



Jun Hui International Finance Limited  
Unit 01-02, 16/F, Hing Yip Commercial  
Centre, 272-284 Des Voeux Road Central,  
Sheung Wan, Hong Kong

22 August 2025

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
ONE (1) RIGHTS SHARE FOR EVERY ONE (1)  
SHARE HELD ON THE RECORD DATE**

**INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 22 August 2025 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the Rights Issue Announcement in relation to, among others, the Rights Issue. The Board proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.1 per Rights Share, to raise up to approximately HK\$182.57 million before expenses, by way of issuing up to 1,825,740,693 Rights Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date). The estimated net proceeds from the Rights Issue will be approximately HK\$178.75 million (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date).

On 25 July 2025 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and respective arrangements in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a best-effort and non-fully underwritten basis, up to 1,825,740,693 Rights Shares, subject to the terms and conditions set out in the Underwriting Agreement, in particular, the fulfilment of the conditions precedent contained therein.



As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders at the SGM by way of poll, in accordance with Rule 7.19A of the Listing Rules. Pursuant to Rule 7.27A(1) of the Listing Rules, where minority shareholders' approval is required for a rights issue under Rule 7.19A of the Listing Rules, the rights issue must be made conditional on approval by 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 issuer and their respective associates shall abstain from voting the ordinary resolution to approve the Rights Issue at the SGM.

As at the Latest Practicable Date, the Company had no controlling shareholders and no Directors or chief executive of the Company, and their respective associates were interested in any Shares. Accordingly, no Shareholder is required to abstain from voting in favour of the relevant resolution(s) of the Rights Issue at the SGM.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Li Chun Kei, Mr. Shek Lai Him Abraham and Mr. Du Peng, has been formed to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how to vote at the SGM, after taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice.

In this connection, we, Jun Hui International, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. We do not, by this letter, warrant the merits of the Rights Issue, other than to form an opinion, for the purpose of the Listing Rules. As at the Latest Practicable Date, we did not have any relationships with, or have any interests in the Company or any other parties that could reasonably be regarded as relevant to our independence, nor we were engaged by the Company as an independent financial adviser in its other transactions in the past two years. Apart from normal professional fees payable to us for this appointment, no arrangement exists whereby we will receive any fees or benefits from any party abovementioned. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and are eligible to give independent advice in respect of the Rights Issue.

## **BASIS OF OUR OPINION**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the management of the Group (the “**Management**”)), and have assumed that all information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) were true, accurate and complete in all material respects at the time when they were made and up to the date of this letter. We have also assumed that all statements of belief, opinions and intention made by the Directors in the Circular (or otherwise provided to us by the Directors and the Management) are reasonably made after due and careful enquiry. We have no reason to doubt that any relevant information has been withheld or omitted, nor are we aware of any fact or circumstance which would render the information, opinions and representations provided or made to us untrue, inaccurate or misleading.



The Directors jointly and severally accept full responsibility for the accuracy of the information contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions and representations expressed in the Circular (or otherwise provided to us by the Directors and the Management) 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 in any material respect. We consider that we have received sufficient information to enable us to reach an informed view, and have performed all the necessary steps as required under Rule 13.80 of the Listing Rules to justify our reliance on the information, opinions and representations provided or made to us so as to form a reasonable basis for our opinion and recommendation, which include, among other things:

- (a) reviewed the Rights Issue Announcement, the Letter from the Board and the annual reports of the Company for the years ended 31 December 2023 and 2024 (the “**Annual Report 2023**” and “**Annual Report 2024**” respectively);
- (b) conducted market and comparable researches to analyse the major terms of the Rights Issue; and
- (c) discussed with the Directors and the Management regarding, among other things, the background, reasons for and benefits of the Rights Issue and the basis of the major terms of the Rights Issue.

We have not, however, for the purpose of this exercise, conducted any independent detailed verification or audit or investigation into the business, affairs, operations, financial position or future prospects of the Group or the information provided, representations made, or opinion expressed by the Directors and the Management. Our opinion was necessarily based on the legal, financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.



## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have considered the following principal factors and reasons:

### I. Background and financial information of the Group

The Group is principally engaged in development and operation of the integrated leisure and entertainment resort (the “**Resort Business**”), operation of gaming and entertainment facilities (the “**Gaming Business**”), and property development. The following table summarises the results of operation and financial positions of the Group for the three years ended 31 December 2022, 2023 and 2024 (“**FY22**”, “**FY23**” and “**FY24**”, respectively):

	For the year ended 31 December		
	2024	2023	2022
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	1,074,248	1,036,268	1,386,800
Loss for the year	(494,142)	(522,439)	(216,911)
Finance costs, net	(94,436)	(103,078)	(98,651)
Net cash flows (used in)/from operating activities	(199,708)	(113,405)	154,587
	As at 31 December		
	2024	2023	2022
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Total current assets	764,674	842,086	1,316,102
Cash and cash equivalents	310,915	266,043	503,421
Total current liabilities	1,444,216	312,553	356,399
Interest-bearing bank and other borrowings:			
- current-portion	1,231,252	1,417,489	1,556,150
- non-current-portion	1,204,252	—	31,937
	27,000	1,417,489	1,524,213
Net current (liabilities)/assets	(679,542)	529,533	959,703
Net assets	6,340,262	7,405,721	8,117,383

