

PineStone 鼎石

Pinestone Capital Limited

鼎石資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 804)

Executive Directors:

Mr. Lee Chun Tung (*Chairman*)

Mr. Wang Han

Ms. Cheung Ka Yi

Registered office:

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P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Non-Executive Directors:

Mr. Lau Chun Hung

Head Office and Principal Place of

Business in Hong Kong:

Independent Non-Executive Directors:

Mr. Lau Kelly

Mr. Wong Chun Peng Stewart

Mr. Cheng Man Pan

Room 1807, 18/F.,

China Resources Building

26 Harbour Road,

Wan Chai

Hong Kong

25 July 2025

*To the Qualifying Shareholders, for information only and,
the Non-Qualifying Shareholders*

Dear Sir or Madam,

**I. PROPOSED SHARE CONSOLIDATION;
II. PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED
SHARES HELD ON THE RECORD DATE;
III. CLOSURE OF REGISTER OF MEMBERS; AND
IV. NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcements of the Company dated 10 June 2025, 20 June 2025 and 23 June 2025, in relation to, among other matters, the Share Consolidation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation; (ii) further details of the Rights Issue and the Placing Agreement; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the transactions contemplated thereunder; and (v) a notice of the EGM.

PROPOSED SHARE CONSOLIDATION

The Company proposes to implement the Share Consolidation on the basis that every twenty (20) Existing Shares in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share. As none of the Shareholders or their respective associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

Conditions of the Share Consolidation

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

- (i) the passing of the ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares; and
- (iii) the compliance with the relevant procedures and requirements under the Cayman Islands laws (where applicable) and the Listing Rules to effect the Share Consolidation. The Share Consolidation will become effective on the second Business Day immediately following the fulfillment of the above conditions.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$500,000,000 divided into 25,000,000,000 Existing Shares of HK\$0.02 each, of which 487,280,100 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no change in the number of Shares in issue from the Latest Practicable Date to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$500,000,000 divided into 1,250,000,000 Consolidated Shares of HK\$0.40 each, of which 24,364,005 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

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

Listing Application

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

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

Fractional entitlement to Consolidated Shares

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

Other securities of the Company

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

Odd lot arrangement

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Pinestone Securities Limited as a designated broker to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Monday, 1 September 2025 to 4:00 p.m. on Friday, 19 September 2025. Shareholders who wish to take advantage of this facility should contact Mr. Wilson Lee of Pinestone Securities Limited at Room 1807, 18/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong (telephone number (852) 3728 0828 or by facsimile at (852) 3102 0055) during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Monday, 18 August 2025 to 4:30 p.m. on Tuesday, 23 September 2025 (both days inclusive), submit the existing share certificates for the Existing Shares (in yellow colour) to the Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares (in blue). Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for delivery, trading and settlement purposes.

Reasons for the Share Consolidation

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by The Hong Kong Exchange and Clearing Limited, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date was HK\$0.23 per Existing Share, the value of each existing board lot of 5,000 Shares was HK\$1,150, which was less than HK\$2,000.

As at the Latest Practicable Date, the closing price of the Shares was HK\$0.23 per Existing Share, with a board lot size of 5,000, the existing board lot value is less than HK\$2,000. The Directors consider that the proposed Share Consolidation will bring about a corresponding upward adjustment in the expected value per board lot and increase the value of each board lot of the Consolidated Shares to over HK\$2,000. As such, it would enable the Company to comply with the trading requirements under the Listing Rules.

Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade. Accordingly, the Board considers that the Share Consolidation would maintain the trading amount for each board lot at a reasonable level in order to attract potential investors and to extend the shareholder base of the Company. The Board believes that the Share Consolidation is in the interests of the Company and the Shareholders as a whole and that will not have any material adverse effect on the financial position of the Group nor result in any changes in the relative rights of the Shareholders.

As at the Latest Practicable Date, save as disclosed in this circular, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Share Consolidation. The Board is of the view that, having considered the corporate plan of the Company for the next twelve months, the proposed Share Consolidation is fair and reasonable, and in the interest of the Company and the Shareholders as a whole. However, in the event there is any change to the business environment and/or financial position of the Company due to unforeseeable circumstances, and the Company is required to conduct further fund raising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the Listing Rules, as and when appropriate.

