HK\$0.45 per Conversion Share represents:

- (i) a discount of approximately 88.31% to the closing price of HK\$3.850 per Share as quoted on the Stock Exchange on the Latest Practicable Date (the “**LPD Discount**”);
- (ii) a discount of approximately 5.26% (the “**LTD Discount**”) to the closing price of HK\$0.475 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (iii) a discount of approximately 4.26% (the “**5-Day Discount**”) to the average closing price of HK\$0.47 per Share as quoted on the Stock Exchange for the 5 consecutive Trading Days immediately before the date of the Subscription Agreement; and
- (iv) a premium of approximately 41.73% (the “**30-Day Premium**”) over the average closing price of approximately HK\$0.318 per Share as quoted on the Stock Exchange for the 30 consecutive Trading Days immediately before the date of the Subscription Agreement.

The initial Conversion Price was determined after arm’s length negotiations between the Company and the Joint Offerors after considering the prevailing market performance of the Shares and current market conditions.

Conversion period

The Conversion Right in respect of a Convertible Note may be exercised, at the option of the holder thereof, at any time on or after the issue date of the Convertible Notes to the close of business on the date falling one day prior to the Maturity Date (both days inclusive).

Conversion Shares

Based on the principal amount of the Convertible Notes of HK\$33,750,000, the Convertible Notes are convertible into 75,000,000 Conversion Shares at the initial Conversion Price of HK\$0.45 per Conversion Share (subject to adjustments).

Based on the Agreed Proportion, the maximum number of Conversion Shares which may be allotted and issued to the Subscribers are set out below:

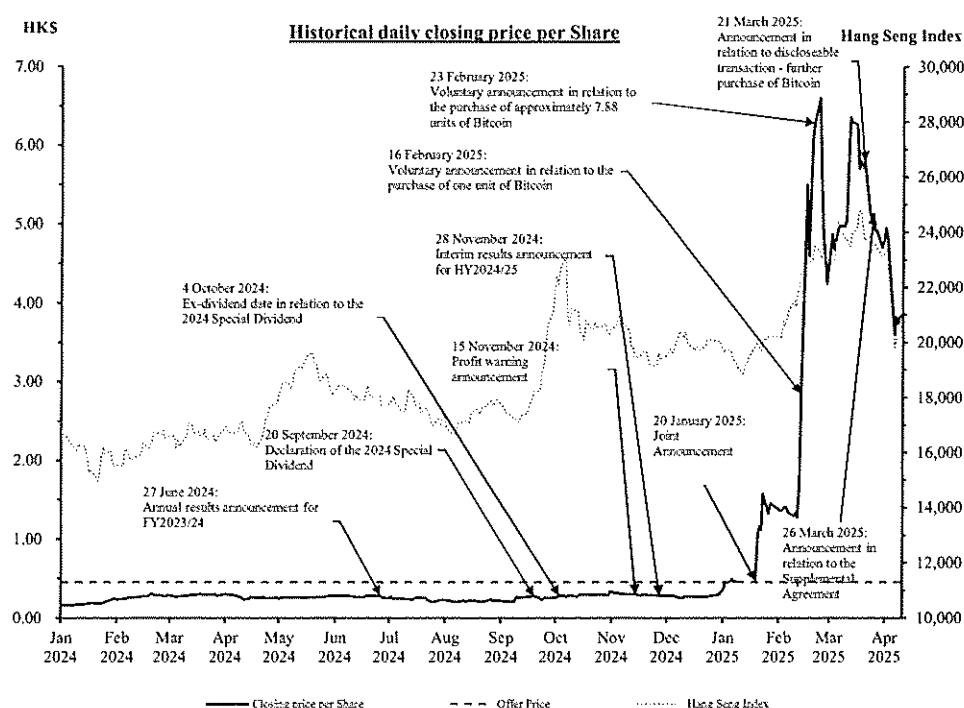
Subscriber 1: 25,500,000 Conversion Shares

Subscriber 2: 24,750,000 Conversion Shares

Subscriber 3: 24,750,000 Conversion Shares

Analysis on the initial Conversion Price

Set out below is a chart showing the movement of the closing prices of the Shares, together with the movement of Hang Seng Index during the period from 2 January 2024 up to the Last Trading Date (the “Share Review Period”), being an adequate and representative review period and the duration of such period is sufficient for us to perform a thorough analysis on the general trend and level of movement of the closing prices of the Shares. We also set out the movement of the closing prices of the Shares, together with the movement of Hang Seng Index during the period after publication of the Joint Announcement and up to the Latest Practicable Date for information purpose.



