



**DILIGENT
CAPITAL**

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25 July 2025

*To the Independent Board Committee and
the Independent Shareholders of
Pinestone Capital Limited*

Dear Sirs and Madams,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3)
RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED
SHARES HELD ON THE RECORD DATE**

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 proposed Rights Issue (the “**Transaction**”), particulars of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular of the Company to the Shareholders dated 25 July 2025 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular.

1. The proposed Rights Issue

Reference is made to the Letter.

On 10 June 2025, the Company announced its intention to raise gross proceeds of approximately HK\$60.7 million by issuing up to 36,546,008 Rights Shares, assuming there is no change to the total issued share capital of the Company on or before the Record Date, except for adjustments resulting from the Share Consolidation. The Subscription Price is set at HK\$1.66 per Rights Share, with the allocation being three (3) Rights Shares for every two (2) Consolidated Shares held by 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).

Assuming there is no change to the total issued capital of the Company on or before the Record Date, the maximum of 36,546,008 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 150% of the theoretical total issued share capital of the Company (after taking into account the effect of the Share Consolidation) as at the Latest Practicable Date; and (ii) 60% of the theoretical total issued share capital of the Company (after taking into account the effect of the Share Consolidation) as enlarged by the allotment and issuance of the Rights Shares immediately upon the completion of the Rights Issue.

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

2. Implications under the Listing Rules

As the Rights Issue will increase the total issued share capital of the Company by more than 50% within the 12 months immediately preceding the Latest Practicable Date, the Rights Issue is conditional on minority Shareholders' approval at the EGM under the requirements of Rule 7.19A of the Listing Rules.

Pursuant to Rule 7.27A(1) of the Listing Rules, where Shareholders' approval is required for rights issue under Rule 7.19A, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, 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 of the Latest Practicable Date, the Company has no controlling shareholder, as defined under the Listing Rules. Additionally, none of the Directors or chief executives of the Company hold any interest in the Existing Shares. Therefore, none of them will be required to abstain from voting in favor of the proposed Rights Issue at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Lau Kelly, Mr. Wong Chun Peng Stewart and Mr. Cheng Man Pan, has been established to consider and advise the Independent Shareholders as to whether the terms of the Rights Issue are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

OUR INDEPENDENCE

We, Diligent Capital Limited ("**Diligent Capital**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

Diligent Capital is a licensed corporation licensed under the Securities and Futures Ordinance (“SFO”) to carry out Type 6 (advising on corporate finance) regulated activity. Mr. Felix Huen (“**Mr. Huen**”) is the person signing off the opinion letter from Diligent Capital contained in the Circular. Mr. Huen has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2019 and he has participated in and completed various independent financial advisory transactions in Hong Kong.

As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Diligent Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Diligent Capital’s independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Transaction.

We are not associated with and have no significant connection financial or otherwise, with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Diligent Capital did not provide any service to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the Rights Issue.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transaction, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Rights Issue, 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 arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the Transaction

On 10 June 2025, the Company announced its intention to raise gross proceeds of approximately HK\$60.7 million by issuing up to 36,546,008 Rights Shares, assuming there is no change to the total issued share capital of the Company on or before the Record Date, except for adjustments resulting from the Share Consolidation. The Subscription Price is set at HK\$1.66 per Rights Share, with the allocation being three (3) Rights Shares for every two (2) Consolidated Shares held by 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).

1.1 Information of the Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which have been listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the holding company of the Group.

(a) Principal business of the Group

The Group is primarily engaged in offering a comprehensive range of services, including securities brokerage, securities-backed lending, additional money lending solutions, as well as placement and underwriting services.

(b) *Financial position of the Group*

Below is a summary of the Group's audited consolidated financial position as of 31 December 2024 and 31 December 2023, as extracted from the Company's annual report for the year ended 31 December 2024 (the "2024 Annual Report").

	As at 31 December 2024 HK\$000 (Audited)	As at 31 December 2023 HK\$000 (Audited)
Non-current assets	19,401	14,003
Current assets		
– Trade receivables	55,134	97,822
– Loan receivables	47,749	37,121
– Other receivables, deposits and prepayments	1,381	673
– Tax recoverable	2,693	—
– Trust bank balances held on behalf of customers	12,585	3,001
– Cash and bank balances	15,929	23,394
Total current assets	135,471	162,011
Total assets	154,872	176,014
Current liabilities		
– Trade payables	12,243	2,732
– Other payables and accruals	3,245	1,259
– Contract liabilities	1,012	—
– Lease liabilities	—	622
– Tax payable	—	1,363
Total current liabilities	16,500	5,976
Net current assets	118,971	156,035
Total assets less current liabilities	138,372	170,038
Net assets	138,372	170,038

As indicated in the table above, as of 31 December 2024, the Group's total current assets amount to approximately HK\$135,471,000. This total primarily comprises (i) trade receivables of approximately HK\$55,134,000, (ii) loan receivables of approximately HK\$47,749,000, and (iii) cash and cash equivalents totaling approximately HK\$15,929,000.

As disclosed in the 2024 Annual Report, the Group recognised impairment losses and write-offs of trade and loan receivables amounting to approximately HK\$20.9 million and approximately HK\$16.15 million, respectively. This situation indicates a significant level of uncertainty regarding the recoverability of these receivables. Consequently, it is likely to have a considerable impact on the Group's treasury planning, particularly in its ability to address funding requirements associated with emerging business opportunities.

Furthermore, the Group's net current assets as of 31 December 2024 are approximately HK\$118,971,000. Consequently, the Group's liquidity relies heavily on the recoverability of its trade and loan receivables, which significantly impacts its capacity for business development, especially in light of the capital-intensive nature of its operations. Therefore, it is agreed that the Group is currently under considerable pressure to secure additional funding; without this, the scope of its business activities could be severely constrained.

2. Reasons for and benefits of the Rights Issue and the intended use of proceeds

2.1 The intended use of proceeds from the Rights Issue

Assuming that the Rights Issue is fully accepted and no new shares will be allotted or issued on or before the Record Date, the net proceeds of the Rights Issue (the "**Net Proceeds**") to be received by the Company, after deducting all estimated expenses payable for the Rights Issue, are estimated to be up to approximately HK\$57.6 million.

The Company intends to apply the Net Proceeds as follows:

- (i) approximately 9.2% of the Net Proceeds, or approximately HK\$5.3 million, will be allocated for potentially acquiring a company and dealing with virtual permits under the SFO, or for possibly applying for license conditions to manage virtual assets;
- (ii) approximately 60.8% of the Net Proceeds, or approximately HK\$35.0 million, will be allocated to the Group's margin financing business;
- (iii) approximately 26.0% of the Net Proceeds, or approximately HK\$15.0 million, will be allocated to finance the Group's money lending business; and
- (iv) approximately 4.0% of the Net Proceeds, or approximately HK\$2.3 million, will be allocated to enhance the Group's general working capital, 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.