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

PROPOSED RIGHTS ISSUE

The Board proposes to raise gross proceeds of up to approximately HK\$60.7 million (assuming full subscription under the Rights Issue) by way of issuing up to 36,546,008 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation) at the Subscription Price of HK\$1.66 per Rights Share on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders (if any). Further details of the Rights Issue are set out below:

Rights Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$1.66 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	487,280,100 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidate becoming effective	:	24,364,005 Consolidated Shares

Number of Rights Shares (Shares to be issued pursuant to the Rights Issue)	:	36,546,008 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the Share Consolidation)
		The aggregate nominal value of the Rights Shares will be HK\$14,618,403.2
Total number of Consolidated Shares in issue upon completion of the Rights Issue	:	60,910,013 Consolidated Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the Share Consolidation)
Net price per Rights Shares (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$1.58 per Rights Share
Maximum gross proceeds to be raised from the Rights Issue before expenses	:	Approximately HK\$60.7 million (assuming no change in the number of Shares in issue on or before the Record Date other than the Share Consolidation)

Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 36,546,008 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 150% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) 60% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

As at the Latest Practicable Date, the Company has no outstanding derivatives, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

The Subscription Price

The Subscription Price is HK\$1.66 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Share(s) applies for the Rights Share(s).

The Subscription Price represents:

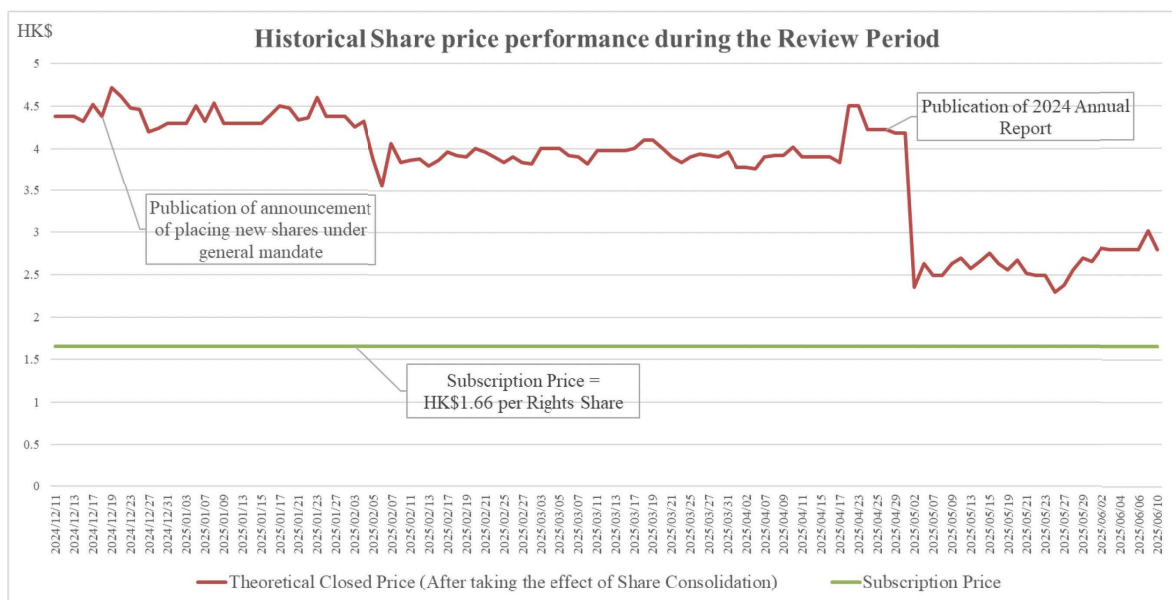
- (i) a discount of approximately 63.91% to the theoretical closing price of HK\$4.600 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.23 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 40.71% to the theoretical closing price of approximately HK\$2.800 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.1400 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 41.63% to the theoretical average closing price of approximately HK\$2.844 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.1422 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 40.20% to the theoretical average closing price of approximately HK\$2.776 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.1388 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 22.14% to the theoretical ex-rights price of approximately HK\$2.132 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the closing price of HK\$0.140 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 24.98% of the theoretical diluted price of approximately HK\$2.1336 per Consolidated Share to the benchmarked price of approximately HK\$2.844 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules), taking into account the higher of the closing price of HK\$0.140 per Existing Share on the Last Trading Day and the average closing price of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day of HK\$0.142 per Existing Share; and
- (vii) a discount of approximately 75.64% to the net asset value of the Company of approximately HK\$6.82 per Consolidated Shares (after taking into account the Share Consolidation has become effective) based on the net asset value attributable to owners of the Company of approximately HK\$138,372,000 as at 31 December 2024 and 20,303,505 Consolidated Shares (assuming the Share Consolidation has become effective).

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$1.58.

