



SBI China Capital

軟庫中華

26 September 2025

*To: The Independent Board Committee and the Independent Shareholders of
Tesson Holdings Limited*

Dear Sir or Madam,

**(1) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE; AND
(2) CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company to the Shareholders dated 26 September 2025 (the "Circular"), 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.

On 25 July 2025, the Company announced the entering into three separate Subscription Agreements with the respective Subscribers, pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 100,000,000 Subscription Shares at the Subscription Price of HK\$0.5 per Subscription Share. Two of the three Subscribers (Double Key and Mr. Wei Mingren) are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Subscription by each of Double Key and Mr. Wei Mingren constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Li Yuqi, the remaining Subscriber, is an Independent Third Party. As the Subscription Shares to be subscribed by Mr. Li Yuqi will be allotted and issued under the Specific Mandate, the Subscription by Mr. Li Yuqi is also subject to Independent Shareholders' approval under Chapter 13 of the Listing Rules.

The Subscription will result in a theoretical dilution effect of approximately 6.22%, which is below the 25% threshold as specified under Rule 7.27B of the Listing Rules. Therefore, the theoretical dilution impact of the Subscription is in compliance with Rule 7.27B of the Listing Rules.

An Independence Board Committee, comprising all the independent non-executive Directors, namely Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin, has been formed to advise the Independent Shareholders as to (i) whether the terms of the Subscription Agreements are normal commercial terms and the Subscription is fair and reasonable so far as the Independent Shareholders are concerned; and whether the Subscription is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution(s) relating to the Subscription Agreements and the transactions contemplated thereunder at the SGM.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to (i) whether the terms of the Subscription Agreements are normal commercial terms and the Subscription is fair and reasonable so far as the Independent Shareholders are concerned; and whether the Subscription is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution(s) relating to the Subscription Agreements and the transactions contemplated thereunder at the SGM. Our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Subscription has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we are independent from and not connected with the Company or any relevant parties in connection with the Subscription Agreements. During the past two years, save for our appointment as the independent financial adviser for the rights issue on a non-underwritten basis (the “2023 Rights Issue”), the circular of which was dated 24 August 2023, there was no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this engagement and the 2023 Rights Issue, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the SGM and would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. The scope of documents reviewed by us included the Circular, the 2023 Annual Report (as defined below), the 2024 Annual Report (as defined below), the 2025 Interim Results Announcement (as defined below) with breakdown on costs and expenses provided by the Company, the Company's announcement dated 28 July 2025 in relation to the entering into the Framework Agreement (as defined below), the feasibility study report dated 26 July 2025 prepared by the Company on the Project (as defined below). We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Subscription, we have taken into consideration the following principal factors and reasons:

(1) Background information of the Company

As mentioned in the Letter from the Board, the Group is principally engaged in the manufacturing and sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investments holding and import and export trading.

Financial performance

The following table summarises the financial performance of the Group for each of the three years ended 31 December 2024 as extracted from the annual report of the Company for the year ended 31 December 2023 ("2023 Annual Report"), the annual report of the Company for the year ended 31 December 2024 ("2024 Annual Report") and the interim results announcement of the Company for the six months ended 30 June 2025 ("2025 Interim Results Announcement"), respectively.

	For the six months ended 30 June		For the year ended 31 December		
	2025 (unaudited) HK\$'000	2024 (unaudited) HK\$'000	2024 (audited) HK\$'000	2023 (audited) HK\$'000	2022 (audited) HK\$'000
Revenue	15,852	36,476	66,713	129,159	94,399
Cost of sales	(15,650)	(35,885)	(66,345)	(126,967)	(86,383)
Gross profit	202	591	368	2,192	8,016
Loss for the period/year from continuing operation	(33,650)	(97,962)	(163,587)	(101,013)	(124,681)
Loss for the period/year from discontinued operation	-	-	-	-	(103,334)
Loss for the period/year	(33,650)	(97,962)	(163,587)	(101,013)	(228,015)
Loss for the period/year attributable to owners of the Company	(23,326)	(83,726)	(142,893)	(89,726)	(196,061)
<i>Segment revenue</i>					
Lithium ion motive battery products	15,852	36,476	66,713	129,159	93,791
Internet sales	-	-	-	-	608
Property development and cultural service (Note)	-	-	-	-	7,809