2.2 The Board's view on the reasons and benefits of the Rights Issue

As outlined in the Letter from the Board, the Group is actively exploring opportunities to invest in and establish a foothold within the virtual asset industry to diversify its revenue streams. Following the Securities and Futures Commission's (SFC) approval of virtual asset futures exchange-traded funds (ETFs) for public offering on 31 October 2022, and the implementation of regulatory rules and guidelines for virtual asset service providers on 23 May 2023, the Group's management has identified significant opportunities in this emerging sector.

In discussions with prospective clients, the Clients' interest in cooperating in virtual assets business with the Company has been clearly expressed. The Company has been approached by an institution, through its clients' network, and other securities firms to explore a potential collaboration in trading virtual assets. As of the Latest Practicable Date, the Company is in the process of establishing a joint venture with the institutional partner to launch its virtual asset business. The structure of this joint venture is expected to be finalised in the fourth quarter of 2025. Once the joint venture is successfully established, both parties plan to begin operations in the first quarter of 2026. As of the Latest Practicable Date, no formal agreement has been executed with the institution regarding a potential collaboration in virtual asset trading. However, it is important to note that the Type 1 license held by the Company's subsidiary does not permit virtual asset dealing services. In light of this, the Company is diligently seeking to establish the virtual asset business by fulfilling the license conditions of the virtual asset trading dealing service. This strategic move would enable the subsidiary to effectively address client demand for transactions involving virtual assets, including cryptocurrencies.

Upon assessing the potential of the virtual asset industry, the Board is convinced that pursuing investment in this sector offers a valuable opportunity for the Group to strengthen its presence in the rapidly evolving virtual asset market. Furthermore, it presents a chance to diversify business operations and optimise returns for shareholders. The Group is committed to (i) fulfill the license conditions of virtual asset dealing services; (ii) propose clients to virtual asset trading platform operators; and (iii) offer virtual asset advisory services. The Board has engaged a corporate legal firm to assist on fulfilling the above targets and intended to submit the license application to SFC in late July 2025. The above license conditions are anticipated to be granted in the first quarter of 2026.

In addition, we noted that the Company intends to strategically allocate a portion of the net proceeds to expand its margin financing and money lending services. This investment is expected to fortify the Company's capital base, enhancing its ability to provide additional financing solutions to clients. Given the direct relationship between available reserves and lending volume, the incremental capital will facilitate scaling the Company's loan portfolio, which is projected to drive higher interest income generation.

Having considered the above, the Directors (excluding the independent non-executive Directors who will express their views after taking into account the advice of the Independent Financial Adviser) believe that, the terms of the Rights Issue are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2.3 Our view

To assess and conclude whether the Rights Issue is in the interest of the Company and the Independent Shareholders as a whole, we have taken into consideration the factors above with the following conclusions:

(a) Enhancing capital resources for margin financing services

The Group operates its securities business through its subsidiary, Pinestone Securities Limited (“**Pinestone Securities**”), which holds the licenses for type 1 regulated activities under the Securities and Futures Ordinance (SFO). We understand that the Group’s margin financing portfolio is limited by its available capital resources. Therefore, the Group plans to expand its financing services for customers interested in acquiring securities on a margin basis.

To facilitate this expansion, the Company intends to allocate HK\$35 million from the Net Proceeds to enhance the Group’s margin financing business. This investment will be strategically directed toward providing the necessary capital to fulfill the financing requirements of the Group’s clients. All allocated funds will be applied towards granting loan principal, while corresponding administrative expenses will be managed using the Group’s existing cash resources. This strategic approach is expected to increase the Group’s interest income and broaden its customer base. Additionally, by increasing the available funds for financing, the Group can offer margin loans to a larger audience or provide more significant margin limits to its existing customers.

The Group has implemented a comprehensive credit policy that includes (i) continuous monitoring of risk management performance through various risk indicators, including the loan-to-margin ratio and loan-to-value ratio, as well as the proportion of margin loans attributable to the Group based on loan balance and the margin loan balance associated with individual clients; (ii) establishment and regular review of a list of shares that qualify as collateral for the margin financing business; (iii) evaluation and approval of customer applications for trading limits and credit limits; and (iv) development of risk management policies specifically designed for cash account transactions and institutional clients, along with the formulation of effective settlement arrangements. This policy aims to thoughtfully determine the margin limit for each customer, thereby ensuring robust credit control while fostering the continued growth of the financing business.

According to the latest HKEX Monthly Market Highlights published on the Stock Exchange’s website, the average daily turnover for June 2025 was approximately HK\$230.2 billion. This represents a substantial increase of about 107% compared to the HK\$111.2 billion recorded in June 2024. In the first six months of 2025, 44 new companies were listed, indicating a 47% increase from the 30 companies listed during the same period last year. Additionally, funds raised through initial public offerings (IPOs) in the first half of 2025 totaled approximately HK\$107.1 billion, marking an impressive increase of around 699% from the HK\$13.4 billion raised in the corresponding period last year.

Given the increasing confidence in the Hong Kong investment market, which is evidenced by substantial trade volumes and a rising number of IPOs, we concur with the Directors that the net proceeds will significantly strengthen the Group's liquidity. This financial improvement will enable the Group to (i) expand its margin financing services for clients interested in acquiring securities on a margin basis; (ii) potentially increase the Group's interest income while also broadening its customer base; and (iii) extend margin loans to a broader clientele or provide larger margin limits to existing customers.

As a result, strengthening the capital base will allow the Group to take advantage of opportunities presented by the bullish market and the increasing number of companies listed in Hong Kong.

(b) Expansion of the Group's loan portfolio

The Group has developed strategies to expand its money lending business to capitalise on growth opportunities, increase market share, and strengthen its brand. This involves growing its loan portfolio and enhancing brand recognition and industry presence. The growth of the money lending business is directly tied to the availability of funds for offering loans. In other words, expanding the Group's loan portfolio depends on securing adequate funding.

However, if the Group struggles to obtain financing from banks and financial institutions, its ability to execute these expansion plans may be limited. In such cases, the Group may need to scale back its planned growth, hindering the overall strategy implementation.

To address this, the Directors plan to allocate approximately 26% of the Net Proceeds to expand the Group's loan portfolio and diversify its customer base by offering a wider range of mortgage, corporate, and personal loans. Additionally, the Directors aim to enhance the Group's brand and awareness through ongoing marketing efforts to establish the Group as a professional, stable, and reputable lender in the market.

In light of these initiatives, we agree with the Directors that these actions will enable the Group to generate increased revenue through a higher volume and/or value of transactions.