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

The Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; (iii) the reasons for and benefits of the proposed Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and the use of proceeds” in this circular; and (iv) the amount of funds the Company intends to raise under the Rights Issue.

The Subscription Price was determined by the Directors with reference to (i) the prevailing market price of the Shares during the six months immediately preceding the Last Trading Day (the “**Review Period**”) which presented a stable trend until 2 May 2025 range from the HK\$0.178 to HK\$0.236, from 2 May 2025 to the Last Trading Day it recorded a range of HK\$0.115 to HK\$0.151; (ii) the current market conditions in Hong Kong taking into consideration the rather cautious investment sentiment of the general public investors in Hong Kong amid economic uncertainties; (iii) low liquidity of the Shares during the Review Period with the average daily trading volume of approximately 2,431,592 Shares, representing approximately 0.499% of the total number of issued Shares as at the Last Trading Day; and (iv) the financial position of the Group and the reasons and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and the use of proceeds” below in this circular.



Source: The website of the Stock Exchange

During the Review Period, the Shares listed on the Stock Exchange achieved the highest closing price of HK\$0.236 (or theoretical closing price of HK\$4.72) on 19 December 2024, while the lowest closing price of HK\$0.115 (or the theoretical closing price of HK\$2.30) was recorded on 26 May 2025. The average closing price for the Shares during the Review Period was approximately HK\$0.189 (or the theoretical closing price of approximately HK\$3.78).

The Subscription Price reflects a discount of approximately 63.91% to Latest Practicable Date of HK\$0.23. The Directors (including the independent non-executive Directors) consider that the discount of the Subscription Price would encourage Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth and development of the Group. In light of the above, the Directors (including the independent non-executive Directors) consider that the Subscription Price, are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

Set out below is the table showing (i) the monthly total trading volume of the Shares; (ii) the number of trading days of each month; (iii) the average daily trading volume of the Shares; and (iv) the percentage of the average daily trading volume of the Shares to the total issued Shares at the end of each month during the Review Period:

Month	Monthly trading volume of the Shares (Shares)	Number of trading days in the month (days)	Average daily trading volume of the Shares in the month (Shares) (Note 1)	Percentage of average daily trading volume of the Shares to total number of Shares (approximate) (Note 2)
From 11 December 2024 to 31 December 2024	10,177,250	13	782,865	3.00%
January 2025	48,990,875	19	2,578,467	0.53%
February 2025	12,723,000	19	669,632	0.14%
March 2025	30,537,500	21	1,454,167	0.30%
April 2025	2,132,000	19	112,211	0.02%
May 2025	216,560,000	20	10,828,000	2.22%
From 1 June 2025 to 10 June 2025	4,405,000	7	629,286	0.13%

Source: Website of the 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. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each respective month.

During the Review Period, the monthly trading volume of the Shares varied significantly. It ranged from a low of 2,132,000 Shares traded in April 2025 to a peak of 216,560,000 Shares traded in May 2025. This represents approximately 0.02% of the total issued Shares for the lowest volume and approximately 2.22% for the highest volume.

The six-month review period was deemed appropriate by the Directors as it provides a balanced and representative time frame to assess the historical trading performance of the Shares while accounting for recent market trends. This duration captures sufficient market data to reflect both stable and volatile periods, ensuring that the Subscription Price is determined based on a comprehensive analysis rather than short-term fluctuations. The inclusion of the six-month period allows for a fair evaluation of the Shares' price range, liquidity conditions, and overall market sentiment, thereby supporting a well-informed and reasonable pricing decision that aligns with the Company's fundraising objectives and shareholder interests.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the Independent Financial Adviser) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group further details can be referred to the section headed "Letter from the Board – Reasons for and benefits of the rights issue and the use of proceeds" in this circular.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the Independent Financial Adviser) consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Non-underwritten Basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlements under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5) of the Listing Rules.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the Share Consolidation having become effective;
- (ii) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of the Prospectus Documents in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (v) the Prospectus Documents having been made available to the Qualifying Shareholders and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Prospectus Posting Date; and
- (vi) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed. The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions precedent by the Latest Time for Termination or such other date as the Company and the Placing Agent may agree.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Placing Agreement and the Prospectus Documents.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made with the Registrar on or before the Latest Time for Acceptance by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for. There will be no excess application arrangements in relation to the Rights Issue.

Status of the Rights Shares

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

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders (if any). To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 20 August 2025 (Hong Kong time).

The last day of dealing in the Consolidated Shares on cum-rights basis is Monday, 18 August 2025. The Consolidated Shares will be dealt with on an ex-rights basis from Tuesday, 19 August 2025.

