

11 July 2025

*To the Independent Board Committee and the Independent Shareholders of  
Celestial Asia Securities Holdings Limited*

Dear Sirs,

## **CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder (including the granting of the Specific Mandate), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 11 July 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

As set out in the Letter from the Board, on 10 June 2025 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which, subject to fulfilment of the conditions precedent, the Subscriber agreed to subscribe for and the Company agreed to issue the Convertible Bonds in an aggregate principal amount of HK\$20,000,000.

The Convertible Bonds carry the conversion rights to convert into up to 16,000,000 Conversion Shares at the initial Conversion Price of HK\$1.25 (subject to adjustments) per Conversion Share. Upon the full conversion of the Convertible Bonds at the initial Conversion Price, a total of 16,000,000 Conversion Shares will be issued to the Subscriber, representing (i) approximately 19.82% of the existing issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 16.54% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares to the Subscriber (assuming there is no other change to the total number of Shares from the Latest Practicable Date and up to conversion of the Convertible Bonds).

The Conversion Shares will be allotted and issued under the Specific Mandate which is subject to the Independent Shareholders' approval at the SGM.

As at the Latest Practicable Date, the Subscriber is wholly and beneficially owned by Dr Kwan, the chairman of the Board, an executive Director and the chief executive officer of the Company. Dr Kwan directly owns, and is, through the Subscriber, interested in 40,197,599 Shares, representing approximately 49.79% of the issued share capital of the Company as at the Latest Practicable Date. As such, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Subscriber is wholly and beneficially owned by Dr Kwan, and Mr Kwan and Ms Kwan are the son and daughter of Dr Kwan, respectively, each of Dr Kwan, Mr Kwan and Ms Kwan is considered to have a material interest in the Subscription and had abstained from voting on the resolutions passed by the Board to approve the Subscription Agreement and the transactions contemplated thereunder (including the granting of the Specific Mandate).

As at the Latest Practicable Date, the Subscriber and its associates are interested in 40,197,599 Shares, representing approximately 49.79% of the issued share capital of the Company.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Leung Ka Kui Johnny, Mr. Wong Chuk Yan and Dr. Chan Hak Sin, has been established to advise the Independent Shareholders regarding the terms of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate), and so as to whether the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms, and the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the SGM, after taking into account the recommendations of the Independent Financial Adviser.

We, Vinco Financial Limited, have been appointed and approved by the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription Agreement and the transactions contemplated thereunder (including the granting of the Specific Mandate). In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms, and the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the granting of the Specific Mandate) so far as the Independent Shareholders are concerned.

## **OUR INDEPENDENCE**

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder (including the granting of the Specific Mandate). Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Subscription and the transactions contemplated thereunder (including the granting of the Specific Mandate) of the Company.

## **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Subscription and the transaction contemplated thereunder since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Subscription.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have discussion with the management of the Group to understand the information collected from the Company including but not limited to (i) the published financial reports of the Group for the three financial years ended 31 December 2024 (the “**2023 Annual Report**” and “**2024 Annual Report**”, respectively) and the management account of the Company for the three months ended 31 March 2025; (ii) the Subscription Agreement; (iii) other information as set out in the Circular. Furthermore, we have researched and analysed the market information obtained from the website of the Stock Exchange. Our opinion is necessarily based on the management’s representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscription and the transactions contemplated thereunder (including the granting of the Specific Mandate). 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 the Listing Rules. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription Agreement and the transaction contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinions and recommendations in respect of the Subscription, we have taken into consideration of the following principal factors and reasons:

### **1. Business and financial information of the Group**

The principal activity of the Company is investment holding. The principal activities of the Group are (a) the retail management business including sales of furniture and household items, electrical appliances, food and pets accessories through the chain stores under multi-brand names including “Pricerite Home”, “TMF”, “Pricerite Creations” and “Pricerite Pet” in Hong Kong; (b) the provision of investment management services to fund investors (the “**Investment Management Business**”); (c) the other financial services businesses (other than the Investment Management Business) provided through CASH Financial Services Group Limited (a 64.47%-owned listed subsidiary of the Company).

Set out below is summary of the Group's audited financial information of the Group for the three years ended 31 December 2022, 31 December 2023 and 31 December 2024 ("FY2022", "FY2023" and "FY2024", respectively), as extracted from the 2023 Annual Report and 2024 Annual Report:

**Table 1: Historical financial information of the Group**

	For the year ended 31 December		
	2024	2023	2022
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000
Revenue			
– Retailing	831,022	958,503	1,199,307
– Investment management services	6,926	4,733	4,447
– Other financial services	45,709	53,187	7,133
	<u>883,657</u>	<u>1,016,423</u>	<u>1,210,887</u>
Loss for the year	(63,782)	(142,925)	(35,249)
	As at 31 December		
	2024	2023	2022
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000
Total assets	1,031,677	1,317,657	1,786,542
Total liabilities	<u>935,547</u>	<u>1,148,677</u>	<u>1,495,268</u>
Total equity	<u><u>96,130</u></u>	<u><u>168,980</u></u>	<u><u>291,274</u></u>

***FY2024 versus FY2023***

With reference to 2024 Annual Report, the Group recorded revenue of approximately HK\$883.7 million for FY2024, representing a decrease of approximately 13.1% as compared with approximately HK\$1,016.4 million for FY2023. The decline was primarily attributable to a decrease in revenue from retailing segment, mainly due to a drop in sales of (i) furniture and household goods and (ii) electrical appliances by approximately 9.9% and 41.1% respectively.