(c) Diversification of service offerings

We acknowledge that the Group's strategy to establish a virtual asset trading platform presents a promising opportunity for long-term growth and supports the advancement of the Group's overall business objectives. In pursuit of this strategic direction, the Group plans to apply for the necessary license under the Securities and Futures Ordinance (SFO) to ensure compliance with all regulatory requirements for operating virtual asset dealing services.

We understand that the primary focus of the Group will be on customising the platform to align with the specific needs and preferences of clients in Hong Kong, while ensuring adherence to all local regulatory requirements. This expansion is intended to leverage the growth potential within the Hong Kong cryptocurrency market and to further diversify the Group's geographic presence.

The Group's entry into virtual asset trading presents a significant opportunity to tap into markets with a growing demand for cryptocurrencies, including Southeast Asia, Europe, and North America. The appeal of virtual assets is expected to attract international investors seeking innovative opportunities, thereby broadening the Group's client base beyond Hong Kong. Additionally, the introduction of a diverse range of virtual asset products will cater to various investor preferences and enhance the Group's appeal across different markets. As a result, expanding into virtual asset trading not only positions the Group to capitalise on the rapidly growing cryptocurrency market in Hong Kong but also strategically improves its geographic diversification, enhancing its competitiveness within the global financial landscape. By integrating the Group's virtual asset trading platform with insights and resources from its existing securities operations, we align with the Directors' assessment that allocating Net Proceeds towards the expansion of virtual asset trading services will facilitate deeper market penetration and widen our client base in these sectors.

Conclusion

Based on our analysis, we conclude that it is reasonable to allocate a portion of the Net Proceeds to support the general working capital of the Group.

2.4 Alternative fundraising alternatives

In addition to the Rights Issue, we understand that the Directors have explored other fundraising options, including bank borrowings, placements, or an open offer. When considering debt financing, the Directors noted that bank loans would incur interest costs and may require the provision of security, meaning that creditors would have priority over shareholders. This type of financing would also add an interest burden and increase the Group's gearing ratio, while imposing repayment obligations. Furthermore, securing debt financing on favorable terms within a timely manner may not be possible.

On the other hand, equity fundraising, such as through the placement of new shares, is generally smaller in scale compared to a Rights Issue. It could also result in an immediate dilution of existing shareholders' interests, as it does not allow them to participate in the expanded capital base of the Company, which is not the intention of the Company.

Unlike an open offer, a Rights Issue allows shareholders to sell their nil-paid rights. It will enable qualifying shareholders to maintain their proportional shareholding interests and continue participating in the Company's future development.

After considering these alternatives, we agree that raising funds through the Rights Issue is the more attractive option given the current market conditions. The Rights Issue will help strengthen the Company's working capital and enhance its financial position, allowing qualifying shareholders to maintain their proportional shareholdings.

Based on the above, we concur with the Directors that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Rights Issue

Set out below are the principal terms of the Rights Issue:

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 Shares in issue as of the Latest Practicable Date:	487,280,100 Existing Shares
Number of Consolidated Shares upon the Share Consolidation becoming effective:	24,364,005 Consolidated Shares
Maximum number of Rights Shares:	36,546,008 Rights Shares, assuming there is no change to the total issued share capital of the Company on or before the Record Date, except for adjustments resulting from the Share Consolidation.

Assuming there is no change to the total issued capital of the Company on or before the Record Date, the maximum of 36,546,008 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 150% of the theoretical total issued share capital of the Company (after taking into account the effect of the Share Consolidation) as at the Latest Practicable Date; and (ii) 60% of the theoretical total issued share capital of the Company (after taking into account the effect of the Share Consolidation) as enlarged by the allotment and issuance of the Rights Shares immediately upon the completion of the Rights Issue.

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

3.1 *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.

3.2 *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 places 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.

4. Evaluation of the terms of the Subscription Price

4.1 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 approximately HK\$4.600 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.2300 per Existing 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\$0.1400 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\$0.1400 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\$0.1422 per Existing Share); and

- (vii) a discount of approximately 75.64% to the latest published audited consolidated net asset value per Consolidated Share as at 31 December 2024 of approximately HK\$6.82 based on the net asset value of HK\$138,372,000 and 406,070,100 Existing Shares (representing 20,303,505 Consolidated Shares) from the annual report of the Company published on 28 April 2025 for the year ended 31 December 2024 and the number of Consolidated Shares in issue upon the Share Consolidation becoming effective. The Directors consider the discount represented by the Subscription Price to the audited consolidated net asset value per New Ordinary Share as at 31 December 2024 to be fair and reasonable with reasons set out below in this letter.

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 “Reason for and benefits of the Rights Issue and the use of proceeds” in the Circular; and (iv) the amount of funds the Company intends to raise under the Rights Issue.

4.2 Evaluation of the Subscription Price

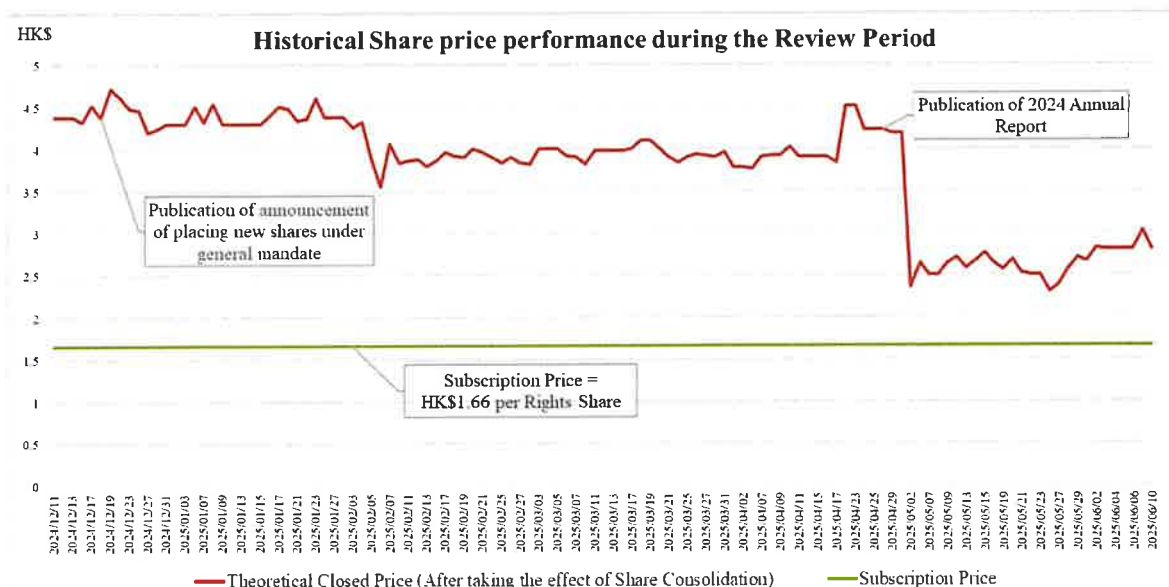
To assess the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to (a) the historical Share price performance; (b) the historical trading volume and liquidity of the Shares; and (c) the market comparable in respect recent issuance of subscription shares under a rights issue, as set out below.