Source: Annual Report 2023 and Annual Report 2024 published by the Company on the website of the Stock Exchange



**(i) Financial results for FY24 compared with FY23**

For FY24, the Group recorded revenue of approximately HK\$1,074.2 million, representing a year-on-year increase of approximately 3.7%. As disclosed in Annual Report 2024, such increase was mainly driven by the increase in revenue from the operation of gaming and entertainment facilities of approximately HK\$163.5 million, partially offset by the decrease of non-gaming revenue of approximately HK\$125.5 million. The Group recorded net loss of approximately HK\$494.1 million for FY24, as compared to that of approximately HK\$522.4 million for FY23. As disclosed in Annual Report 2024, such decrease in loss for FY24 was mainly attributable to (i) an increase in revenue, particularly generated from the gaming business segment; (ii) a decrease in amortisation and depreciation; and (iii) a decrease in operating expenses, despite the adverse impact of a decrease in fair value of investment properties. The Group's net finance costs were approximately HK\$94.4 million for FY24, as compared to that of approximately HK\$103.1 million for FY23. The slight decrease in the net finance costs was mainly due to the decrease in interest expenses from bank borrowings of approximately HK\$13.0 million for FY24. For FY24, the Group's net cash flows used in operating activities amounted to approximately HK\$199.7 million, which increased from that of approximately HK\$113.4 million for FY23.

The Group's total current assets (comprising mainly cash and cash equivalents and completed properties for sale) decreased to approximately HK\$764.7 million as at 31 December 2024, from approximately HK\$842.1 million as at 31 December 2023, among which, its cash and cash equivalents slightly increased to approximately HK\$310.9 million as at 31 December 2024, from approximately HK\$266.0 million as at 31 December 2023. The Group's total current liabilities (comprising mainly interest-bearing bank and other borrowings and trade and other payables) increased to approximately HK\$1,444.2 million as at 31 December 2024, from approximately HK\$312.6 million as at 31 December 2023, and such increase was mainly due to the classification of certain bank borrowings as current liabilities as at 31 December 2024. The current-portion of the interest-bearing banking and other borrowings of the Group was approximately HK\$1,204.3 million as at 31 December 2024, as compared to nil as at 31 December 2023. As at 31 December 2024, the Group had net current liabilities of approximately HK\$679.5 million and net assets of approximately HK\$6,340.3 million.

**(ii) Financial results for FY23 compared with FY22**

For FY23, the Group recorded revenue of approximately HK\$1,036.3 million, representing a year-on-year decrease of approximately 25.3%. As disclosed in Annual Report 2023, such decrease was mainly driven by the decrease in non-gaming revenue of approximately HK\$351.2 million. The Group recorded net loss of approximately HK\$522.4 million for FY23, as compared to that of approximately HK\$216.9 million for FY22. As disclosed in Annual Report 2023, such increase in loss for FY23 was mainly attributable to (i) the pressure on the room price and occupancy rate due to intense competition and domestic customers travelling abroad after the easing of travel restrictions, leading to a decrease in revenue generated from the integrated resort development segment; (ii) the decrease in residential property sales owing to the downturn in the property market and the interest rate rise; (iii) the increase in marketing expenses, operating expenses resulting from inflation, particularly utility costs and facilities maintenance costs, as well as an increase in employee benefit expenses; and (iv) the absence of a net amount of approximately HK\$63 million from the reversal of trade and other receivables impairment recorded in the previous financial year 2022. The Group's net finance costs were approximately HK\$103.1 million for FY23, as compared to that of approximately



HK\$98.7 million for FY22, and such increase was mainly attributable to the increase in interest expenses from bank borrowings of approximately HK\$9.8 million for FY23. For FY23, the Group's net cash flows used in operating activities amounted to approximately HK\$113.4 million, as compared to the net cash flows from operating activities of approximately HK\$154.6 million for FY22.

The Group's total current assets (comprising mainly completed properties for sale and cash and cash equivalents) decreased to approximately HK\$842.1 million as at 31 December 2023, from approximately HK\$1,316.1 million as at 31 December 2022, and such decrease was mainly attributable to decrease in its cash and cash equivalents to approximately HK\$266.0 million as at 31 December 2023, from approximately HK\$503.4 million as at 31 December 2022. The Group's total current liabilities (comprising mainly trade and other payables) decreased to approximately HK\$312.6 million as at 31 December 2023, from approximately HK\$356.4 million as at 31 December 2022. The current-portion of the interest-bearing banking and other borrowings of the Group was nil as at 31 December 2023, as compared to approximately HK\$31.9 million as at 31 December 2022. As at 31 December 2023, the Group had net current assets of approximately HK\$529.5 million and net assets of approximately HK\$7,405.7 million.

## **II. Reasons for and benefits of the Rights Issue and use of proceeds**

The Company is an investment holding company. The principal activities of the Group are (i) the Resort Business; (ii) the Gaming Business; and (iii) property development.