The Group recorded a decrease of approximately 55.4% in loss for the year from approximately HK\$142.9 million for FY2023 to approximately HK\$63.8 million for FY2024. Such decrease in loss was mainly attributable to the decrease in segment losses of the Group's retailing business and other financial services business.

The Group's audited total assets and total liabilities as at 31 December 2024 amounted to approximately HK\$1,031.7 million and HK\$935.5 million respectively. The Group's audited net assets value amounted to approximately HK\$96.1 million as at 31 December 2024, representing a decrease of approximately 43.1% as compared to that of approximately HK\$169.0 million as at 31 December 2023. Such decrease was mainly due to the net loss for the year. The gearing ratio, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 269.7% as at 31 December 2024 as compared to 201.0% as at 31 December 2023. The increase in gearing ratio was mainly due to the loss incurred during the year.

### ***FY2023 versus FY2022***

With reference to 2023 Annual Report, the Group recorded revenue of approximately HK\$1,016.4 million for FY2023, representing a decrease of approximately 16.1% as compared with approximately HK\$1,210.9 million for FY2022. The decline was primarily attributable to a decrease in revenue from retailing segment, mainly due to a drop in sales of furniture and household goods by approximately 20.0%.

The Group recorded an increase of approximately 305.5% in loss for the year from approximately HK\$35.2 million for FY2022 to approximately HK\$142.9 million for FY2023. Such increase in loss was mainly attributable to the consolidation of the operating results of Cash Financial Services Group Limited (stock code: 510) in 2022.

The Group's audited total assets and total liabilities as at 31 December 2023 amounted to approximately HK\$1,317.7 million and HK\$1,148.7 million respectively. The Group's audited net assets value amounted to approximately HK\$169.0 million as at 31 December 2023, representing a decrease of approximately 42.0% as compared to that of approximately HK\$291.3 million as at 31 December 2022. Such decrease was mainly due to the net loss for the year. The gearing ratio, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 201.0% as at 31 December 2023 as compared to 128.8% as at 31 December 2022. The increase in gearing ratio was mainly due to the loss incurred during the year.

### **Prospect and outlook of the Group**

As disclosed in 2024 Annual Report, looking ahead to 2025, Hong Kong is expected to benefit from a general downtrend in interest rates, continued economic growth, and an influx of talent. These factors should support stable growth in the residential property market.

Pursuant to the 2025-2026 Budget published by the Hong Kong government we reviewed, we noted the potential land supply for the whole year is expected to have a capacity for providing about 13,700 units and the total public housing supply in the coming five years will reach 190,000 units. We concur with the view of the Group that these developments are expected to positively impact the furniture and household sectors. The stay-at-home economy continues to drive solid demand for furniture and household products. Also, with reference to the Hong Kong Property Review 2025 issued by the Hong Kong Rating and Valuation Department in April 2025, trading volume in the primary and secondary residential property sales market surged to a total of 53,099 transactions in 2024, represented an increase of approximately 23% from the preceding year's figure and there will be 20,862 private domestic units to be completed in 2025 according to the forecast. Moreover, based on the Hong Kong Property Market Monthly Digest published by Vigers Appraisal and Consulting Limited in March 2025, we noted that there have been several residential projects achieved strong sales in March 2025, such as Yoho West Parkside being sold out all units in the first three rounds of sales, achieving cumulative sales of 501 units, Vanke's Le Mont with 412 units being sold, Eight Southpark with 254 units being sold and HAVA with 201 units being sold. We believe such increase in property sales volume along with the projected completions of residential units as disclosed by the Hong Kong government, reflects strong demand for furniture and household products, which will support the continued growth of the Group's retail business.

Furthermore, Pricerite, as the Group's retailing business, is well-positioned to capitalise on these trends. Its cost optimisation measures and strategic investments in innovation have laid a strong foundation for growth. With unparalleled local knowledge of Hong Kong's living environment, Pricerite's multi-functional furniture solutions meet the demands of customers, offering value-for-money quality options and hassle-free after-sales services.

The Group will continue investing in Pricerite's online-merge-offline business model and digitalisation programmes to enhance operational efficiency, drive sustained growth, and strengthen customer engagement in an evolving digital retail landscape.