4.2.1 Review of the historical price performance of the Shares

Below is a chart illustrating the movement of the closing prices of the Shares as quoted on the Stock Exchange from 11 December 2024 up to and including 10 June 2025, six-months before the Last Trading Date (the “**Review Period**”).

We believe that the six-month Review Period is an appropriate timeframe for effectively capturing general market sentiment. This duration aligns with the latest market trends and fluctuations in Share prices, thereby providing a reliable reflection of market attitudes toward the Shares. Conversely, extending the review period to twelve months could result in an overwhelming amount of information that may not effectively illustrate the relationship between Share price performance and the Company’s published information. Thus, we believe that opting for a six-month Review Period is both fair and reasonable.

To provide clarity and enhance accessibility, we have adjusted the Share price for the Review Period to reflect the impact of the share consolidation (the “**Theoretical Closing Price**”).



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 the 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 (i) a discount of approximately 27.83% to the lowest Theoretical Closing Price of HK\$2.30, (ii) a discount of approximately 64.83% to the highest Theoretical Closing Price of HK\$4.72, and (iii) a discount of approximately 56.09% to the average Theoretical Closing Price of HK\$3.78, observed during the Review Period.

As shown in the chart above, the Share price closed between HK\$0.115 per Consolidated Share (or the Theoretical Closing Price of HK\$2.30 per Consolidated Share) and HK\$0.236 per Consolidated Share (or the Theoretical Closing Price of HK\$4.72 per Consolidated Share) during the Review Period.

During the Review Period, the Company released several announcements, including: (i) a proposed change of the Company's name, published on 12 December 2024; (ii) a placing of new shares under a general mandate, published on 18 December 2024 and 13 January 2025; (iii) a voluntary announcement about the commencement of a new business activity, published on 3 January 2025; (iv) a profit warning announcement, published on 21 March 2025; (v) inside information concerning the suspension of duties for Mr. Shi Zhu, the former non-executive Director and co-chairman of the Board, published on 9 April 2025 and 10 April 2025; (vi) a supplemental announcement regarding the decision not to proceed with the proposed change to the Company's name, published on 28 April 2025; and (vii) a voluntary announcement regarding a potential strategic cooperation, published on 8 May 2025.

Save as these announcements, the Company did not disclose any other material information to the public.

Considering the considerations above, we believe that the Share price performance during the Review Period reflects a volatile market environment characterised by sharp fluctuations. However, it is crucial to consider additional factors to evaluate the fairness and reasonableness of the subscription price.

In order to assess the fairness and reasonableness of the Subscription Price as compared to the recent closing price of the Shares, we have further, based on the information available from the Stock Exchange's website, observed the trading volume and liquidity of the Shares and identified the Comparables (as defined below) for further analysis. Please refer to the subsection headed "Comparison with recent transactions" for details on the analysis.

4.2.2 Review on the trading volume and liquidity of the Shares

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.

In light of the low trading volume, the Shareholders may encounter challenges in selling their Shares promptly at a more favourable price. Furthermore, the Company may face difficulties raising equity funds from third parties without offering a substantial discount to the prevailing Share price. Given the low trading liquidity and the observed downward trend in the closing price of the Shares during the Review Period, we understand that the Directors do not have specific information to pinpoint the factors contributing to this significant decrease in share price. However, this situation illustrates a volatile market environment marked by substantial fluctuations. Such volatility often leads to increased uncertainty in pricing, making it difficult for Shareholders to accurately assess the fair value of the Shares. Additionally, we noticed that (i) the Group is currently facing ongoing financial losses, which have a considerable impact on its financial position. This scenario may adversely influence the determination of the Subscription Price; and (ii) the limited liquidity of the Shares observed during the Review Period indicates the possibility of a significant discount to the Subscription Price. This adjustment may serve to encourage Shareholders to accept the allotment under the Rights Issue, together with the factors explained in the subsection “4.2.3 Comparison with recent transactions” below, we concur with the Directors that the terms of the Subscription Price are fair and reasonable, thus encouraging Qualifying Shareholders to participate in the Rights Issue and to support the future development of the Company.

4.2.3 Comparison with recent transactions

To evaluate the reasonableness of the Subscription Price, we have identified an exhaustive list of 31 transactions conducted by companies listed on the Stock Exchange (the “**Comparables**”). This process was based on the information available from the Stock Exchange’s website and conducted on a best-effort basis. The criteria for selecting the Comparables were as follows: (i) the companies must be listed on the Stock Exchange; (ii) the exclusion of rights issue transactions of A-Shares and H-Shares; (iii) the proposed rights issues announced during the Review Period.

Despite the Comparables including rights issues of varying sizes, different business models, and diverse financial performances. In our assessment, we have considered several key factors: (i) all Comparables, and the Group, are listed on the Stock Exchange; (ii) our analysis primarily focuses on the principal terms of the rights issues, and we have not found any established evidence indicating a correlation between the size of the rights issue and its underlying principal terms; (iii) including transactions from Comparables with different funding needs and business operations provides a more comprehensive understanding of market sentiment in our analysis; (iv) by selecting Comparables over a six-month period, we have obtained a meaningful sample size of 31 Hong Kong-listed issuers, which adequately reflects current market practices regarding recent rights issues. In contrast, extending the selection period to 12 months would yield an excessive number of comparable rights issues, potentially diluting the analysis due to the wider range of premiums and discounts associated with subscription prices; (v) the inclusion of Comparables was conducted without any artificial selection or filtering, ensuring that they authentically represent recent market trends among other Hong Kong-listed issuers. As a result, we are of the view that the Comparables provide fair and representative samples.

Based on the above, we believe that our comparable analysis, based on the criteria outlined above, is valuable for evaluating the fairness and reasonableness of the Subscription Price. To the best of our knowledge, the list of Comparables includes all relevant companies that meet our specified search criteria. We consider these Comparables to be a reliable reference for recent rights issues, as there have been a sufficient number of transactions within this period, resulting in a reasonable sample size.

It is important to note that the comparable companies may have different principal activities, market capitalisations, profitability, and financial positions compared to the Company. Additionally, the reasons that led these companies to pursue rights issues may differ from those of the Company.