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

Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus only (without the PAL) to the Excluded Shareholders for their information purpose only to the extent permitted under the relevant laws and regulations and reasonably practicable.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company.

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Rights of the Overseas Shareholder(s) (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will comply with Rule 13.36(2)(a) of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit.

Any NQS Unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing Arrangement together with the Unsubscribed Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the Rights Shares in nil-paid form that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

For the Rights Shares in nil-paid form that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

Based on the register of members of the Company, as at the Latest Practicable Date, the Company has no Overseas Shareholder.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Non-Qualifying Shareholders should exercise caution when dealing in the Shares.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to GEM Listing Rule. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to take part in the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the securities of the Company.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Thursday, 9 October 2025 to those entitled thereto at their registered addresses by ordinary post at their own risk. If the Rights Issue does not become unconditional, refund cheques without interest are expected to be posted on or before Thursday, 9 October 2025 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

Fractional Entitlements to the Rights Shares

Rights Shares in provisional allotment will be rounded down to the nearest whole number. No fractional Rights Shares shall be issued under the Rights Issue. All fractions of the Rights Shares will be aggregated and placed by the Placing Agent under the Compensatory Arrangements to Independent Third Parties for the benefit of the Company.

Odd lots matching services

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots arising from the Rights Issue on a best effort basis. Further details in respect of the odd lots arrangements will be set out in the circular to be despatched to the Shareholders in relation to, among others, the Rights Issue.

Holders of odd lots arising from the Rights Issue should note that successful matching of the sale and purchase of odd lots arising from the Rights Issue are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Application for listing of the Rights Shares and applicable fees

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange. Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 5,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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

Stamp duty and other applicable fees

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

Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Non-Qualifying Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Rights Shares will be eligible for admission into CCASS

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

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

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

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 4:00 p.m., on Monday, 29 September 2025, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price can be obtained. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

A: the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and

B: the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in “A” and “B” of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders may or may not receive any Net Gain.

THE PLACING AGREEMENT

Principal terms of the Placing Agreement are summarised as below.

On 10 June 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to, on a best effort basis, procure Placee(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies), to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date	:	10 June 2025 (after trading hours)
Issuer	:	the Company
Placing Agent	:	Pinestone Securities Limited, appointed as the bookrunner and placing agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis. The Placing Agent confirmed that it is a licensed corporation to carry out type 1 (dealing in securities) regulated activities under the SFO.
		To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries as at the Latest Practicable Date, the Placing Agent is a wholly-owned subsidiary of the Company.
Placing Price	:	The placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the placement process.
Placing Period	:	The period from Friday, 19 September 2025 up to 4:00 p.m. on Monday, 29 September 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.
Placing Commission	:	The commission payable to the Placing Agent shall be 5% of the actual gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

The Company will pay all out-of-pocket expenses properly and reasonably incurred by the Placing Agent in connection with the Placing (excluding legal and other professional fees and expenses) which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.

Placees	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who are Independent Third Parties and none of the placees shall be obliged to make a mandatory general offer to the other Shareholders under the Takeovers Code.
Ranking of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Consolidated Shares in issue as at the Latest Practicable Date.
Ranking of the placed Unsubscribed Rights Shares and NQS Unsold Rights Shares	:	The placed Unsubscribed Rights Shares and NQS Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank pari passu in all respects among themselves and with the existing Shares in issue as at the date of completion of the Placing.
Conditions Precedent	:	<p>The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):</p> <ul style="list-style-type: none"> (i) the Share Consolidation having become effective; (ii) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares; (iii) the approval of the Rights Issue and the transactions contemplated thereunder (including the Placing Agreement) by more than 50% of the Independent Shareholders at the EGM by way of poll;

- (iv) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
- (v) the Placing Agreement not having been terminated in accordance with the provisions thereof.

The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i), (ii) and (iii) above) by notice in writing to the Company.

Termination : The Placing Period shall end at 4:00 p.m. on Monday, 29 September 2025 or any other date by mutual written agreement between the Placing Agent and the Company. The engagement of the Placing Agent may also be terminated by the Placing Agent at any time prior to 4:00 p.m. on Tuesday, 30 September 2025 or any other date by mutual written agreement between the Placing Agent and the Company in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. Further, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the reasonable opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

The Company shall use its best endeavours to procure the fulfillment of such conditions precedent to the Placing Agreement by the Placing Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Placing Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfillment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

The terms of the Placing Agreement (including the commission payable) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the market conditions. The Board considers the terms of the Placing for the Unsubscribed Rights Shares and NQS Unsold Rights Shares (including the commission payable) are on normal commercial terms and are fair and reasonable.