Having considered the above outlook of the Group, we believe the Group is confident in its retail management business with the aforementioned approaches and continues to deliver the services effectively to drive revenue growth.

## **2. Reasons for and benefits for the Subscription and use of proceeds**

As disclosed in the Letter from the Board, the principal activity of the Company is investment holding. The principal activities of the Group are (a) the retail management business including sales of furniture and household items, electrical appliances, food and pets accessories through the chain stores under multi-brand names including "Pricerite Home", "TMF", "Pricerite Creations" and "Pricerite Pet" in Hong Kong; (b) the provision of investment management services to fund investors (the "**Investment Management Business**"); and (c) the other financial services businesses (other than the Investment Management Business) provided through CASH Financial Services Group Limited (a 64.47%-owned listed subsidiary of the Company). For additional information, please visit [www.cash.com.hk](http://www.cash.com.hk).

The Directors consider that the Subscription will strengthen the financial position of the Group and support the business development of the Group. The gross proceeds from the Subscription will be approximately HK\$20 million. The net proceeds from the Subscription (after deducting the related expenses and professional fees incurred in the Subscription) are estimated to be approximately HK\$20 million.

The Company intends to utilise all the net proceeds from the Subscription as general working capital towards the operation of the retailing business of the Group covering rental expenses, staff salaries, utilities expenses and other operating expenses, thereby strengthening the Group's financial position and supporting its business development. Considering that the Company had already raised HK\$20 million from the issue of the GM Convertible Bonds on 19 June 2025 and taking into account the Group's confidence in sustaining its business as outlined in the section headed "Prospect and outlook of the Group", we are of the view that the proposed uses of proceeds as general capital in the retail business of the Group directly address the funding need of the retailing business of the Group, ensure business continuity, and provide a necessary liquidity buffer to strengthen the Group's financial position and hence is reasonable due to the following findings. Such assessment is based on the financial performance of the Group, which recorded loss for each of the three years ended 31 December 2024 as analysed under section headed "1. Business and financial information of the Group" alongside the reference of the historical operation expenses for the year ended 31 December 2024 pursuant to 2024 Annual Report, including approximately HK\$179 million in salaries, allowances and related benefits, and approximately HK\$208 million in other operating, administrative and selling expenses. In addition, we reviewed the latest management accounts and cash flows statements of the Group for the three months ended 31 March 2025 and noted that there were net loss incurred and net cash outflows to the operating activities for the period ended. Therefore, we believe that allocating the net proceeds from the Subscription as general working capital will support the Group's ongoing business needs and enhance its business development and financial performance.

Having taken into consideration that (i) the Subscription represents a good and timely opportunity for the Company to strengthen the financial position and liquidity of the Group and to enhance its capability to operate its business, if the Bondholder choose to exercise the conversion rights attaching to the Convertible Bonds; (ii) the Conversion Price represents a premium over the current market price of the Shares; (iii) the Convertible Bonds will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (iv) the net proceeds from the Subscription will be utilised as general working capital towards the operation of the retail business of the Group, thereby strengthening the Group's financial position and supporting its business development, we are of the view and concur with the Directors' view that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and on normal commercial terms, and the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

### **3. Information of the Subscriber**

Cash Guardian Limited, an investment holding company incorporated in the British Virgin Islands and is wholly and beneficially owned by Dr Kwan, the chairman to the Board, an executive Director and a chief executive officer of the Company. Dr Kwan directly owns, and is, through the Subscriber, interested in 40,197,599 Shares, representing approximately 49.79% of the issued share capital of the Company as at the Latest Practicable Date. As such, the Subscriber is a connected person of the Company.

### **4. Information of the Subscription Agreement**

On 10 June 2025 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which, subject to fulfilment of the conditions precedent, the Subscriber agreed to subscribe for and the Company agreed to issue the Convertible Bonds in an aggregate principal amount of HK\$20,000,000.

Date: 10 June 2025 (after trading hours)

Parties:

- (i) the Company, as issuer; and
- (ii) Cash Guardian Limited, as subscriber.

As at the Latest Practicable Date, the Subscriber is an investment holding company incorporated in the British Virgin Islands and is wholly and beneficially owned by Dr Kwan, the chairman to the Board, an executive Director and a chief executive officer of the Company. Dr Kwan directly owns, and is, through the Subscriber, interested in 40,197,599 Shares, representing approximately 49.79% of the issued share capital of the Company as at the Latest Practicable Date. As such, the Subscriber is a connected person of the Company.



## **The Subscription**

Subject to the fulfillment of the conditions precedent to the Subscription as set out below, the Subscriber has agreed to subscribe for the Convertible Bonds with the principal amount of HK\$20,000,000 under the Subscription Agreement which will be satisfied by way of cash.