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds Use of proceed (HK\$ million)	Premium/ (Discount) of subscription price over/ to the closing price for the subscription price five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over/ to the theoretical ex-right price	Premium/ (Discount) of the subscription price over/ to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement
02/12/2024	Luxxu Group Limited	1327	1 for 1	principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery accessories, OEM watches and third-party watches	139.6	16.2 (i) repayment of the group's bond payables (ii) general working capital of the group	(44.44%)	N/A	(79.45%)	22.22%	1.5% of HK\$100,000	No
03/12/2024	Graphex Group Limited	6128	3 for 1	principally engaged in development and processing of graphene products, in particular, graphite anode material for lithium-ion batteries used in electric vehicles and other applications. The Group is also engaged in landscape architecture design businesses	164.3	119.7 (i) implementation of project in Laos; the PRC; (ii) repayment of loans and interests of the group; (iii) general working capital of the group	(32.00%)	(10.53%)	(51.51%)	24.00%	1.50%	No
06/12/2024	Xinming China Holdings Limited	2699	4 for 1	principally engaged in property development, property investment and property leasing	2,085.3	84.2 (i) settlement of convertible bonds, repayment of interest-bearing bank loans and other borrowings and other payables and accruals of the group within around three months upon completion of the rights issue; (ii) general working capital of the group, including but not limited to its daily operational expenses of the group for the forthcoming 6 months upon completion of the rights issue	(13.80%)	N/A	N/A	16.90%	3.00%	No

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds Use of proceed (HK\$ million)	Premium/ (Discount) of subscription price over/to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over/to the theoretical ex-right price	Premium/ (Discount) of the subscription price over/to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement
10/12/2024	KNT Holdings Limited	1025	3 for 1	manufacturing and trading of garment products	12.8	44.0 (i) investment in potential opportunity in southeast Asia; (ii) the repayment of debt of the group	(9.38%) (10.22%)	(2.52%)	(59.90%)	8.08%	3.00%	No
13/12/2024	China Energy Storage Technology Development Limited	1143	2 for 1	principally engaged in electronic manufacturing services; telecommunications products and multimedia products and computer accessories	74.0	94.2 (i) procurement costs, settling deposit and payment to suppliers; (ii) selling the consideration of the assignment; (iii) additional research and development undertakings in respect of energy storage system technology; and (iv) general working capital of the Group, including but not limited to marketing and promotion, salary expenses and other office and corporate expenses in relation to the assignment	(36.36%) (35.78%)	(16.00%)	(90.50%)	24.24%	1.50%	No
13/12/2024	Royal Century Resources Holdings Limited	8125	3 for 1	principally engaged in provision of design, fitting out and engineering, and procurement of furnishings and related products services; leasing of construction equipment and provision of related installation services, sourcing and merchandising of fine and rare wines; and provision of financial services	68.0	39.2 (i) support the group's projects; (ii) settlement of debts including accruals, trade and other payables; and (iii) general working capital of the group	(23.95%) (22.10%)	(7.30%)	(82.69%)	17.96%	2.00%	No

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds Use of proceed (HK\$ million)	Premium/ (Discount) of subscription price					Placing commission rate	Underwriting arrangement
							Premium/ (Discount) of subscription price over/ to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over/ to the theoretical ex-right price	Premium/ (Discount) of the subscription price over/ to the latest net asset value per share	Theoretical dilution effect			
19/12/2024	HSC Resources Group Limited	1850	4 for 1	principally engaged in design, supply and installation of fire safety systems for buildings under construction or re-development, maintenance and repair of fire safety systems for built premises and trading of fire service accessories	24.2	73.3 (i) support the group's projects; and (ii) general working capital of the Group	(24.25%)	(23.19%)	N/A	19.43%	1.50%	No	
20/12/2024	Manson International Holdings Limited	8456	4 for 1	principally engaged in the sale of baby and children garments	67.3	30.7 (i) repayment of the group's other borrowings; (ii) payment of rental expenses and management fee for the next 12 months; (iii) payment of salaries of the group's employees for the next 12 months; and (iv) working capital for the existing business	(22.90%)	(23.50%)	(5.50%)	N/A	18.80%	1.50%	No
27/12/2024	China Kingstone Mining Holdings Limited	1380	2 for 5	principally engaged in mining, processing and trading of the marble stones and marble-related products	43.9	20.4 (i) general working capital of the group, including but not limited to staff costs, rent and rates, professional fees and other general corporate expenses; and (ii) investment in potential business opportunities	16.28%	19.62%	11.11%	(65.60%)	0.00%	2.25% or HK\$300,000	No

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds Use of proceed (HK\$ million)	Premium/ (Discount) of subscription price over to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over to the theoretical ex-right price	Premium/ (Discount) of the subscription price over to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement
31/12/2024	China Demeter Financial Investments Limited	8120	1 for 2	principally engaged in manufacturing, development and distribution of feedstock products, animal husbandry and related activities in the People's Republic of China, provision of loan financing in Hong Kong, provision of financial services (including advising and dealing in securities and asset management), investment in listed and unlisted securities, provision of food and beverage services, alcoholic beverage distribution, and provision of children education services	39.7	15.6 (i) repayment of the outstanding loan borrowing and interest of the company; (ii) settlement of outstanding rental expenses and/or payment of the food raw materials and ingredient supplier for the group's existing food and beverage business; and (iii) general working capital of the group	(25.00%) (25.32%)	(18.18%) (59.08%)	8.55%	2.50%		No
17/01/2025	Wan Kei Group Holdings Limited	1718	1 for 1	principally engaged in the provision of foundation construction, ground investigation services, financial services, trading of consumer products and e-commerce sales, live streaming and promotion business in the social media	26.73	23.0 General working capital of the Group, particularly for the funding of the construction segment of the Group and the general working capital of the headquarter	(29.82%) (31.97%)	(17.53%) (75.00%)	17.64%	3.00%		No
27/01/2025	Colour Life Services Group Co., Limited	1778	1 for 4	primarily engaged in the provision of property management services, the provision of engineering services and the provision of community leasing, sales and other services	244.0	61.4 (i) the general working capital of the group, (ii) the application of artificial intelligence technology in the group's community operations and big data construction in order to improve efficiency of the Group's services; (iii) the development of the group's community value-added services; and (iv) working capital reserve	0.00% (2.14%)	N/A	43.00%	N/A		No

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds Use of proceed (HK\$ million)	Premium/ (Discount) of subscription price over/ to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over/ to the theoretical ex-right price	Premium/ (Discount) of the subscription price over/ to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement
02/02/2025	CSI Properties Limited	497	18 for 10	primarily engaged in property trading; strategic investment which engages in property investment through strategic alliances with the joint venture partners of the jointly controlled entities and associates; and securities investment engages in the securities trading and investment	1,565.7	1,492.0 (i) refinance and/or repay indebtedness; (ii) working capital requirements, which in turn will enhance the company's financial position and its ability to tap future financing from banks and public markets as opportunities arise	5.88%	2.04%	(93.55%)	0.00%	N/A	Yes
07/02/2025	Stream Ideas Group Limited	8401	2 for 1	primarily engaged in providing online advertising services, including social viral, engager, and mass blogging services. It operates platforms with front-end user interfaces, such as websites and mobile applications, to deliver these services	19.9	40.8 (i) the expansion and development in the business of online advertising services and promotion of the online platform of the group; (ii) general working capital of the Group, including but not limited to operational costs, staff costs, rental expenses, professional fees and other office overheads of the group	(15.00%)	(5.56%)	N/A	11.58%	3.00%	No