Referring to the Letter from the Board, the Group operates an integrated leisure and entertainment resort, Jeju Shinhwa World which offers a wide range of facilities including hotels, theme parks and water park attractions, international catering, retail and gaming entertainment in Jeju, Korea. In recent years, the Group has faced increasing challenges in sustaining its operations due to unfavourable macroeconomic conditions combined with rising operating and financing costs, as well as shifts in customer spending behaviour. As a result, the profitability of the Group's operations has been significantly affected. The Group's cash and cash equivalent balance as at 30 June 2025 was significantly reduced as compared to that of 31 December 2024. Moreover, borrowings of the Group that are repayable within one year comprise (i) repayment of the syndicated loan (i.e. the refinancing facilities concluded in the first half of 2025) for 12 months amounting to approximately HK\$72 million; (ii) repayment of a loan of HK\$50.00 million due and payable in November 2025; and (iii) a bond of HK\$50.00 million due and payable in April 2026. In response to the imminent funding needs and these ongoing difficulties, the Company has been making continuous efforts to secure new sources of capital and financing opportunities to meet its financial obligations and support its operational needs.

Having considered the financial position and performance of the Group in recent years, particularly, the ongoing net loss, the substantial cash outflows from operating activities, and the net current liabilities as at 31 December 2024, the Board considers that the Rights Issue represents an opportunity to raise additional funding to strengthen the Group's financial position by relieving the financial burden and provide working capital to the Group to meet the financial obligations, to maintain the operational stability and to enable sustainable development of the Group in a longer term without additional interest burden, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms.





As discussed in the section headed “Background and financial information of the Group” above, the Group incurred net losses for each of FY22, FY23 and FY24, and recorded net cash flows used in operating activities of approximately HK\$199.7 million and HK\$113.4 million for FY24 and FY23, respectively. In addition, the Group had net current liabilities of approximately HK\$679.5 million as at 31 December 2024. Further, as referred to Annual Report 2024, the continued interest rate, exchange rate and tariff uncertainties lead to challenges for business seeking growth and financing opportunities, making the forthcoming year challenging for the Group, and the persistently high interest rates have increased financing costs in the current business environment, making it difficult for the Group to secure financing on favourable terms. In view of the Group’s recent financial performance, the challenging operating and financing environment, the Group’s borrowings that are repayable within one year as discussed above and the Group’s cash position as at 30 June 2025 as advised by the Directors, we agree with the Directors that the Group is likely to continue facing liquidity pressure in the near term.

As referred to the Letter from the Board, assuming full acceptance by the Qualifying Shareholders, the estimated net proceeds from the Rights Issue will be approximately HK\$178.75 million of which:

- (i) approximately HK\$100.00 million, is intended for repayment of a loan of HK\$50.00 million due and payable in November 2025 (which was drawn down on 17 April 2025) and a bond of HK\$50.00 million due and payable in April 2026. The proceed from the loan was used for the on-going operating needs in Jeju Shinhwa World, including operating supplies and equipment, utilities expenses and other general working capital; while the proceed from the bond issuance was used for working capital and business development of the Group;
- (ii) approximately HK\$45.00 million is intended for payment of interest expenses for the six months period ending 30 April 2026;
- (iii) approximately HK\$20.00 million is intended for (a) maintenance of the existing aging infrastructure in Jeju Shinhwa World to safeguard the safety standards, functionality and assets value, including but not limited to capital expenditures in certain mechanical and electrical facilities and structures; and (b) development of new facilities in Jeju Shinhwa World for the purpose of guests experience enhancement, for the nine months period ending 31 July 2026. Among the expenditure of approximately HK\$20.00 million, (i) approximately HK\$7.2 million will be applied for windows replacement for hotels in Jeju Shinhwa World; (ii) approximately HK\$5.7 million will be applied for replacement and/or overhaul of cooling and heating equipment; (iii) approximately HK\$3.2 million will be applied for overhaul of uninterrupted power system and battery replacement; (iv) approximately HK\$2.3 million will be applied to meet the full capital requirement for an expansion of a performance stage within the theme park, which being one of the new facilities in the Group’s development plan, to be utilized in the last quarter of 2025; and (v) approximately HK\$1.6 million is intended for repairment and maintenance of general resort facilities;



- (iv) approximately HK\$9.00 million is intended for sales and marketing expenses for the Gaming Business and Resort Business, including event-based marketing programs and various advertising campaigns for the nine months period ending 31 July 2026; and
- (v) remaining of approximately HK\$4.75 million, is intended for general working capital of the Company for the year ending 31 December 2025, of which (i) staff costs and (ii) operating supplies and equipment in equal share and in sequential order.

If the Rights Issue is undersubscribed and the size of the Rights Issue is reduced, the net proceeds are expected to be utilised in the above sequential order.

We are furnished by the Company with the relevant documents, among others, the loan and bond subscription agreements concerning the use of proceeds of the Rights Issue and note that the loan and the bond each with the amount of HK\$50 million falls due in November 2025 and matures in April 2026, respectively, suggesting the Group's near-term funding needs, as well as the relevant interest repayment schedule and the breakdown of capital expenditures and expenses showing its business need to raise the relevant proceeds. As at 31 December 2024, the Group recorded net current liabilities of approximately HK\$679.5 million and cash and cash equivalents of approximately HK\$310.9 million, well below its current portion of the interest-bearing bank and other borrowings of approximately HK\$1,231.3 million. Taking together with the recurring net losses, the negative net operating cash flows, the Group's borrowings that are repayable within one year as illustrated above and the Group's cash position as at 30 June 2025 as advised by the Directors, we consider that the Group has an immediate need for additional funding to meet its repayment obligations under the relevant loan and bond and to mitigate potential default risk as well as need for funding to serve its operations.