### **Conditions precedent to the Subscription**

Completion of the Subscription Agreement shall be subject to and conditional upon the following:

- (a) the passing by the Independent Shareholders of the relevant resolution(s) at the SGM in compliance with the requirements of the Listing Rules approving:
  - (i) the Subscription Agreement and the transactions contemplated thereunder; and
  - (ii) the issue of the Convertible Bonds and the Specific Mandate;
- (b) all necessary consent and approvals required to be obtained on the part of the Company in respect of the Subscription and the transactions contemplated thereunder having been obtained;
- (c) all necessary consent and approvals required to be obtained on the part of the Subscriber in respect of the Subscription and the transactions contemplated thereunder having been obtained;
- (d) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the convertible bonds, and such approval remains valid and effective; and
- (e) if required, all other approvals, consents and acts required under the Listing Rules or other applicable laws and regulations or otherwise required from any third parties (including banks or financial institutions) in connection with the Subscription Agreement and the transactions contemplated thereunder having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such laws, rules, regulations and requirements having been obtained from the Stock Exchange, the SFC, or other relevant regulatory authorities or the relevant third parties.

None of the conditions set out above may be waived. If the conditions of the Subscription Agreement are not fulfilled on or before 4:00 p.m. on 30 September 2025 (or such later date as may be agreed between the parties thereto), the Subscription Agreement will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

As at the Latest Practicable Date, none of the conditions precedent of the Subscription Agreement has been fulfilled.

## Completion of the Subscription

Completion of the Subscription Agreement will take place on the third Business Day after the fulfillment of the conditions referred to above (or such other date as may be agreed between the respective parties).

### 5. Information of the Convertible Bonds

Issuer	:	The Company
Principal amount	:	HK\$20,000,000
Maturity date	:	the third anniversary of the issue date of the Convertible Bonds or any other date mutually agreed between the Company and the Bondholder (the “ <b>Maturity Date</b> ”)
Interest	:	five per cent. (5.0%) per annum on the principal amount of the Convertible Bonds outstanding and payable (i) quarterly in arrear in each year; and (ii) on the Maturity Date or the Early Redemption Date (as appropriate)
Status	:	The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

- Conversion : Provided that (i) any conversion of the Convertible Bonds (a) shall not (1) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the conversion right and party(ies) acting in concert with it, or (2) the Executive Director of the Corporate Finance Division of the SFC (or any of his delegates) has granted a waiver, pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, from the obligation of the Bondholder to make a mandatory general offer pursuant to Rule 26 of the Takeovers Code and all conditions attached with such waiver are satisfied; and (b) will not cause the public float of the Shares becoming unable to meet the requirement under the Listing Rules, the Bondholder will have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into Shares at any time and from time to time, during the period commencing from six (6) months of the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) immediately prior to and exclusive of the Maturity Date provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion, save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.
- Adjustments to the Conversion Price : The Conversion Price will from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, among other things, the following events except where any such event is specifically exempted under the terms and conditions of the Convertible Bonds:
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or sub-division;
  - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), other than an issue of Shares paid up out of profits or reserves and issued in lieu of the whole or part of a specifically declared cash dividend;

- (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders in their capacity as such or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares being made by the Company to Shareholders (in their capacity as such) at a price which is less than 70% of the “market price” on the date of the announcement of the terms of the offer or grant;
- (v) an issue wholly for cash any securities by the Company which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 70% of the “market price” on the date of announcement of the terms of the issue of such securities; or the rights of conversion or exchange or subscription attached to any such securities are modified so that the total effective consideration per Share initially receivable for such securities shall be less than 70% of the “market price” at the date of announcement of such proposed modification; or
- (vi) an issue of Shares wholly for cash at a price per Share which is less than 70% of the “market price” on the date of announcement of the terms of such issue.

For the purpose of the above adjustment mechanism, “market price” means the average of the closing prices of one Share quoted on the Stock Exchange for each of the last five consecutive Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained.

Upon the occurrence of any of the above adjustment events, the Company shall instruct the auditors of the Company for the time being to determine the adjustment to the Conversion Price in such manner as they consider appropriate in accordance with the terms and conditions of the Convertible Bonds.

Voting rights	:	The Bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the Bondholder.
Transferability	:	The Bondholder may assign or transfer the Convertible Bonds to the transferee subject to prior notification to the Company. The Convertible Bonds may not be assigned or transferred, in whole or in part, to any connected person of the Company (as defined under the Listing Rules) without prior written consent of the Company.
Early redemption	:	The Company may at any time after the expiry of 1 year from the date of issue of the Convertible Bonds and before the Maturity Date redeem the Convertible Bonds (in whole or in part) at 100% of the outstanding principal amount of such Convertible Bonds plus the redemption premium (the “ <b>Redemption Premium</b> ”) at the rate of five per cent. (5%) per annum thereon from and including the date of issue up to the day prior to and excluding the Early Redemption Date, together with all outstanding interest accrued thereon. The Redemption Premium (if any) shall be calculated on a 365-day year basis.
Listing	:	No application will be made for a listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and dealing in, the Conversion Shares.