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds (HK\$ million)	Use of proceed	Premium/ (Discount) of subscription price over to the closing price on the last trading day	Premium/ (Discount) of subscription price over to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over to the theoretical ex-right price	Premium/ (Discount) of the subscription price over to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement
14/02/2025	Yves International Holdings Group Limited	1529	4 for 1	primarily engaged in offering a wide range of logistics services to meet the needs of its customers' supply chains, which include transportation, warehousing, in-plant logistics, and customisation services (consisting mainly of labelling services and bundling services)	15.7	69.4	(i) the group's general working capital including employee benefits expenses, subcontracting expenses for certain transportation, warehousing and customisation services; and other expenses (such as professional fees, fleet operating expenses and outsourced labour costs where appropriate); (ii) the group's newly developed goat milk product business in Inner Mongolia Autonomous Region; and (iii) building warehouse(s) and/or other logistic related facilities in the traditional Chinese medicine (TCM) logistics industry park in Jiangxi, PRC aiming to provide quality warehousing and logistic services to customers for TCM products	(71.4%)	(20.25%)	(1.52%)	(88.68%)	21.47%	1.00%	No

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds Use of proceed (HK\$ million)	Premium/ (Discount) of subscription price over/ to the closing price for the five consecutive trading days up to share price on the last trading day	Premium/ (Discount) of subscription price over/ to the theoretical ex-right price	Premium/ (Discount) of the subscription price over/ to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement
14/02/2025	China Salower International Holding Group Limited	8623	1 for 2	principally engaged in the manufacturing and sales of wires and cables and sales of aluminium products in the PRC	11.9	6.1 (i) repayment of the group's debt and borrowings; (ii) investments in the industry of non-motor vehicle; and (iii) general working capital of the group	(6.78%)	(4.62%)	(82.79%)	2.26%	1.00%	No
18/02/2025	China Baoli Technologies Holdings Limited	164	4 for 1	principally engaged in multi-media technologies and convergence media business; gamma ray dry grinding and dry beneficiation business; and other operations – investment, securities trading and tourism and hospitality business	37.9	171.5 (i) repayment of outstanding liabilities; (ii) general working capital; and (iii) the convergence media Business	6.67%	1.27%	N/A	0.00%	1.00%	No
27/02/2025	TIMELESS RESOURCES HOLDINGS LIMITED	8028	1 for 2	principally engaged in mining and Metal Business – the exploration, development and exploitation of mines and trading of metal; and software and Innovation Business – research, development and sale agency of bio and nano material products as well as software maintenance and development services	64.1	30.0 (i) the development of the gold processing and trading business; and (ii) the development of the software business	(9.64%)	(6.81%)	(23.28%)	3.21%	N/A	No
03/03/2025	China Zenith Chemical Group Limited	362	2 for 1	principally engaged in the manufacture and sale of calcium carbide and lime powder; manufacture and sale of chemical products for agriculture; and generation and supply of heat and power	37.8	62.2 (i) repayment of the Group's indebtedness and interest expenses; and (ii) general working capital of the Group	(17.90%)	(7.10%)	N/A	13.03%	N/A	Yes

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds Use of proceeds (HK\$ million)	Premium/ (Discount) of subscription price over/ to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over/ to the theoretical ex-right price	Premium/ (Discount) of the subscription price over/ to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement
07/03/2025	Volcano Spring International Holdings Limited	1715	3 for 1	principally engaged in the manufacture and sale of calcium carbide and lime powder, manufacture and sale of chemical products for agriculture, and generation and supply of heat and power	17.6	88.4 (i) repayment of the borrowings; and (ii) Group's general working capital for the daily operations of its existing principal business, including but not limited to selling and distribution expenses, administrative expenses and research and development expenses	47.06%	47.06%	8.70%	0.00%	1.00%	No
14/03/2025	Good Fellow Healthcare Holdings Limited	8143	1 for 1	principally engaged in the provision of general hospital services in the People's Republic of China	24.8	28.2 (i) repayment of Shareholder's Loans; (ii) development of the general hospital business of the Group; and (iii) general working capital of the group (including but not limited to the payment of salaries, rental expenses, professional fees and/or other corporate expenses)	(12.28%)	(19.35%)	(7.41%)	10.94%	1.00%	No
19/03/2025	Pacific Legend Group Limited	8547	1 for 2	principally engaged in the sale of home furniture and accessories, leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings	29.6	13.7 (i) payment of salary and remuneration expenses; payment of rental expenses; and (ii) trade related expenses including payments to suppliers, warehouse and logistics teams	(13.79%)	(13.79%)	(9.64%)	4.60%	1.25%	No

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds Use of proceed (HK\$ million)	Premium/ (Discount) of subscription price over/ to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over/ to the theoretical ex-right price	Premium/ (Discount) of the subscription price over/ to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement
11/04/2025	ISP Holdings Limited	2340	1 for 2	principally engaged in the provision of interiors and special projects business in Hong Kong and property and facility management business in the PRC	68.4	10.8 (i) legal cost to be incurred for the year, and (ii) general working capital of the group	(74.50%)	(66.07%)	(85.59%)	24.85%	N/A	No
16/04/2025	Austasia Group Ltd.	2025	2 for 5	principally engaged in the production and sales of raw milk, sales of beef cattle and sales of milk products in the PRC	1,015.0	313.8 (i) fully repay a short-term loan facility of US\$25 million with a financial institution for the purpose of providing working capital for the group, (ii) repayment of onshore working capital facilities and interests with a financial institution in the PRC, and (iii) group's general working capital purposes, including, but not limited to, normal feed material procurement, purchase of silages and other working capital needs	(29.11%)	(22.76%)	(80.95%)	8.23%	N/A	No

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds (HK\$ million)	Use of proceed	Premium/ (Discount) of subscription price over/ to the closing share price on the last trading day	Premium/ (Discount) of subscription price over/ to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over/ to the theoretical ex-right price	Premium/ (Discount) of the subscription price over/ to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement
16/04/2025	Bonjour Holdings Limited	653	3 for 1	principally engaged in the retail and wholesale of beauty and health-care products in Hong Kong, Macau and the PRC	48.4	107.5	(i) upgrade its existing cross border e-commerce platform HKMALL; (ii) investment in enhancing the Group's business model of products wholesaling, encompassing strategic partnerships in bonded warehousing, O2O (online-to-offline) commerce, and enhanced supply chain operations; (iii) general working capital of the group, including day-to-day salaries, office administrative overheads and selling and distribution expenses	(25.93%)	(27.93%)	(8.05%)	(75.91%)	20.95%	2.00%	No
25/04/2025	Meco International Development Limited	200	1 for 2	principally engaged in leisure, gaming and entertainment, and other investments	4,308.9	780.0	(i) repay a portion of the principal amounts outstanding and the payment of interest of a US\$1.0 billion 5-year secured credit facility agreement entered into in June 2021	(72.93%)	(71.03%)	(64.28%)	3,328.67%	24.31%	N/A	No