Source: the Stock Exchange's website

From the start of the Share Review Period up to the Last Trading Date, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.495 recorded on 7 January 2025 and HK\$0.163 recorded on 9 January 2024. Following the publication of the Joint Announcement and up to the Latest Practicable Date, the closing price of Shares surged significantly and reached its peak of HK\$6.6 per Share on 24 February 2025 and fluctuated thereafter. The initial Conversion Price of HK\$0.45 per Conversion Share falls within the closing price range of the Shares as quoted on the Stock Exchange during the Share Review Period and is higher than the closing prices of Shares for 248 Trading Days out of the total of 253 Trading Days during the Share Review Period (in particular, the initial Conversion Price is (i) higher than the closing prices of Shares from the start of the Share Review Period up to and including 3 January 2025; and (ii) lower than the closing prices of Shares for only five Trading Days prior to and

including the Last Trading Date). Following the publication of the Joint Announcement and up to the Latest Practicable Date (the “**Post-Announcement Period**”), the initial Conversion Price is lower than the closing prices of Shares.

As part of our analysis, we also identified subscription transactions in relation to issuance of convertible bonds/notes for cash consideration (excluding transactions involving restructuring, loan capitalisation and set-off of debt in whole or in part) which were announced by companies listed on the Stock Exchange from 14 October 2024 up to date of Subscription Agreement, being a period of three months prior to and including the Agreement Date (the “**CB Comparables**”). To the best of our knowledge and as far as we are aware of, we found 9 transactions which met the said criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the CB Comparables.

Company name (stock code)	Date of announcement	Interest rate per annum (%)	Conversion price premium over the closing price per share on the last trading day immediately prior to the date of agreement in relation to the respective issuance of convertible bonds/notes (%)	Conversion price premium over the average closing price per share for the last 5 consecutive trading days immediately prior to and including the date of agreement in relation to the respective issuance of convertible bonds/notes	Conversion price premium over the average closing price per share for the last 30 consecutive trading days immediately prior to and including the date of agreement in relation to the respective issuance of convertible bonds/notes
				(%)	(%)
Luye Pharma Group Ltd. (2186)	23 October 2024	5.85	20.00	18.38	17.13
ANTA Sports Products Limited (2020)	27 November 2024	Nil	35.00	32.34	23.74
Kidztech Holdings Limited (6918)	3 December 2024	12	4.58	4.58	(10.80)
Apollo Future Mobility Group Limited (860)	6 December 2024	5	231.18	231.90	208.41
Tibet Water Resources Ltd. (1115)	12 December 2024	8	1.54	1.54	(2.08)
Basic House New Life Group Limited (8360)	20 December 2024	6	Nil	3.45	(0.55)
Eternity Investment Limited (764)	23 December 2024	5	4.59	4.03	4.17
China Silver Technology Holdings Limited (515)	27 December 2024	8	132.56	142.72	89.99
Zhidao International (Holdings) Limited (1220)	13 January 2025	Nil	22.22	5.77	28.21
Maximum		12	231.18	231.90	208.41
Minimum		Nil	Nil	1.54	(10.80)
Average		5.54	50.19	49.41	39.80
The Company	20 January 2025	Nil	(5.26)	(4.26)	41.73

Source: the Stock Exchange's website

We noted from the above table that the conversion prices of the CB Comparables (i) ranged from nil discount/premium to a premium of approximately 231.18% with an average premium of approximately 50.19% over the respective closing prices of shares on the last trading day prior to or the date of announcement in relation to the respective transaction (the “**LTD Premium Market Range**”); (ii) ranged from a premium of approximately 1.54% to approximately 231.18% with an average premium of approximately 49.41% over the respective average closing prices of shares for the last 5 consecutive trading days immediately prior to and including the date of agreement in relation to the respective transaction (the “**5-Day Premium Market Range**”); and (iii) ranged from a discount of approximately 10.80% to a premium of approximately 208.41% with an average premium of approximately 39.80% over the respective average closing prices of shares for the last 30 consecutive trading days immediately prior to and including the date of agreement in relation to the respective transaction (the “**30-Day Premium/Discount Market Range**”).