## **6. Assessment of the principal terms of the Convertible Bonds and the Subscription Agreement**

### **6.1 The Conversion Price**

In assessing the fairness and reasonableness of the Conversion Price, we have primarily taken into account (i) the recent price performance of Shares; (ii) the trading liquidity of Shares; and (iii) the market comparables in respect of recent issuance of convertible bonds/notes.

As disclosed in the Letter from the Board, the initial Conversion Price is HK\$1.25 per Share (subject to adjustments), which represented:

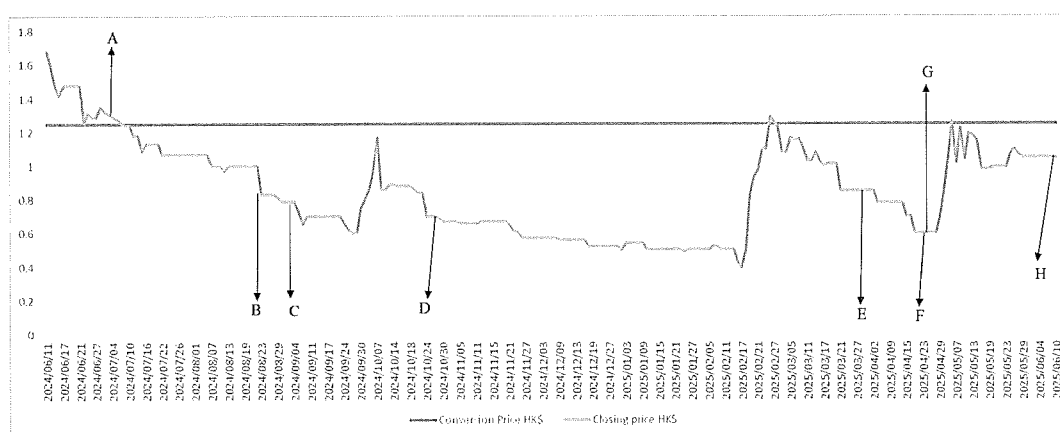
- (i) a premium of approximately 11.61% over the closing price of HK\$1.120 as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 19.05% over the closing price of HK\$1.05 per Share as quoted on the Stock Exchange as at the date of the Subscription Agreement;
- (iii) a premium of approximately 19.05% over the average of the closing prices per Share of HK\$1.05 for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iv) a premium of approximately 17.92% over the average of the closing prices per Share of HK\$1.06 for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (v) a premium of approximately 5.04% over the audited net asset per Share as at 31 December 2024 of approximately HK\$1.19 per Share.

The initial Conversion Price of HK\$1.25 was arrived at after arm's length negotiations between the Company and the Subscriber with reference to (a) the audited net assets per Share as of 31 December 2024, which were approximately HK\$1.19 per Share and (b) the business prospects of the Group, which have been discussed in the section headed "1. Business and financial information of the Group" and sub-section headed "Prospects and outlook of the Group". As disclosed in the Letter from the Board, the Company views the business prospects of the Group optimistically, justifying a premium over the prevailing market price. Taking into consideration that our analysis in the business prospects of the Group as discussed in the sub-section headed "Prospect and outlook of the Group" in this letter, we concur with the Company's view that the Group's retail business will continue to grow as supported by the increase in property sales volume along with the projected completions of residential units as disclosed by the Hong Kong government.

## 6.2 Historical price performance of the Shares

To assess the fairness and reasonableness of the Conversion Price, we have performed a review on the daily closing price of the Shares from 11 June 2024 to and including 10 June 2025, the date of the Subscription Agreement (the “**Review Period**”), (being a period of one year, which is commonly used for analysis purpose to illustrate the general trend of the daily closing price and the level of movement of the Shares) and compared with the Conversion Price.

**Table 2: Share price performance during the Review Period**



Source: The website of Stock Exchange

Notes:

Event A – Publication of the announcement regarding the appointment of executive director on 5 July 2024

Event B – Publication of the announcement regarding the interim results for the six months ended 30 June 2024

Event C – Publication of the 2024 interim report for the six months ended 30 June 2024

Event D – Publication of the announcement regarding the acquisition of listed securities on 24 October 2024

Event E – Publication of the announcement regarding the final results for the year ended 31 December 2024

Event F – Publication of the 2024 Annual Report

Event G – Publication of the circular regarding general mandates to buy back shares and to issue shares on 25 April 2025

Event H – Publication of the announcement regarding proposed issue of convertible bonds under specific mandate on 10 June 2025

During the Review Period, the Shares traded between a range of HK\$0.395 on 17 February 2025 and HK\$1.680 on 11 June 2024 with an average closing price per Share of approximately HK\$0.855 per Share. The Conversion Price represents (i) a premium of approximately 216.46% to the lowest closing price per Share (i.e. HK\$0.395); (ii) a discount of approximately 25.60% to the highest closing price per Share (i.e. HK\$1.680); and (iii) a premium of approximately 46.20% to the average closing price per Share (i.e. HK\$0.855) during the Review Period.