As disclosed in the Company's announcement of annual results for the year ended 31 December 2024 dated 28 March 2025, the unutilised proceeds from the rights issue completed in July 2024 (the "2024 Rights Issue") originally earmarked for maintenance, renovation and upgrade of facilities in and water supply construction for the development of Jeju Shinhwa World of approximately HK\$47.2 million as at 31 December 2024 were reallocated to bank borrowing repayment (the "Change in UOP"). Notwithstanding the Change in UOP, we consider that applying approximately HK\$20.00 million of the net proceeds from the Rights Issue for (a) maintenance of the existing aging infrastructure in Jeju Shinhwa World; and (b) development of new facilities in Jeju Shinhwa World, is justifiable, having considered that: (i) the Change in UOP resulted from lower-than-expected refinancing amount of an interest-bearing bank borrowing, which created an imminent funding need at that time, as advised by the Directors. We are provided with the relevant loan agreements and noted a reduction in the facility amount following the refinancing concluded in the first half of 2025; (ii) as referred to the Letter from the Board, as at the Latest Practicable Date, the net proceeds from the 2024 Rights Issue of approximately HK\$17.1 million that remained allocated for maintenance, renovation and upgrade of facilities in Jeju Shinhwa World after the Change in UOP had been fully utilised; (iii) as advised by the Directors, among the proceeds of approximately HK\$47.2 million reallocated under the Change in UOP, approximately HK\$27.3 million was subsequently financed by the Group's internal resources in the first half of 2025 for the intended maintenance, renovation and upgrade of facilities in Jeju Shinhwa World; and (iv) we are provided and discussed with the Company about the breakdown of capital expenditures and expenses for the maintenance of the existing aging infrastructure and development of new facilities in Jeju Shinhwa World. As referred to the Letter from





the Board, it is noted that, among the intended proceeds of approximately HK\$20.00 million, (i) approximately HK\$7.2 million will be applied for windows replacement for hotels in Jeju Shinhwa World; (ii) approximately HK\$5.7 million will be applied for replacement and/or overhaul of cooling and heating equipment; (iii) approximately HK\$3.2 million will be applied for overhaul of uninterrupted power system and battery replacement; (iv) approximately HK\$2.3 million will be applied to meet the full capital requirement for an expansion of a performance stage within the theme park, which being one of the new facilities in the Group's development plan; and (v) approximately HK\$1.6 million is intended for repairment and maintenance of general resort facilities, which shows the Group's need to raise the relevant proceeds.

As discussed with the Directors, we understand that the Company has considered other equity or debt fund raising alternatives, including but not limited to debt financing, and equity fund raising such as placing of new shares and open offer. With respect to debt financing, new bank facilities or capital-market borrowings would increase the Group's interest burden and further constrain margins and liquidity. Moreover, such borrowings would likely be subject to lengthy due diligence and negotiations, making the process relatively uncertain and time-consuming. In the case of placing or subscription of new shares to selected investors, it would not allow the Qualifying Shareholders to participate in the fund raising exercise and their respective shareholdings in the Company would be diluted without an equal opportunity to maintain their proportionate interests in the Company. By comparison, both an open offer and a rights issue allow qualifying shareholders to maintain their pro-rata shareholdings, however, only the rights issue provides tradable nil-paid entitlements, enabling non-participating shareholders to realise value of their rights entitlement. Accordingly, the Rights Issue offers flexibility either to participate in the Company's future development or to monetise their rights in the market.

Having considered: (i) the Group is likely to continue facing liquidity pressure in the near term; (ii) the Group has an immediate need for additional funding to meet its repayment obligations under the relevant loan and bond and to mitigate potential default risk as well as need for funding to serve its operations; and (iii) the Rights Issue offers flexibility either to participate in the Company's future development or to monetise their rights in the market, we agree with the Board's view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

### III. Principal terms of the Rights Issue

As referred to the Letter from the Board, the Board proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date. Further details of the Rights Issue are set out as follows:

#### Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.1 per Rights Share



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Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.0979 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	1,825,740,693 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 1,825,740,693 Rights Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date)
Aggregate nominal value of the Rights Shares	:	up to HK\$18,257,406.93
Total number of Shares in issue upon completion of the Rights Issue	:	up to 3,651,481,386 Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date)
Gross proceeds from the Rights Issue	:	up to approximately HK\$182.57 million before expenses (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date)
Right of excess applications	:	Qualifying Shareholders (other than the PRC Southbound Trading Investor(s)) may apply for the Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants, which confer any right to subscribe for or convert into or exchange for Shares.

Assuming no Shares are issued or repurchased on or before the Record Date and assuming all Rights Shares will be taken up, 1,825,740,693 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 100% of the total number of issued Shares as at the Latest Practicable Date and approximately 50.00% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

Referring to the Letter from the Board, the theoretical dilution effect of the Rights Issue is approximately 17.11%. As such, the theoretical dilution impact of the Rights issue is in compliance with Rule 7.27B of the Listing Rules.