As explained above, the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to independent Placees on a best effort basis for the benefits of the No Action Shareholders and Excluded Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders and Excluded Shareholders.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Board considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Undertaking

The Company had not received, as at the Latest Practicable Date, any irrevocable undertaking from any substantial Shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

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

The Group, comprising the Company and its subsidiaries, is principally engaged in provision of securities brokerage services, securities-backed lending services, other lending services as well as placing and underwriting services.

Pursuant to ongoing development strategies, the Group strives to explore the possibility of establishing a presence in the virtual asset industry and broadening its revenue stream from types of services offered by the Group.

Following the SFC's approval of virtual asset futures ETFs for public offering on 31 October 2022, and the introduction of regulatory rules and guidelines for virtual asset service providers on 23 May 2023, the management recognized the emerging opportunities in the virtual asset sector.

In discussions with potential clients, there was expressed interest from the clients in cooperating in virtual assets business with the Company. However, the Type 1 license held by the subsidiary of the Company does not include virtual asset dealing services. The Company is actively looking to establish the virtual asset business by applying for the virtual asset trading dealing service license conditions, so the subsidiary of the Company will be able to meet the demand of its clients to deal with virtual assets such as cryptocurrency. As at the Latest Practicable Date, the Company is in negotiation of establishing the joint venture for virtual asset business in the fourth quarter of 2025 and potentially provide the virtual asset service in the first quarter of 2026.

Having reviewed the potential in the virtual asset industry, as at the Latest Practicable Date the Board considers that the exploration in the virtual asset industry provides a precious opportunity for the Group to develop its presence in the fast growing virtual asset industry, diversify its businesses and maximise the return to the Shareholders. On 14 July 2025, the Board has engaged a corporate legal firm to assist on applying for the following license conditions (i) virtual asset dealing services; (ii) introducing clients to virtual asset trading platform operators; and (iii) providing virtual asset advisory services, the Company intends to submit the application in late July and it is expected to be granted the abovementioned license conditions in the first quarter of 2026.

Reference is made to the annual report for the financial year ended 31 December 2024 (the “**2024 Annual Report**”), where the Company had disclosed that the revenue from contracts with customers within the scope of HKFRS 15 was approximately HK\$7.8 million while the revenue from the other sources was approximately HK\$25.5 million, specifically, interest income from margin financing services increased by approximately HK\$2.1 million or approximately 21% to approximately HK\$11.9 million for the year ended 31 December 2024 from approximately HK\$9.8 million for the year ended 31 December 2023 and recorded revenue of approximately HK\$5.9 million from interest income from money lending services.

As mentioned above, the Group recorded interest income from margin financing services of approximately HK\$11.9 million and interest income from money lending services of approximately HK\$5.9 million for the year ended 31 December 2024 (“**Key Businesses**”). In light of the capital-intensive nature of the Group’s Key Businesses, it is important for the Group to promote its liquidity to a higher level to increase the Group’s operational flexibility and to sustain its capability for financing any potential development opportunities of the Group’s existing businesses, as and when suitable opportunity arises.

The Group generates interest income from its margin financing services by providing margin facilities to clients, enabling them to leverage their investments for potentially higher returns. Before any margin facility is granted, clients are required to undergo credit assessment procedures, account opening and know-your-customer (KYC) checks, and must deposit an adequate amount of cash or eligible collateral. Margin facilities are extended on an individual basis. There is no fixed repayment term for trade receivables arising from margin financing, while loan receivables typically have a maturity period ranging from approximately five months to one year. Interest rates for these receivables range from approximately 8% to 35% per annum. As disclosed in the Company's annual report for the year ended 31 December 2024, the Group's total trade receivables from margin financing clients amounted to approximately HK\$76.8 million as at 31 December 2024. As at 31 December 2024, there were 7 margin financing clients with loan balances exceeding HK\$1 million, with individual loan sizes ranging from approximately HK\$2.3 million to approximately HK\$20.2 million. The customer base is diversified, comprising both corporate and individual clients, including managers and directors of trading, technology, media, construction, and F&B companies, as well as general managers.

The Group also holds a money lender licence in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), and provides loan facilities, including money lending and other secured lending services, to both corporate and individual clients. Loan collateral may consist of listed securities, non-listed securities, properties, or other valuable assets. These lending activities are conducted primarily through Pinestone Capital Group Limited, a wholly-owned subsidiary of the Company. Interest income is received from the provision of such loan facilities, with listed securities commonly pledged for money lending and other assets or non-listed securities pledged for other secured lending services. According to the 2024 Annual Report, the Group's total loan receivables from money lending and other secured lending clients were approximately HK\$74.5 million as at 31 December 2024.