	For the six months ended		For the year ended		
	30 June		31 December		
	2025	2024	2024	2023	2022
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Segment results</i>					
Lithium ion motive					
battery products	(26,816)	(89,141)	(139,868)	(71,486)	(93,331)
Internet sales	-	(258)	(2,238)	(7,601)	(3,462)
Property development					
and cultural service					
(Note)	-	-	-	-	(103,334)

Note: Having considered the tightening of the monitoring policy on property developer imposed by the government, coupled with the downturn in the property market of the PRC, the Group had discontinued its business segment of property development and cultural service during the year ended 31 December 2022.

Material uncertainty related to going concern

As mentioned in the 2024 Annual Report, the Group incurred a loss of approximately HK\$163.6 million and operating cash outflow of approximately HK\$38.0 million for the year ended 31 December 2024 and as at 31 December 2024, and the Group had net current liabilities of approximately HK\$34.9 million. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Auditors' opinion is not modified in respect of this matter.

Double Key, the controlling shareholder of the Company, has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

(a) For the six months ended 30 June 2025

As set out in the 2025 Interim Results Announcement, the Group recorded revenue of approximately HK\$15.9 million for the six months ended 30 June 2025, representing a decrease of approximately 56.5% or HK\$20.6 million, as compared to approximately HK\$36.5 million recorded for the six months ended 30 June 2024. During the six months period ended 30 June 2025, the Group's revenue was derived from its lithium ion motive battery business and the decrease in revenue was mainly due to reduction in sales volume as a consequence of the US-China trade war comparing to the same period in 2024.

The Group recorded loss attributable to owners of the Company of approximately HK\$23.3 million for the six months ended 30 June 2025, representing a decrease of approximately 72.1% or HK\$60.4 million, as compared to approximately HK\$83.7 million for the six months ended 30 June 2024. Such decrease was mainly due to (i) the absence of the written off of property, plant and equipment for the six months ended 30 June 2025, as compared to approximately HK\$25.5 million for the six months ended 30 June 2024; and (ii) the substantial decrease of administrative expenses from approximately HK\$69.4 million for the six months ended 30 June 2024 to approximately HK\$31.1 million for the six months ended 30 June 2025.

It was mentioned in the 2025 Interim Results Announcement that the Group's distribution and selling expenses of approximately HK\$1.2 million for the year ended 30 June 2025 mainly consisted of staff costs and transportation and travelling expenses. Administrative expenses decreased from approximately HK\$69.4 million for the six months ended 30 June 2024 to approximately HK\$31.1 million for the six months ended 30 June 2025 mainly due to (i) the reduction in depreciation from HK\$33.9 million to approximately HK\$18.3 million as part of the property, plant and equipment is fully depreciated; and (ii) the reduction in research and development expenses from approximately HK\$14.7 million to approximately HK\$0.3 million as a result of temporary suspension on research projects in the process of ascertaining future development blueprint of the Group. Finance costs decreased from approximately HK\$1.6 million for the six months ended 30 June 2024 to approximately HK\$1.2 million for the six months ended 30 June 2025 due to partial repayment of loan.

(b) For the year ended 31 December 2024

As set out in the 2024 Annual Report, the Group recorded revenue of approximately HK\$66.7 million for the year ended 31 December 2024, representing a decrease of approximately 48.3% or HK\$62.5 million, as compared to approximately HK\$129.2 million recorded for the year ended 31 December 2023. During the year ended 31 December 2024, the Group's revenue was derived from its lithium ion motive battery business and the decrease in revenue was mainly due to deteriorated market conditions. Gross profit narrowed as a result of adjustments to product price.