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29/04/2025	C Cheng Holdings Limited	1486	1 for 2	principally engaged in the provision of comprehensive architectural service and building information modelling services	68.6	14.4 (i) further development and strengthening the Group's existing business in the Middle East and North Africa region by recruitment of skilled professionals in delivering high quality projects while also hiring business development and marketing experts; (ii) enhance the Group's information technology infrastructure through the development of digital platform with artificial intelligence technology for its existing business, and (iii) general working capital of the Group	(67.1%) (66.44%)	(57.75%) (92.75%)	22.40% 3.00%	No		

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds Use of proceed (HK\$ million)	Premium/ (Discount) of subscription price over to the closing price of the share price on the last trading day	Premium/ (Discount) of subscription price over to the theoretical ex-right price	Premium/ (Discount) of the subscription price over to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement
07/05/2025	SEEC Media Group Limited	205	1 for 2	principally engaged in the provision of advertising agency services, distribution of books and magazines in PPC and securities broking business money lending business and provision of e-commerce platform services in Hong Kong.	94.2	40.5 (i) repayment of the group's bond payables on or before 30 August 2025; (ii) repayment of the group's other payables of corporate expense and advertising and marketing expenses on or before 31 December 2025; and (iii) general working capital, the rent and rate and staff cost of the group on or before 31 December 2026	(23.61%) (26.17%)	(17.29%) (51.54%)	0.00%	0.00%	3.00%	No
09/05/2025	China Sci-Tech Industrial Investment Group Limited	339	1 for 2	principally engaged in investment in and trading of listed and unlisted equity securities	30.8	10.1 (i) for the repayment of outstanding liabilities of the company; and (ii) for the company's general working capital for the daily operations of its existing principal business	(43.10%) (47.40%)	(38.60%)	N/A	16.20%	1.50%	No
13/05/2025	Shougang Century Holdings Limited	103	3 for 20	principally engaged in the manufacturing of steel cords and processing and trading of copper and brass products	951.8	160.4 (i) upgrade the company's technology, including but not limited to manufacturing process, workflow and production capacity optimisation as well as cost reduction, efficiency improvements, production support, and research and development; (ii) replenish general working capital and to repay loans and borrowings of the group	12.30%	10.60%	(40.10%)	0.00%	N/A	No

Date of initial announcement	Company name	Stock code	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date (HK\$ million)	Amount of maximum gross proceeds (HK\$ million)	Use of proceed	Premium/ (Discount) of subscription price over/to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over/to the theoretical ex-right price	Premium/ (Discount) of the subscription price over/to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement	
13/05/2025	Capital Realm Financial Holdings Group Limited	204	3 for 1	principally engaged in provision of IT integrated solutions services, support services from leasing contracts and security monitoring services, IT equipment leasing, IT maintenance and consultancy services, and distribution and resale of packaged hardware and software in Macau, Hong Kong and the PRC	996.2	155.7	(i) repayment of the Group bonds principal amount and accrued interests; (ii) future investments pursuant to the investment objectives of the Company for the upcoming twelve (12) months; and (iii) general working capital of the Group which mainly includes directors' emoluments, salaries, legal and professional fees and rental expenses	4.17%	21.36%	1.01%	(86.28%)	0.00%	3.00%	No
			maximum		4,308.9	1,492.0		47.06%	47.06%	11.11%	3,328.67%	43.00%	3.00%	
			average		399.9	136.0		(18.98%)	(19.24%)	(13.34%)	97.40%	13.06%	1.96%	
			median		64.1	44.0		(17.90%)	(20.25%)	(7.30%)	(75.46%)			
			minimum		11.9	6.1		(74.50%)	(73.38%)	(66.07%)	(93.55%)	0.00%	1.00%	
23/05/2025	Prisacore Capital Limited	804	3 for 2	principally engaged in provision of securities brokerage services, securities-backed lending services, other lending services as well as placing and underwriting services	145.3	60.7	(i) potentially applying for a license conditions to be able to deal with virtual asset; (ii) provide margin financing services; (iii) provide money lending services; and (iv) 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	(40.71%)	(41.55%)	(22.14%)	(75.64%)	24.93%	5.00%	No

The table above presents a detailed overview of the subscription prices of the Comparables in relation to their respective closing prices on or before the dates of the last trading day. These prices varied, showing a discount of approximately 74.50% to a premium of approximately 47.06%, with an average discount of approximately 18.98%.

In further examining the subscription prices in comparison to the average closing prices over the five trading days before the date of the last trading day, we found that the results showed a comparable range, with the prices varying from a discount of approximately 73.38% to a premium of approximately 47.06%, with an average discount of approximately 19.24%.

As a result, the discount of approximately 40.71% to the Theoretical Closing Price of HK\$2.80 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, and the discount of approximately 41.63% to the average Theoretical Closing Price of HK\$2.844 per Consolidated Share (after taking into account the effect of the Share Consolidation) for the five consecutive trading days immediately preceding the Last Trading Day, 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, fall within the established range of the Comparables.

In addition to the above, we have observed significant variation in the premium and discount of the subscription price of the Comparables compared to the closing share price on the last trading day. This variation ranges from a premium of 47.06% to a discount of 74.50% (the “**Comparison 1**”). Furthermore, when we analysed the premium and discount of the subscription price against the closing prices for the five consecutive trading days leading up to and including the last trading day, we found a similar range, with a premium of 47.06% and a discount of 73.38% (the “**Comparison 2**”).

Given the absence of a solid rationale for excluding the outliers from the Comparables, we have decided to include them in our analysis. This approach is designed to minimise potential bias in the results and ensure a more accurate representation of the data. By incorporating the outliers, we aim to provide a thorough and comprehensive understanding of the Comparables population.

To provide a thorough assessment, we included the median in our analysis, as it is not affected by outliers and serves as a more reliable measure of central tendency in these situations. Our findings show that the median discount for Comparison 1 is 17.90%, while for Comparison 2, it is 20.25%.

Based on these observations, it is important to note that the Subscription Price, which represents a discount of approximately 40.71% and 41.55% compared to the Last Trading Day and the previous five consecutive trading days, falls outside the median range of the Comparables.