As illustrated in the graph above, since commencement of the Review Period, the closing price per Share decreased from HK\$1.680, being the highest closing price per Share during the Review Period on 11 June 2024 to HK\$0.600 on 26 September 2024. Thereafter and up to 7 October 2024, the closing price per Shares rose to HK\$1.170 on 7 October 2024 and hovered between HK\$0.395, being the lowest closing price per Share during the Review Period, and HK\$0.700 before reaching a spike at HK\$1.290 which was above the Conversion Price on 26 February 2025. Subsequently, the closing price per Share decreased to HK\$0.600 following the publication of the announcement regarding the final results for the year ended 31 December 2024 and the 2024 Annual Report on 28 March 2025 and 24 April 2025 respectively. After that, the closing price per Share goes above the Conversion Price at HK\$1.26 on 6 May 2025 and fluctuated between HK\$0.98 and HK\$1.22 at the end of the Review Period.

As discussed with the management of the Company, they were not aware of any particular reason that contributed to the fluctuations in the closing price per Share during the Review Period aside from the aforementioned events.

Taking into consideration that (i) the Conversion Price falls within the aforesaid historical closing price range during the Review Period; (ii) the Conversion Price represents a premium over the closing price on the date of the Subscription Agreement, the last five consecutive trading days immediately prior to the date of the Subscription Agreement, the last ten consecutive trading days immediately prior to the date of the Subscription Agreement and the audited net assets per Share as of 31 December 2024, we consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and on normal commercial terms, and the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.



### 6.3 Historical trading volume of the Shares

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

**Table 3: Trading volume of the Shares during the Review Period**

Month/Period	Total trading volume for month/period	Number of trading days during the month/period	Average daily trading volume for month/period (Note 1) Approximately (Shares)	Percentage of average daily trading volume to total number of the Shares in issue as at the respective month/period (Note 2) Approximately
<b>2024</b>				
June (commenced from 11 June 2024)	325,585	14	23,256	0.0288%
July	44,938	22	2,043	0.0025%
August	142,747	22	6,489	0.0080%
September	331,055	19	17,424	0.0216%
October	361,711	21	17,224	0.0213%
November	69,832	21	3,325	0.0041%
December	14,379	20	719	0.0009%
<b>2025</b>				
January	20,849	19	1,097	0.0014%
February	1,479,973	20	73,999	0.0917%
March	147,524	21	7,025	0.0087%
April	311,627	19	16,401	0.0203%
May	584,773	20	29,239	0.0362%
June (up to and including the date of the Subscription Agreement)	422	7	60	0.0001%

Source: The website of Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Calculated based on the total number of Shares in issue at the end of each month/period.

As illustrated in the above table, we noted that the average trading volume of the Shares ranged from approximately 422 Shares to 1,479,973 Shares during the Review Period, representing approximately 0.0001% to 0.0917% of a total of 80,720,181 Shares in issued as at the respective month or period with an average on the percentage of average daily trading volume throughout the whole Review Period of approximately 0.0189% of the total number of issued Shares as at the respective month or period.

Based on the above results, we considered that the trading liquidity of the Shares during the Review Period were thin. Due to the generally low liquidity of the Shares, we consider that if the Company were to raise the necessary funds by way of issuing new Shares (e.g. rights issue and open offer), the subscription price would have to be set at a considerable discount to the market price of the Shares so as to attract subscription from Independent Third Party(ies) or existing Shareholders on a pro rata basis. As such, we consider that conducting a fund raising exercise of substantial amount by way of issuing new Convertible Bonds with the Conversion Price set at a premium over the closing price of HK\$1.05 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement is more appropriate as compared to other alternative means of financing.

#### **6.4 Comparable analysis**

To assess the fairness and reasonableness of key terms of the Convertible Bonds, we have conducted research, using our best endeavours, of recent proposed issue of convertible bonds/notes through subscription under specific mandate. Based on our best endeavour and as far as we are aware, we have identified an exhaustive list of 13 comparable in relation to issue of convertible bonds/notes through subscription under specific mandate (the “**Comparables**”), which were announced by companies listed on the Stock Exchange from 11 June 2024 to the date of the Subscription Agreement (the “**Comparison Period**”), being one year, to provide a general reference for the recent market practice in relation to the key terms of the convertible bonds under similar market condition. We considered that the Comparison Period is appropriate since it provided, in our opinion, a reasonable and meaningful number of samples for our analysis purpose and the Comparables as a whole provide a fair and representative sample.