According to the Annual Report 2024, the breakdown of the clients' profiles, interest rates, loans receivable and amount of impairments with regard to our money lending and other secured lending services under PCGL as at 31 December 2024 as follow:

Client	Type and Source of Client	Background and Relationship among the borrowers (note 1)	Date of loans agreement	Principal Amount HK\$'million	Interest rate % p.a.	Term	Collateral as at 31 December 2024 HK\$' million	Book value of loans receivable as at 31 December 2024 HK\$' million	Accumulated impairment losses (included unwinding of discount) as at 31 December 2024 HK\$' million	Net amount of loan receivable as at 31 December 2024 HK\$' million	Proportion out of the Group's total loan receivable as at 31 December 2024 %
(Rank by book value of loans receivable)				(Approximately)							
1st client	Individual By client referral	CEO of Corporate Services None	6 Oct 2023 and 2 Jul 2024	19.0	16 and change to 12	6 months	Share charge with a property valuation of approximately 19.0	19.2	1.9	17.3	25.8
2nd client	Corporate By client referral	Holding company None	19 Jan 2024 and 21 Oct 2024	16.5	12	6 months	Share charge with properties valuation of approximately 238.0	16.6	0	16.6	22.3
3rd client	Individual By client referral	Director of trading company None	23 Jun 2021	8.8	12	12 months	No collaterals in the margin account (non-termed) for the client's termed loan	12.4	12.4	0	16.6
4th client	Individual By client referral	Director of investment company None	23 Jun 2021	8.8	12	12 months	No collaterals for the client's termed loan	12.4	12.4	0	16.6
5th client	Individual By client referral	Merchant for trading investment None	19 Dec 2024	6.0	24	12 months	3rd party personal guarantee with collateral of 17.0	6.0	0.6	0	8.1
6th client	Corporate By client referral	Transportation business None	23 Apr 2024	3.5	13	12 months	Share charge of 33.9	3.6	0	3.6	4.8
7th client	Individual By client referral	Shareholder of private company None	8 Nov 2024	3.0	34.8	1 month extended to 7 April 2025	Share charge of 3.0	3.1	0	3.1	4.2
8th client	Individual By client referral	Company Director of catering industry None	13 Dec 2024	1.2	30	1 month	Share charge of 1.7	1.2	0	1.2	1.6
Total								74.5	26.7	47.8	100

Notes:

1. The business model of the money lending business involves the Group granting loans to individual and corporate clients generating interest income as one of the Group's revenue sources. The Group's principal business focus for its money lending business are investors, high net worth individuals, substantial shareholders of Hong Kong listed companies, etc. who can be individual or corporate clients with investment appetites for the securities of small to medium sized companies listed on the Stock Exchange. Source of funding for this business is mainly paid-up capital contributed by the Company's shareholders and internal resources of the Group.
2. According to the credit policy of the money lending business, the Group's responsible officers, senior management and office staff are responsible for the ongoing monitoring repayments and loan recoverability. Internal control procedures for loan collection include, on a case-by-case basis, steps such as (i) a margin call (if applicable) or a demand for partial repayment to restore the Group's credit risk to an acceptable level; (ii) in the event that step (i) above does not yield tangible results, the Group may proceed to force liquidation of collateral (if applicable) to reduce the Group's exposure; (iii) in the event that the Group's credit risk after taking steps (i) and (ii) above remains unacceptably high, the Group may proceed to negotiation of a repayment schedule with the client; (iv) should steps (i), (ii) and (iii) above fail to restore the Group's credit risk to an acceptable level, the Group may issue formal demand letter via its legal adviser demanding repayment of the outstanding loan within a stated time period; and (v) in the event that no tangible outcome arose out of the aforementioned steps, the Group may proceed to commencement of legal action against the client.
3. Based on the best information and knowledge of the Group as at the date hereof, the Group is not aware that there is any relationship amongst the Group's clients with outstanding loan receivables as at 31 December 2024.
4. The list still includes two of the eight clients we mentioned in our 2022 and 2023 annual reports as being related to money lending or other secured lending services. The Company continued to liaise with the clients and pushed for loan recovery. Statutory demand letters were sent in January 2025 and further legal actions are proceeding. We have made provisions for 100% impairment on these two money lending borrowers.
5. The 1st client has made 10% impairment provision as his loan has entered into the 2-stage of the ECL model. The client has partially paid interest but failed to payback the loan when the contract becomes due. On-going discussion and negotiations on the loan settlement have been made.
6. The 3rd and 4th clients have made 100% impairment provisions.