In summary, as mentioned in the section headed “4.2.1 Review of the historical price performance of the Shares” in this letter, we observed that the historical performance of Share prices has been characterised by a volatile market environment with significant fluctuations. This high level of volatility often leads to increased uncertainty in pricing, making it difficult for investors to accurately assess the fair value of Shares using fundamental analysis. Moreover, in such conditions, investors may expect a higher return to compensate for the increased risk. As a result, we believe that high volatility presents notable challenges in determining the fair value of Shares, leading to substantial adjustments in evaluations.

Other than the shares liquidity, historical share price performance, the companies’ financial positions and the respective reasons and benefits for the rights issue, we do not notice any particular reason for the Comparables with high premium and discount to the closing price.

We analysed the average and median figures for Comparison 1 and Comparison 2, where the discount to the Subscription Price exceeds that of the Comparables. However, when assessing the Subscription Price, we considered other factors, including:

- (i) the Group is currently facing continuous financial losses, which have a significant impact on its financial position. This situation may adversely influence the determination of the Subscription Price;
- (ii) the high volatility of the closing of the Shares and the limited liquidity of the Shares observed during the Review Period indicate the potential for a considerable discount to the Subscription Price. This adjustment may serve to encourage the Qualifying Shareholders to participate in the Rights Issue;
- (iii) the Rights Issue is available to all Qualifying Shareholders, whose interests of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares;
- (iv) those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market;
- (v) the reasons in the section headed “Reasons for and benefits of the Rights Issue and the intended use of proceeds” above in this letter; and
- (vi) the theoretical dilution effect of the Rights Issue falls within the range of the Comparables.

After careful consideration, we believe the benefits of the factors mentioned above outweigh the unfavorable findings from the Comparables and the significant discount applied to the Subscription Price, therefore, we consider a substantial discount of the Subscription Price to attract subscription by the Qualifying Shareholders is fair and reasonable.

In light of above, we consider that the determination of the Subscription Price are fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Placing Agreement

On 10 June 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement. Principal terms of the Placing Agreement are summarised below:

Placing Agent: Pinestone Securities Limited has been 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 is a licensed corporation authorised to conduct Type 1 regulated activities (dealing in securities) under the Securities and Futures Ordinance (SFO).

To the best of the Directors' knowledge, information, and belief, and after making all reasonable inquiries as of the Latest Practicable Date, the Placing Agent is a wholly-owned subsidiary of the Company.

Placing Price: The placing price for the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be set at a minimum equal to the Subscription Price.

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 "**Placing Commission**").

Placees: The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s), shall be third party(ies) independent of the Directors, chief executive of the Company or Substantial Shareholders or any of its subsidiaries or any of their respective associates.

The Placing Agent shall also ensure that (i) none of the placees, and whose ultimate beneficial owner(s), shall own 10% or more of the total number of Shares in issue immediately upon the completion of the Rights Issue; (ii) the public float requirement under Rule 8.08 of the Listing Rules remains to be fulfilled by the Company upon the completion of the Rights Issue; and (iii) the placees, and whose ultimate beneficial owner(s), (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% or more of the voting rights of the Company immediately after the completion of the Rights Issue.

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 then in issue.

5.1 Evaluation of the Placing Price

The placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price. As we consider that the Subscription Price is fair and reasonable as discussed in the paragraph headed “4.2 Evaluation of the Subscription Price” in this letter, we also consider the arrangement of setting the placing price at or above the Subscription Price is fair and reasonable.

5.2 Evaluation of the Placing Commission

To assess the fairness and reasonableness of the Placing Commission, we have considered the commission charged by placing agents of the Comparables, where applicable. We noted that the placing commission paid by these companies ranged from nil to 3.00%. The Placing Commission of approximately 5% is above the range of the Comparables, as set out in the sub-section “Comparison with recent transactions” in this letter. Despite this, when evaluating the fairness of the Placing Commission, we have taken into account that the Placing Agent is a wholly-owned subsidiary of the Company. The Placing Commission will be deducted directly from the Net Proceeds. Since a portion of the Net Proceeds is designated for the Placing Agent for business development purposes, we believe that the financial implications of the Placing Commission charged by the Placing Agent and the allocation of the Net Proceeds are effectively equivalent. Therefore, we conclude that there are no significant financial effects arising from this matter.

6. Potential dilution in public shareholding interests

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not take up the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and the Placing.

For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue and the Placing will be diluted by up to a maximum of approximately 24.98%.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; and (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable and justifiable.

7. Possible financial effect of the Rights Issue

7.1 Effect on net tangible assets

Reference is made to the statement of unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix II to the Circular.

As at 31 December 2024, based on (i) the audited consolidated net tangible assets of the Group attributable to the equity holder of the Company of approximately HK\$137,872,000; and (ii) taking into account the Placing of 81,210,000 Existing Shares completed on 13 January 2025, the 487,280,100 Existing Shares in issue (representing 24,364,005 Consolidated Shares), the audited consolidated net tangible assets per Consolidated Share attributable to the Shareholders amounted to approximately HK\$6.23 per Consolidated Share.

On the assumptions that the completion of the Rights Issues had taken place on 31 December 2024, the Share Consolidation had become effective and 36,546,008 Rights Shares had been issued, immediately upon the completion of the Rights Issue, (i) the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company would become approximately HK\$209,369,000; and (ii) the number of Consolidated Shares in issue would become 60,910,013 Consolidated Shares, resulting in the unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share attributable to the Shareholders of approximately HK\$3.44.

Despite a reduction of approximately 44.8% in the consolidated net tangible assets per Consolidated Share upon the completion of the Rights Issue from HK\$6.23 to HK\$3.44, we have carefully considered (i) the reasons for the Rights Issue as outlined in the section titled "2. Reasons for and benefits of the Rights Issue and the intended use of proceeds" in this letter, and (ii) the rights of the Qualifying Shareholders to take up their respective entitlements. This allows them to maintain their shareholdings in the Company and participate in the Group's potential growth. In our view, the overall impact on the consolidated net asset value per Consolidated Share is fair and reasonable, and it serves the best interests of the Company and its Shareholders as a whole.

7.2 Effect on working capital

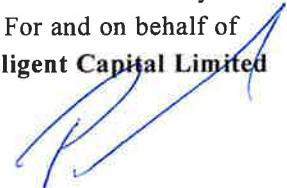
As indicated by the Company, part of the Net Proceeds will be utilised as general working capital for the Group. Consequently, the Group's working capital position is expected to improve upon the completion of the Rights Issue.

It is important to note that the analyses provided are for illustrative purposes only and do not reflect the Group's actual financial position following the completion of the Rights Issue.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Rights Issue and the Placing are fair and reasonable; and (ii) the Rights Issue and the Placing are in the interests of the Company and the Shareholders. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour on the resolutions at the EGM in relation to the Rights Issue and the Placing.

Yours faithfully
For and on behalf of
Diligent Capital Limited



Felix Huen
Director