Shareholders should, however, note that the businesses, operations and prospect of the Company are not the same as the Comparables. Notwithstanding that, we consider that the terms of the Comparables were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transactions in Hong Kong. Therefore, we consider that the Comparables are indicative in assessing the fairness and reasonableness of the terms of the Convertible Bonds. The following table sets forth the relevant details of the Comparables:

**Table 4: The Comparables**

Date of announcement	Name of company	Stock code	Market capitalisation as at the date of the Subscription Agreement (HK\$ million) Approximately	Net asset/ (liabilities) value (Note 1) (HK\$ million) Approximately	Maturity (year)	Interest rate p.a. (%) Approximately	Premium/ (discount) of conversion price over/to the closing share price on the last trading day prior to/on the date of announcement or the date when entering into the subscription agreement (%) Approximately	Premium/ (discount) of conversion price over/to the average closing share price for the last five consecutive trading days prior to/on the date of announcement or the date when entering into the subscription agreement (%) Approximately	Connected transaction (Yes/No)	Status of the transaction
30 May 2025	China Carbon Neutral Development Group Limited (Note 2)	1372	1,105.89	(30.69)	2	5.00	(83.53)	(80.14)	No	On-going
21 April 2025	Daido Group Limited	544	18.86	(22.88)	3	6.00	(19.98)	(18.90)	No	On-going
14 April 2025	Wai Chun Bio-Technology Limited	660	27.13	(68.80)	3	2.00	(7.89)	(13.37)	Yes	On-going
11 April 2025	Wai Chun Group Holdings Limited	1013	81.55	(257.30)	3	2.00	(5.26)	(16.36)	Yes	On-going
27 March 2025	Zhi Sheng Group Holdings Limited	8370	872.55	33.31 (Note 3)	0.4	-	-	0.50	No	On-going
14 March 2025	Oriental Payment Group Holdings Limited	8613	215.90	(5.33)	1	7.00	(13.53)	(12.61)	No	On-going
28 January 2025	China Metal Resources Utilization Limited (Note 2)	1636	161.34	(4,425.18) (Note 3)	0.5	9.00	(90.58)	(90.55)	No	On-going
2 December 2024	E&P Global Holdings Limited	1142	394.45	(1,869.15)	5	-	(21.88)	(24.92)	No	On-going
3 October 2024	China Metal Resources Utilization Limited (Note 2)	1636	161.34	(4,425.18) (Note 3)	2	6.00	868.75	564.29	No	On-going
23 September 2024	Hatcher Group Limited	8365	46.24	127.83	2	-	(13.70)	(4.30)	No	On-going
20 September 2024	Cornerstone Technologies Holdings Limited	8391	367.13	1.24	5	6.00	(21.88)	(24.24)	No	Completed
19 August 2024	China Healthwise Holdings Limited	348	61.64	(18.38)	2	6.00	57.14	54.93	No	Completed
21 June 2024	China Rui Feng Renewable Energy Holdings Limited	527	823.07	92.16 (Note 3)	3	5.50	(21.28)	(21.28)	No	On-going
	Minimum				0.42	-	(21.88)	(24.92)		
	Maximum				5.00	7.00	57.14	54.93		
	Average				2.74	3.45	(6.83)	(8.06)		
	Convertible Bonds				3	5.00	19.05	19.05	Yes	

Source: The website of Stock Exchange

Notes:

1. The net asset value of the respective Comparables are extracted from their respective latest published interim or annual reports.
2. This comparable transaction, which its premium/(discount) of conversion price over/to the closing share price on the last trading day prior to/on the date of announcement or the date when entering into the subscription agreement was significantly above/below all other Comparables, was excluded from our analysis as outlier.
3. An exchange rate of RMB1 to HK\$1.06336 as at 31 December 2024 is adopted for net asset value presented in RMB (Renminbi, the lawful currency of the People's Republic of China).

#### **6.4.1 Conversion price**

As set out in the table above, we note that the conversion price to: (i) the closing share price on the last trading day prior to/on the date of announcement in relation to the Comparables (except the outliers) ranged from a discount of approximately 21.88% to a premium of approximately 57.14%, with the average being discount of approximately 6.83%; and (ii) the average closing share price for the last five consecutive trading days prior to/on the date of the announcement in relation to the Comparables (except the outliers) ranged from a discount of approximately 24.92% to a premium of approximately 54.93%, with the average being discount of approximately 8.06%. As the Conversion Price is (i) at a premium of approximately 19.05% to the closing price per Share on the date of the Subscription Agreement; and (ii) at a premium of approximately 19.05% over the average closing price per Share for the last five (5) consecutive trading days immediately prior to and including the date of the Subscription Agreement, the premium as represented by the Conversion Price is within the range of the conversion prices and higher than the average conversion price of the Comparables. Furthermore, as discussed with the management of the Company, the Conversion Price is a commercial decision negotiated between the Company and the Subscriber, arrived at considering, among other things, the recent market price of the Shares, the prevailing market conditions, and the amount of funds and capital needs.