Although the LTD Discount and 5-Day Discount fall below the LTD Premium Market Range and 5-Day Premium Market Range respectively, the 30-Day Premium falls within the 30-Day Premium/Discount Market Range and is slightly higher than its average premium.

As aforementioned, the initial Conversion Price of HK\$0.45 per Conversion Share falls within the closing price range of the Shares as quoted on the Stock Exchange during the Share Review Period and is higher than the closing prices of Shares for 248 Trading Days out of the total of 253 Trading Days during the Share Review Period (in particular, the initial Conversion Price is (i) higher than the closing prices of Shares from the start of the Share Review Period up to and including 3 January 2025; and (ii) lower than the closing prices of Shares for only five Trading Days prior to and including the Last Trading Date). In other words, the LTD Discount of approximately 5.26% and 5-Day Discount of approximately 4.26% were caused by the fluctuation of closing prices of Shares during the five Trading Days prior to and including the Last Trading Date.

As aforementioned, following the publication of the Joint Announcement and up to the Latest Practicable Date, the closing price of Shares surged significantly and reached its peak of HK\$6.6 per Share on 24 February 2025 and fluctuated thereafter. Such closing price surge may reflect positive market reaction to the information disclosed by the Company during the Post-Announcement Period (including but not limited to the Joint Announcement in relation to, amongst others, the Acquisition and the Subscription).

We noted that the initial Conversion Price is lower than the closing prices of Shares during the Post-Announcement Period and represented the LPD Discount of approximately 88.31%. Nevertheless, the initial Conversion Price was determined prior to the Post-Announcement Period and not based on the closing prices of Shares during the Post-Announcement Period. The Subscribers, Top Legend and the Company entered into the Subscription Agreement on 14 January 2025. On even date, the Subscribers, Top Legend and Mr. Siu Muk Lung entered into the sale and purchase agreement regarding the Acquisition, whereas the consideration per Share acquired equals to the initial Conversion Price. None of the parties to the Subscription Agreement could predict the closing prices of Shares during the Post-Announcement Period. Accordingly, the fact that the initial Conversion Price is lower than the closing prices of Shares during the Post-Announcement Period and the LPD Discount would not affect our assessment on the fairness and reasonableness of the initial Conversion Price.

Having considered the above, we are of the view that the Conversion Price is fair and reasonable.

Analysis on the interest rate

As presented by the table above, the CB Comparables had annual interest rate ranging from nil to 12% with an average of approximately 5.54%. The Convertible Notes are non-interest bearing. Therefore, we consider that the non-interest bearing nature of the Convertible Notes is in the interest of the Company and is fair and reasonable.

Other terms of the Subscription

For further details and terms of the Subscription, please refer to the section headed “II. THE SUBSCRIPTION AND THE CONVERTIBLE NOTES” of the Board Letter.

Taking into account the principal terms of the Subscription as highlighted above, we are of the view that the terms of the Subscription are on normal commercial terms and are fair and reasonable so far as the Listing Rules Independent Shareholders are concerned.

3. Possible dilution effect on the shareholding interests of the public Shareholders

As illustrated by the shareholding table contained under the section headed “Effect on the shareholding structure of the Company” of the Board Letter, the shareholding interests of the public Shareholders would be diluted by approximately 4.70 percentage points as a result of the full conversion of the Convertible Notes. In this regard, taking into account (i) the reasons and benefits for the Subscription; and (ii) the terms of the Subscription being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the full conversion of the Convertible Notes is justifiable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription are on normal commercial terms and are fair and reasonable so far as the Listing Rules Independent Shareholders are concerned; 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 Listing Rules Independent Board Committee to advise the Listing Rules Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription and we recommend the Listing Rules 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 around 30 years of experience in investment banking industry.