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### Subscription Price

The Subscription Price of HK\$0.1 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or where a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 26.47% to the closing price of HK\$0.136 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 34.21% to the closing price of HK\$0.152 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 33.07% to the average closing price of approximately HK\$0.1494 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 33.99% to the average closing price of approximately HK\$0.1515 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 17.11% to the theoretical ex-rights price of approximately HK\$0.126 per Share based on the closing price of HK\$0.152 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (f) a discount of approximately 97.30% to the net asset value of the Company of approximately HK\$3.70 per Share based on the unaudited net asset value attributable to owners of the Company of approximately HK\$6,757,069,000 as at 30 June 2024 and 1,825,740,693 Shares; and
- (g) a discount of approximately 97.12% to the net asset value of the Company of approximately HK\$3.47 per Share based on the net asset value attributable to owners of the Company of approximately HK\$6,340,262,000 as at 31 December 2024 and 1,825,740,693 Shares.

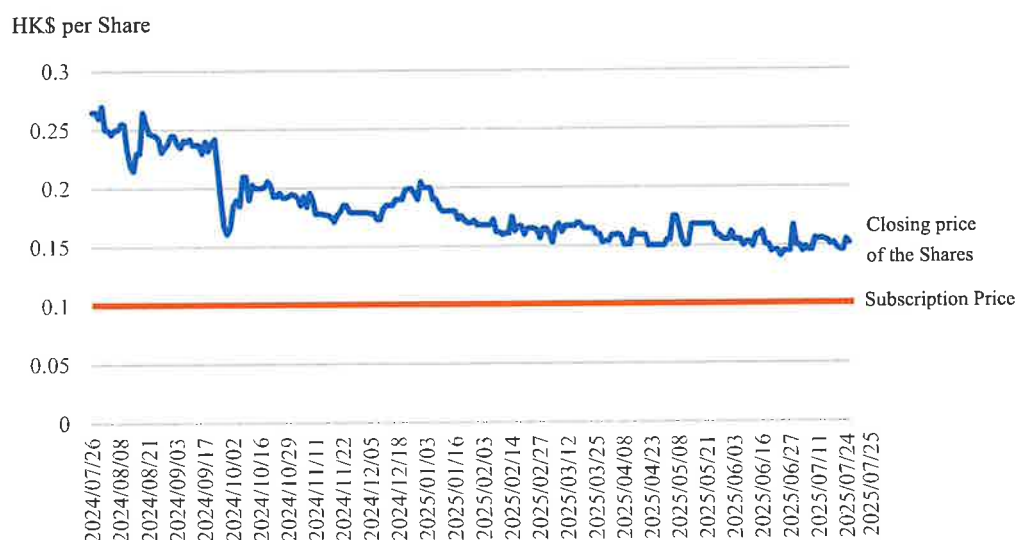
As disclosed in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, the size of the Rights Issue, the market price of the Shares under the prevailing market conditions, the financial condition of the Company and the reasons and benefits of Rights Issue as discussed in the section headed "Reasons for and Benefits of the Rights Issue and Use of Proceeds" in the Circular. The Board considers that 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.

(i) *Historical closing price and trading volume of the Shares*

In order to assess the fairness and reasonableness of the Subscription Price, we have taken into account (i) the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 26 July 2024 to 25 July 2025, being a period of approximately twelve months up to and including the Last Trading Day (the “**Review Period**”); and (ii) the average daily trading volumes of the Shares for each of the months/period during the Review Period. We consider that the Review Period is adequate to illustrate the historical trend and level of movements in the closing prices of the Shares, reflect prevailing market sentiment, and provide a general overview of the recent price and trading performance of the Shares.

*Closing prices of the Shares*

The chart below shows the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period:



Source: the website of the Stock Exchange

During the Review Period, the closing prices of the Shares demonstrated a general downward trend from HK\$0.265 per Share on 26 July 2024, the date of commencement of the Review Period, to HK\$0.152 per Share on the Last Trading Day. The closing prices of the Shares were between a low of HK\$0.141 per Share on 24 June 2025 and a high of HK\$0.270 per Share on 31 July 2024, with an average closing price of approximately HK\$0.182 per Share. The closing prices of the Shares had been staying above the Subscription Price during the entire Review Period.

The Subscription Price of HK\$0.1 per Share represents (i) a discount of approximately 29.1% to the lowest closing price of HK\$0.141 per Share; (ii) a discount of approximately 63.0% to the highest closing price of HK\$0.270 per Share; and (iii) a discount of approximately 45.0%



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to the average daily closing price of approximately HK\$0.182 per Share, during the Review Period. As such, the attractiveness of the Rights Issue for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company shall be enhanced accordingly with the Subscription Price offered at discounts as illustrated above.

#### *Trading volumes of the Shares*

Set out below is the average daily trading volume of the Shares per relevant month/period, and the respective percentage of the average daily trading volume of the Shares to the total number of issued Shares as at the end of relevant month/period, in the Review Period:

Year/Month	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of average daily trading volume of total issued Shares as at the end of relevant month/period
<b>2024</b>				
July (from 26 July)	1,203,519	4	300,880	0.02%
August	17,193,898	22	781,541	0.05%
September	52,120,150	19	2,743,166	0.18%
October	11,273,957	21	536,855	0.04%
November	6,661,848	21	317,231	0.02%
December	11,501,854	20	575,093	0.04%
<b>2025</b>				
January	829,764	19	43,672	0.00%
February	14,836,645	20	741,832	0.05%
March	1,228,716	21	58,510	0.00%
April	5,429,556	19	285,766	0.02%
May	3,597,526	20	179,876	0.01%
June	9,555,807	21	455,038	0.03%
July (up to 25 July)	14,109,751	18	783,875	0.05% <sup>(Note)</sup>
<b>Maximum</b>	52,120,150	22	2,743,166	0.18%
<b>Minimum</b>	829,764	4	43,672	0.00%
<b>Mean</b>	11,503,307	19	600,257	0.04%

Source: the website of the Stock Exchange

Note: The Company completed a placing of new shares under general mandate on 15 July 2025, upon which the number of total issued Shares increased from 1,521,450,693 to 1,825,740,693. Therefore, for illustrative purpose, the calculation for that month is based on the weighted average number of issued Shares.