As at 31 May 2025, the cash and bank balances of the Company stood at approximately HK\$12.5 million. After excluding HK\$9.0 million earmarked for working capital purposes, including financial reserve for license corporate, the Group has a limited capital base of approximately HK\$3.5 million available for expanding its business opportunities.

The Group expects the market landscape is going to be improved in the rest of 2025 and 2026. Therefore, the Board is of the view that the Group should conduct equity fundraising to strengthen its capital base for expand its business opportunities and enhance the financial position and the resistance to liquidity risk of the Group. The Group intends to continuously scale-up the Key Businesses and utilise the net proceeds from the Rights Issue for the expansion of its business, in particular, the Key Businesses. The Group also plans to further expand the Key Businesses by soliciting new clients in the rest of 2025 and 2026. The Group intends to solicit new clients primarily through the following ways with existing recourses: (i) recruiting new employees and its existing licensed representatives who are responsible for sourcing new customers, maintaining client relationships, promoting its services and soliciting new customers through referrals from existing customers; (ii) performing marketing activities with professional parties and existing customers to strengthen business relationships; and (iii) acting as underwriter/placing agent and providing margin financing to clients, as at Latest Practicable Date, the Company has recruited one new employee, and potentially engaged by two companies for underwriting/placing services. The net proceeds to be raised in the Rights Issue shall allow the Company to explore further business opportunities and to provide extra funds to new customers of Key Businesses. The Group is actively discussing with potential clients to explore the new business opportunities. The Group is actively promoting our services to securities firms, listed companies and the shareholders of the listed companies by referral from existing employees, directors and potential clients; therefore, excluding the foregoing new clients by referral from existing employees and directors and existing clients, the Group is in course of discussing with potential clients in respects of the Key Businesses. The Group have reverted the terms to the potential clients, thereof the interest rates of the potential projects range from 12% to 20%; the size of the potential projects are ranging from approximately HK\$100,000 to HK\$15,000,000 and the duration of potential projects are up to 12 months, as at the Latest Practicable Date, there are two potential clients shall engage with our margin financing service, which they are engage in provision of formwork work services and securities brokerage services, respectively, and there are two potential shall engage with our money lending business, which they are in mining business and engaged in making investments in operating companies established or having significant operations in the PRC. The Group proactively identifies and approaches prospective clients through multiple channels such as referrals from existing clients, business partners, and professional intermediaries. The Group maintains regular communication with these prospects, including meetings to understand their financing needs and business backgrounds. The Group also conducts thorough due diligence and credit assessments to ensure the quality of potential borrowers and the security of collateral. For potential financing projects, the Group intends to enter into agreements with clients under acceptable terms and with sufficient financial resources available.

The Company intends to strategically deploy partially of the net proceeds towards the expansion of its margin financing services and money lending services businesses. This allocation is expected to strengthen the Company's capital base, thereby enhancing its capacity to extend additional financing facilities to clients. Given the direct correlation between available reserves and lending volume, the incremental capital will enable the Company to scale its loan portfolio, driving higher interest income generation. This initiative is expected to boost the Company's revenue, building on the strong growth in interest income from margin financing and money lending services, which recorded HK\$11.9 million and HK\$5.9 million, respectively, in the last financial year.

Intended use of proceeds

As at the 31 December 2024, the Company had trade receivables of approximately of HK\$76.8 million from margin financing services, and loans receivable of approximately HK\$74.5 million from money lending.

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Share Consolidation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$57.6 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately 9.2% of the net proceeds or approximately HK\$5.3 million for potentially applying for a license conditions to be able to deal with virtual asset;
- (ii) approximately 60.8% of the net proceeds or approximately HK\$35.0 million to provide margin financing services, the Company intends to lend net proceeds of HK\$35.0 million to our margin financing clients;
- (iii) approximately 26.0% of the net proceeds or approximately HK\$15.0 million to provide money lending services, the Company intends to lend net proceeds of HK\$15.0 million to our money lending clients; and
- (iv) approximately 4.0% of the net proceeds or approximately HK\$2.3 million for enhancing the general working capital of the Group, including but not limited to directors' fees and salary, head office rental and management fees and other payables.

In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

Other fund-raising alternatives

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing, or an open offer.

In respect of debt financing, the Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. Debt financing will also result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner.