The Group recorded loss attributable to owners of the Company of approximately HK\$142.9 million for the year ended 31 December 2024, representing an increase of approximately 59.3% or HK\$53.2 million, as compared to approximately HK\$89.7 million for the year ended 31 December 2023. Such increase was mainly attributable to (i) the disposal of scrap products turned from a gain of approximately HK\$5.6 million for the year ended 31 December 2023 to a loss of approximately HK\$0.8 million for the year ended 31 December 2024; (ii) the absence of gain on disposal of right-of-use assets for the year ended 31 December 2024 which was approximately HK\$8.1 million for the year ended 31 December 2023; (iii) the decrease of gain on waiver of trade and other payables from approximately HK\$17.4 million for the year ended 31 December 2023 to approximately HK\$1.6 million for the year ended 31 December 2024. As mentioned in the 2024 Annual Report, certain supplier did not pursue the Group to settle the outstanding balance over 3 years. According to PRC "Civil Code", the statute of limitations for ordinary claims is three years. On 3 November 2023, the intermediate People's Court of Shenzhen city ordered Tesson New Energy (Shenzhen) Limited, a subsidiary of the Company, to pay approximately RMB1,522,000 (equivalent to approximately HK\$1,676,000) and overdue interests to the supplier. The remaining balance of approximately RMB15,740,000 (equivalent to approximately HK\$17,401,000) was waived for the year ended 31 December 2023; and (iv) the newly incurred impairment loss on property, plant and equipment of approximately HK\$19.3 million and written off of inventory of approximately HK\$3.3 million for the year ended 31 December 2024.

It was mentioned in the 2024 Annual Report that the Group's distribution and selling expenses of approximately HK\$4.2 million for the year ended 31 December 2024 mainly consisted of staff costs and entertainment expenses. Administrative expenses increased from approximately HK\$117.5 million for the year ended 31 December 2023 to approximately HK\$129.5 million for the year ended 31 December 2024 mainly represented depreciation of approximately HK\$64.4 million and staff cost of approximately HK\$18.2 million. Finance costs for the year decreased from approximately HK\$4.8 million for the year ended 31 December 2023 to approximately HK\$2.9 million for the year ended 31 December 2024 due to partial settlement of borrowings during the year.

(c) For the year ended 31 December 2023

The Group recorded revenue of approximately HK\$129.2 million for the year ended 31 December 2023, representing an increase of approximately 36.9% or HK\$34.8 million, as compared to approximately HK\$94.4 million recorded for the year ended 31 December 2022. During the year ended 31 December 2023, the Group's revenue of approximately HK\$129.2 million was entirely derived from its lithium ion motive battery business. During the year ended 31 December 2022, revenue comprised of approximately HK\$93.8 million from lithium ion motive battery business, approximately HK\$0.6 million from internet sales; and approximately HK\$7.8 million from the discontinued operation, which was property development and cultural business. The increase in revenue from lithium ion motive battery business for the year ended 31 December 2023 was mainly due to the increase in sales to current customers. The Group's internet sales business was in limited operation in the year ended 31 December 2023. Gross profit dropped from approximately HK\$8.0 million for the year ended 31 December 2022 to approximately HK\$2.2 million for the year ended 31 December 2023 as a result of adjustments to product price.

The Group recorded loss attributable to owners of the Company of approximately HK\$89.7 million for the year ended 31 December 2023, representing a decrease of approximately 54.3% or HK\$106.4 million, as compared to approximately HK\$196.1 million for the year ended 31 December 2022. Such decrease was mainly attributable to (i) the absence of the loss from discontinued operation for the year ended 31 December 2023, which was approximately HK\$103.3 million for the year ended 31 December 2022; and (ii) the loss from continuing operation reduced from approximately HK\$124.7 million for the year ended 31 December 2022 to approximately HK\$101.0 million for the year ended 31 December 2023 mainly due to gain on waiver of account payables of approximately HK\$17.4 million and gain on disposal of right-of-use assets of approximately HK\$8.1 million. This was partly offset by other items in other income and loss (net) such as the absence of fire insurance claim income which was approximately HK\$5.6 million for the year ended 31 December 2022; and impairment loss of other receivables of approximately HK\$7.1 million which in contrast, was a reversal of impairment loss of approximately HK\$2.4 million for the year ended 31 December 2022.