It is noted that the average daily trading volume of the Shares per relevant month/period accounted for only a small portion of the total number of issued Shares as at the end of the relevant month/period, which ranged from approximately 0.00% to 0.18% during the Review Period.

Given the generally thin trading liquidity of the Shares during the Review Period, we consider that it is reasonable to offer discount for the Subscription Price to promote the attractiveness of the Rights Issue.

## (ii) Comparable analysis

In order to further assess the fairness and reasonableness of terms of the Rights Issue, we have reviewed comparable transactions involving proposed rights issue announced by companies listed on the Stock Exchange in the past three months up to and including to the Last Trading Day (the “Comparable Transactions”). We have, to our best effort and so far as we are aware, identified 17 Comparable Transactions which we consider to be exhaustive. We consider the following list of the Comparable Transactions is fair, representative and comparable to the Rights Issue, taking into account that (i) they involve the same type of transaction as the Rights Issue, i.e. the proposed rights issue by listed companies on the Stock Exchange, which could facilitate meaningful comparison purpose; (ii) the three-month period up to and including the Last Trading Day represents a reasonable and meaningful time period to capture the most recent market practice under the prevailing market conditions and sentiment for the proposed rights issue; and (iii) a list of 17 Comparable Transactions identified in accordance with the aforesaid selection criteria is considered adequate to provide a general reference for comparison purpose.

Independent Shareholders should note that the businesses, operations, prospects and market capitalisation of the Group may not be the same as, or vary from, those of the listed companies undertaking the Comparable Transactions, and the Comparable Transactions set out below are for the purpose of providing a general insight on the terms in respect of the proposed rights issue during the said three months period. Details of the Comparable Transactions are set out below:

Date of announcement	Company name (stock code)	Basis of entitlement	Premium/(discount) of subscription price over/(to)				Theoretical dilution effect	Excess application/Compensatory arrangement (Excess application = EA; Compensatory arrangement = CA)	Underwriting commission
			closing price per share on the last trading day	average closing price per share for the last five trading days up to and including or prior to the last trading date	theoretical ex-rights price on the last trading day	latest published consolidated net asset value per share			
23-07-25	Future Machine Limited (1401)	1 for 2	-72.3%	-72.3%	-63.5%	-28.6%	24.1%	CA	N/A
10-07-25	XJ International Holdings Co., Ltd. (1765)	1 for 8	5.8%	7.0%	5.3%	-83.7%	N/A <sup>(Note1)</sup>	CA	0%
08-07-25	Alco Holdings Limited (328)	4 for 1	-19.0%	-19.0%	-4.5%	N/A <sup>(Note2)</sup>	15.5%	CA	N/A
07-07-25	Sanergy Group Limited (2459)	1 for 2	-55.6%	-56.3%	-45.5%	-89.0%	18.8%	CA	N/A
25-06-25	Sino Splendid Holdings Limited (8006)	3 for 2	-11.1%	-12.1%	-4.8%	-52.4%	6.7%	CA	N/A
17-06-25	Risecomm Group Holdings Limited (1679)	5 for 1	-22.5%	-21.6%	-4.6%	N/A <sup>(Note2)</sup>	18.7%	CA	N/A



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Date of announcement	Company name (stock code)	Basis of entitlement	Premium/(discount) of subscription price over/(to)				Theoretical dilution effect	Excess application/Compensatory arrangement (Excess application = EA; Compensatory arrangement = CA)	Underwriting commission
			closing price per share on the last trading day	average closing price per share for the last five trading days up to and including or prior to the last trading date	theoretical ex-rights price on the last trading day	latest published consolidated net asset value per share			
10-06-25	Greenheart Group Limited (94)	1 for 2	-9.3%	-5.0%	-6.4%	-88.8%	3.0%	CA	N/A
10-06-25	Pinestone Capital Limited (804)	3 for 2	-40.7%	-41.6%	-22.1%	-70.8%	-24.9%	CA	N/A
04-06-25	Howkingtech International Holding Limited (2440)	1 for 2	-49.7%	-50.0%	-39.7%	50.2%	16.7%	EA	N/A
02-06-25	Lvji Technology Holdings Inc. (1745)	1 for 2	-32.1%	-33.1%	-24.1%	-72.6%	11.3%	EA	7.1%
23-05-25	Grand Talents Group Holdings Limited (8516)	5 for 2	-33.0%	-33.0%	-12.3%	-38.2%	23.6%	CA	N/A
22-05-25	China Health Group Limited (673)	3 for 10	-28.6%	-37.1%	-23.7%	12.4%	23.6%	CA	0%
15-05-25	Zhongzheng International Company Limited (943)	1 for 2	0.0%	0.0%	0.0%	-54.5%	N/A <sup>(Note 1)</sup>	CA	0%
13-05-25	Shougang Century Holdings Limited (103)	3 for 20	12.3%	14.3%	10.6%	-40.1%	N/A <sup>(Note 1)</sup>	EA	N/A
13-05-25	Capital Realm Financial Holdings Group Limited (204)	3 for 1	4.2%	21.4%	1.0%	-86.3%	N/A <sup>(Note 1)</sup>	CA	N/A
09-05-25	China Sci-Tech Industrial Investment Group Limited (339)	1 for 2	-43.1%	-47.4%	-38.6%	N/A <sup>(Note 2)</sup>	16.2%	CA	N/A
07-05-25	SEEC Media Group Limited (205)	1 for 2	-23.6%	-26.2%	-17.3%	-51.5%	N/A <sup>(Note 1)</sup>	CA	N/A
		Maximum	12.3%	21.4%	10.6%	50.2%	24.9%		7.1%
		Minimum	-72.3%	-72.3%	-63.5%	-89.0%	3.0%		0%
		Average	-24.6%	-24.2%	-17.1%	-49.6%	16.9%		1.8%
25-07-25	The Company	1 for 1	-34.2%	-33.1%	-17.1%	-97.1%	17.1%	EA	1%