As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through Rights Issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company.

As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Based on the above, the Board (excluding the members of the Independent Board Committee whose opinion will be rendered after considering the advice from the Independent Financial Adviser) considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholder(s), if any, should note that their shareholdings will be diluted.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The following is the equity fund raising activity conducted by the Company in the past 12 months immediately before the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
18 December 2024 and 13 January 2025	Issue of 81,210,000 new shares under general mandate	Approximately HK\$13.86 million	general working capital	fully utilized in accordance with the intended use

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation; (iii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue; and (iv) immediately upon completion of the Rights Issue assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing:

Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Share Consolidation		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all the remaining Unsubscribed Rights Shares and NQS Unsold Rights Shares having been placed by the Placing Agent	
	<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>	
		%		%		%		%
Ultimate Vantage Group Limited <i>(Note 1)</i>	96,836,250	19.9	4,841,813	19.9	12,104,531	19.9	4,841,813	7.9
Public Shareholders								
– Independent Placees	–	–	–	–	–	–	36,546,008	60.00
– Other public Shareholders	390,443,850	80.1	19,522,192	80.1	48,805,481	80.1	19,522,192	32.1
Sub-total for public Shareholders	<u>390,443,850</u>	<u>80.1</u>	<u>19,522,192</u>	<u>80.1</u>	<u>48,805,481</u>	<u>80.1</u>	<u>56,068,200</u>	<u>92.1</u>
	<u>487,280,100</u>	<u>100.00</u>	<u>24,364,005</u>	<u>100.00</u>	<u>60,910,013</u>	<u>100.00</u>	<u>60,910,013</u>	<u>100.00</u>

Notes:

1. ULTIMATE VANTAGE GROUP LIMITED is 100% owned by Mr. Zeng Weling, who is the sole beneficial owner of 96,836,250 shares or approximately 19.9% out of the total issued 487,280,100 shares as at the Latest Practicable Date.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 August 2025 to Thursday, 14 August 2025 (both dates inclusive) for determining the Shareholders' entitlements for attending and voting at the EGM.

The register of members of the Company will be closed from Thursday, 21 August 2025 to Wednesday, 27 August 2025 (both dates inclusive) for determining the entitlements to the Rights Issue.

No transfer of the Shares will be registered during the above book closure periods.

LISTING RULES IMPLICATIONS

The Share Consolidation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. No Shareholder is involved or interested in or has a material interest in the Share Consolidation and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting in favour of the resolution to approve the Share Consolidation and the transactions contemplated thereunder by way of poll at the EGM.

The Rights Issue

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued shares of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholder(s) at the EGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholder(s) in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling Shareholder(s), the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company does not have any controlling shareholder and none of the Directors and the chief executive of the Company and their respective associates holds any Existing Shares. Accordingly, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required or indicated his/her intention to abstain from voting on the relevant resolution(s) at the EGM.

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

GENERAL

The EGM will be convened for the Shareholders and Independent Shareholders (as the case may be) to consider and, if thought fit, approve the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder. The register of members of the Company will be closed from Friday, 8 August 2025 to Thursday, 14 August 2025 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

In order to be registered as a member of the Company on the Record Date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar for registration by no later than 4:00 p.m. (Hong Kong time) on Thursday, 14 August 2025.

A notice convening the EGM to be held at 21/F, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong on Thursday, 14 August 2025 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event so that it is received at least 48 hours before the time appointed (i.e. Tuesday, 12 August 2025 at 11:00 a.m.) for the EGM or any adjournment thereof (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

The Company will make available the Prospectus containing, among other things, information of the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and PAL(s) to the Qualifying Shareholders on or before Thursday, 28 August 2025. The Company will, to the extent reasonably practicable and legally permitted and subject to the results of the enquiries made by the Company from such legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, make available the Prospectus to the Excluded Shareholders (if any) for their information only, but the Company will not send the PAL to the Excluded Shareholders (if any).

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

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 19 August 2025. Dealings in the Rights Shares in nil-paid form. If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed "Conditions of the Rights Issue" in this circular above.

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

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

RECOMMENDATIONS

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lau Kelly, Mr. Wong Chun Peng Stewart and Mr. Cheng Man Pan, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Diligent Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 42 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 43 to 80 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

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

ADDITIONAL INFORMATION

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

Yours faithfully
On behalf of the Board
Pinestone Capital Limited

A handwritten signature in black ink, appearing to read 'Thomas Lee', with a stylized flourish at the end.

Lee Chun Tung
Chairman and Executive Director