With reference to our analysis above regarding the Comparables, we concur with the Directors' view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

#### **6.4.2 Interest rate**

As presented by the table above, the Comparables had annual interest rates from nil to 7.00% with an average interest rate of approximately 3.45%. While the interest rate of the Convertible Bonds is higher than the average interest rate of the Comparables, we consider that the interest rate of the Convertible Bonds is fair and reasonable given that it is within the range of the Comparables and there were 5 out of 10 Comparables (except the outliers) had the annual interest rates higher than or the same as the interest rate of the Convertible Bonds.

#### **6.4.3 Term to maturity**

The term to maturity of the Comparables ranged from 5 months to 5 years. Considering that the term to maturity of the Convertible Bonds falls within such range, we concur with the Directors' view that the term to maturity of the Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the above analysis, we are of the view that the terms of the Convertible Bonds are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **7. Potential dilution effect on the shareholding of the Company**

With reference to the shareholding table in the paragraph headed “Effect on shareholding structure of the Company” of the Letter from the Board and as confirmed by the management of the Company, the shareholding in the Company held by other public Shareholders will be diluted from approximately 50.21% as at the Latest Practicable Date to approximately 41.90% immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there is no other change to the total number of Shares from the Latest Practicable Date and up to conversion of the Convertible Bonds in full).

However, such dilution effect is for illustration purpose only and is subject to the terms and conditions of the Convertible Bonds as set out in the paragraph headed “Conversion” under “Principal terms and conditions of the Convertible Bonds” in this letter. We are aware of the dilution effect as a result of the full conversion of the Convertible Bonds. Nonetheless, taking into account (i) the Subscription represents a good and timely opportunity for the Company to strengthen the financial position and liquidity of the Group and to enhance its capability to operate its business, if the Bondholder choose to exercise the conversion rights attaching to the Convertible Bonds; (ii) the Conversion Price represents a premium over the current market price of the Shares; (iii) the Convertible Bonds will not have an immediate dilution effect on the shareholding of the existing Shareholders; (iv) the terms of the Subscription Agreement and the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned; and (v) the maximum dilution effect of the Convertible Bonds complies with the minimum public float requirement under the Listing Rules, we are of the view that the potential dilution effect on the shareholding interests of the existing public Shareholders resulting from the Subscription is acceptable.

## **8. Financial effect of the Subscription**

### **8.1 Effect on liquidity**

According to the 2024 Annual Report, the bank balances in general accounts and cash of the Group was approximately HK\$136.0 million as at 31 December 2024. According to the Letter from the Board and the management of the Company, the net proceeds from the Subscription, after the deduction of the related expenses and professional fees incurred in the Subscription, are estimated to be approximately HK\$20 million. As confirmed by the Directors, such net proceeds from the Subscription of approximately HK\$20 million will be additional cash injected into the Company upon completion of the Subscription.

### **8.2 Effect on gearing ratio**

According to the 2024 Annual Report, the gearing ratio of the Group was approximately 269.7% as at 31 December 2024, represented the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity. In any event the Bondholder or the transferee of the Convertible Bonds exercises the conversion rights attaching to the Convertible Bonds, assuming no other factors affecting the financial position of the Group, the gearing position would improve and the conversion of the Convertible Bonds by the Bondholder into Conversion Shares would increase the net asset value of the Group. On the other hand, if the conversion rights attaching to the Convertible Bonds are not exercised upon maturity of the Convertible Bonds, the Company will have to repay the principal amount

of the Convertible Bonds to the holder(s) of the Convertible Bonds with cash. The gearing position of the Group will still be improved on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group. The management of the Company expects that there will not be any material adverse impact to the gearing of the Group as a result of the issue of the Convertible Bonds.

### 8.3 Effect on net assets

According to the 2024 Annual Report, the equity attributable to owners of the Company was approximately HK\$53.0 million as at 31 December 2024. The Convertible Bonds will be recognised as non-current liabilities of the Group upon the completion of the Subscription for the Convertible Bonds. The exact amount of the respective fair value of the liability and derivative components of the Convertible Bonds and their financial impacts to the Company will be subject to the review by the auditors of the Company and/or the assessment and valuation by an independent valuer at the time of completion of the Subscription for the Convertible Bonds.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Subscription.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that although the entering into of the Subscription Agreement was not in the ordinary and usual course of business of the Group, the proposed issue of the Convertible Bonds, the Subscription Agreement and the transactions contemplated thereunder, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholder as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the relevant resolution for approving the Subscription and the transactions contemplated thereunder (including the granting of the Specific Mandate) at the SGM.

Yours faithfully,  
For and on behalf of  
**Vinco Financial Limited**



**Alister Chung**  
Managing Director

*Note: Mr. Alister Chung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.*