Source: the website of the Stock Exchange

Notes:

- (1) The relevant Comparable Transaction results in no theoretical dilution effect
- (2) The relevant company recorded net liabilities

As set out in the table above, it is noted that:

- (i) the subscription price per rights share in the Comparable Transactions ranged from a discount of approximately 72.3% to a premium of approximately 12.3% over their respective closing price per share on the last trading day, with an average discount of approximately 24.6%. The Subscription Price represents a discount of approximately 34.2% to the closing price of the Shares on the Last Trading Day, which is within the range and broadly in line with the average of the Comparable Transactions;

- (ii) the subscription price per rights share in the Comparable Transactions ranged from a discount of approximately 72.3% to a premium of approximately 21.4% over their respective average closing price per share for the last five trading days up to and including or prior to the last trading day, with an average discount of approximately 24.2%. The Subscription Price represents a discount of approximately 33.1% to the average closing price of the Shares for the five consecutive trading days up to and including the Last Trading Day, which is within the range and broadly in line with the average of the Comparable Transactions;
- (iii) the subscription price per rights share in the Comparable Transactions ranged from a discount of approximately 63.5% to a premium of approximately 10.6% over their respective theoretical ex-rights price on the last trading day, with an average discount of approximately 17.1%. The Subscription Price represents a discount of approximately 17.1% to the theoretical ex-rights closing price of the Shares on the Last Trading Day, which is within the range and comparable to the average of the Comparable Transactions;
- (iv) the subscription price per rights share in the Comparable Transactions ranged from a discount of approximately 89.0% to a premium of approximately 50.2% over their respective latest published consolidated net asset value per share, with an average discount of approximately 49.6%. The Subscription Price represents a discount of approximately 97.1% to the net asset value of the Company of approximately HK\$3.47 per Share (the “NAV Per Share”) based on the net asset value attributable to owners of the Company of approximately HK\$6,340,262,000 as at 31 December 2024 and 1,825,740,693 Shares, which is deeper than the highest discount among the Comparable Transactions. However, having considered that during the Review Period, the closing price of the Shares were between HK\$0.141 to HK\$0.270 per Share, representing a deep discount to the NAV Per Share throughout the period. Even at the peak closing price of HK\$0.270 per Share, the Shares were still trading at a discount of approximately 92.2% to the NAV Per Share, indicating that investors might not value the Shares solely on the Group’s net assets, therefore, the NAV Per Share may not be a meaningful benchmark for assessing the fairness and reasonableness of the Subscription Price. Moreover, setting the Subscription Price at or near the NAV Per Share would imply a substantial premium to prevailing market price, which may not be commercially sensible and would likely depress the Shareholders’ participation in the Rights Issue and undermine the objective of raising fund; and
- (v) the theoretical dilution effect of the Comparable Transactions ranged from approximately 3.0% to approximately 24.9%, with an average of approximately 16.9%, while the theoretical dilution effect of the Rights Issue of approximately 17.1% is within the range of the Comparable Transactions.

Despite the Subscription Price was below the closing prices of the Shares during the Review Period, given that: (a) as shown in the table of the Comparable Transactions above, it is a common market practice to issue rights shares at a discount to prevailing market price to enhance the attractiveness of the rights issue; (b) given the generally thin trading liquidity of the Shares during the Review Period, we consider that it is reasonable to offer discount for the



Subscription Price to promote the attractiveness of the Rights Issue; (c) the discounts of the Subscription Price to (1) the closing price on the Last Trading Day, (2) the average closing price per share for the last five trading days up to and including or prior to the Last Trading Day and (3) the theoretical ex-rights price on the Last Trading Day are within the range of and broadly in line with or comparable to the average of the Comparable Transactions, whilst the NAV Per Share may not be a meaningful benchmark for assessing the fairness and reasonableness of the Subscription Price despite the Subscription Price represents a discount of approximately 97.1% to the NAV Per Share; (d) the theoretical dilution effect of the Rights Issue is within the range of the Comparable Transactions; (e) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares under the Rights Issue; and (f) 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, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

### The Underwriting Agreement

On 25 July 2025 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement, pursuant to which the Underwriter has agreed to procure, on a best-effort and non-fully underwritten basis, the subscription for any unsubscribed Rights Shares subject to the terms and conditions set out in the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised below:

Date	:	25 July 2025 (after trading hours of the Stock Exchange)
Underwriter	:	SR Wealth Securities Limited, a corporation licensed to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO
		To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1) of the Listing Rules.
Number of Rights Shares underwritten by the Underwriter	:	Up to 1,825,740,693 Rights Shares (assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date)
Underwriting Commission (the "Underwriting Commission")	:	1% of the aggregate Subscription Price in respect of the Underwritten Shares



The Rights Issue is underwritten by the Underwriter on a best-effort and non-fully underwritten basis pursuant to the terms of the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Underwriter shall use its best endeavours to ensure that (i) each subscriber of the Untaken Shares procured by it shall be an Independent Third Party, (ii) no subscriber of the Untaken Shares procured by it, together with any party acting in concert with it, will hold 30% (or such percentage which will trigger any MGO Obligation under the Takeovers Code) or more of the voting rights of the Company; and (iii) the Public Float Requirement remains to be fulfilled by the Company upon completion of the Rights Issue.

As disclosed in the Letter from the Board, the terms of the Underwriting Agreement, including the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial condition of the Group, the size of the Rights Issue, the prevailing market rate of commission and the prevailing market condition. The Directors consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the Underwriting Commission) is fair and reasonable and in the interest of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the Underwriting Agreement.

As set out in the table under the section headed "Comparable analysis" above, the underwriting commission payable in the Comparable Transactions ranged from 0% to approximately 7.1% of the gross proceeds from the underwritten shares, with an average of approximately 1.8%. Given (i) the terms of the Underwriting Agreement, including the Underwriting Commission, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial condition of the Group, the size of the Rights Issue, the prevailing market rate of commission and the prevailing market condition; and (ii) the Underwriting Commission of 1% falls within the range and is close to the average of the Comparable Transactions, we consider that the terms of the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

#### **Application for the excess Rights Shares**

Qualifying Shareholders (other than PRC Southbound Trading Investors) are entitled to apply for, by way of excess application:

- (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any);
  - (ii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renouncees or transferees of nil-paid Rights Shares;
  - (iii) the Scale-down PAL Shares (if any); and
  - (iv) the Scale-down EAF Shares (if any).
- (i) to (iv) are collectively referred to as "Untaken Rights".





Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the full amount payable for the excess Rights Shares being applied for. The Directors will, subject to the compliance with the Listing Rules (including but not limited to the Public Float Requirement), allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders (other than PRC Southbound Trading Investors) who apply for them as far as practicable on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and
- (iv) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees.

As set out in the table under the section headed “Comparable analysis” above, three out of the 17 Comparable Transactions had the arrangement of application for excess rights share, as such, we consider that the arrangement for excess application under the Rights Issue is not unusual in the market. With the arrangement of application for excess Rights Shares, the Qualifying Shareholders shall be given a pre-emptive right to subscribe for the excess Rights Shares if they wish to do so. Based on the above, we are of the view that arrangement of application for excess Rights Shares for the Qualifying Shareholders is fair and reasonable so far as the Independent Shareholders are concerned.

#### **IV. Potential dilution effect**

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

Referring to the section headed “Changes in shareholding structure” set out in the Letter from the Board, the shareholding interests of the existing public Shareholders would be diluted by a maximum of approximately 35.57 percentage points immediately after completion of the Rights Issue, assuming no acceptance by the Qualifying Shareholders and all Untaken Shares are taken by the Underwriter or subscribers procured by the Underwriter.



We are aware of the potential dilution effect as a result of the Rights Issue. However, after taking into consideration that (i) the theoretical dilution effect of the Rights Issue falls within range of those of the Comparable Transactions and is in compliance with Rule 7.27B of the Listing Rules; (ii) Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue through their votes at the SGM; (iii) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares under the Rights Issue; and (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, we consider that the potential dilution effect of the Rights Issue is acceptable.

## **V. Financial effects of the Rights Issue**

### **(i) Net tangible assets**

According to the unaudited pro forma financial information of the Group set out in Appendix II to this Circular, the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2024 was approximately HK\$6,221.0 million. Upon completion of the Rights Issue, the Group would have unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2024 being approximately HK\$6,399.8 million.

### **(ii) Liquidity**

As disclosed in Annual Report 2024, as at 31 December 2024, the cash and cash equivalents of the Group were approximately HK\$310.9 million. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately HK\$178.8 million.

### **(iii) Gearing ratio**

As disclosed in Annual Report 2024, the Group's gearing ratio, which was calculated by dividing the total liabilities divided by total assets, was approximately 19.6% as at 31 December 2024. Since approximately HK\$100.0 million of the net proceeds from the Rights Issue is intended for repayment of a loan of HK\$50.0 million and a bond of HK\$50.0 million. The gearing ratio of the Group is expected to improve upon the application of such proceeds.

In light of the above, we consider that the overall financial impact to the Group upon completion of the Rights Issue is in the interests of the Company and the Shareholders.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial positions of the Group will be upon Completion.



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## OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of

**JUN HUI INTERNATIONAL FINANCE LIMITED**

**Karol Hui**  
*Executive Director*

**Renny Chan**  
*Associate Director*

*Note:* Ms. Karol Hui and Mr. Renny Chan are licensed persons registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 13 years and eight years of experience in corporate finance industry respectively.