It was mentioned in the 2023 Annual Report that the Group's distribution and selling expenses of approximately HK\$4.8 million for the year ended 31 December 2023 mainly consisted of staff costs and entertainment expenses. The Group's internet sales business was inactive in the year, together with other cost-control policy implemented, administrative expenses dropped from approximately HK\$126.5 million for the year ended 31 December 2022 to approximately HK\$117.5 million for the year ended 31 December 2023, which mainly represented depreciation of approximately HK\$47.1 million and staff cost of approximately HK\$22.3 million. Finance cost for the year decreased from approximately HK\$6.8 million for the year ended 31 December 2022 to approximately HK\$4.8 million for the year ended 31 December 2023 due to partial settlement of borrowings during the year and late year 2022.

Financial position

The following table summarises the financial position of the Group as at 31 December 2022, 2023 and 2024 as extracted from the 2023 Annual Report and the 2024 Annual Report, respectively; and the financial position of the Group as at 30 June 2025 as extracted from the 2025 Interim Results Announcement.

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	(audited)	(audited)	(audited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	696,854	599,030	420,160	391,824
Total liabilities	(356,289)	(371,509)	(307,242)	(307,717)
Net current assets/(liabilities)	2,121	(26,690)	(34,904)	(47,432)
Net assets	340,565	227,521	112,918	84,107

(a) Comparison between 31 December 2024 and 30 June 2025

Total assets decreased from approximately HK\$420.2 million as at 31 December 2024 to approximately HK\$391.8 million as at 30 June 2025 mainly attributable to the decrease in (i) property, plant and equipment by approximately HK\$16.1 million; (ii) trade, bills and other receivables, deposits and prepayments by approximately HK\$3.3 million; and (iii) bank and cash balances by approximately HK\$8.3 million.

Total liabilities increased slightly from approximately HK\$307.2 million as at 31 December 2024 to approximately HK\$307.7 million as at 30 June 2025 mainly due to the increase of trade and other payables by approximately HK\$4.0 million and the increase of amount due to the controlling shareholder by approximately HK\$5.9 million; which was partly offset by the decrease of borrowings by approximately HK\$8.0 million and the decrease of lease liabilities by approximately HK\$1.6 million.

(b) Comparison between 31 December 2023 and 31 December 2024

Total assets decreased from approximately HK\$599.0 million as at 31 December 2023 to approximately HK\$420.2 million as at 31 December 2024 mainly attributable to the decrease in (i) property, plant and equipment by approximately HK\$105.9 million; (ii) inventories by approximately HK\$38.3 million; and (iii) trade, bills and other receivables, deposits and prepayments by approximately HK\$35.5 million.

Total liabilities decreased from approximately HK\$371.5 million as at 31 December 2023 to approximately HK\$307.2 million as at 31 December 2024 mainly attributable to the decrease in (i) trade and other payables by approximately HK\$36.1 million; (ii) borrowings by approximately HK\$17.1 million; (iii) deferred tax liabilities by approximately HK\$4.3 million; (iv) lease liabilities by approximately HK\$3.1 million; and (v) contract liabilities by approximately HK\$3.1 million.

(c) Comparison between 31 December 2022 and 31 December 2023

Total assets decreased from approximately HK\$696.9 million as at 31 December 2022 to approximately HK\$599.0 million as at 31 December 2023 mainly attributable to decrease in (i) property, plant and equipment by approximately HK\$69.9 million; (ii) right-of-use assets by approximately HK\$17.5 million; (iii) trade, bills and other receivables, deposits and prepayments by approximately HK\$9.2 million; and (iv) bank and cash balances by approximately HK\$3.7 million, partly offset by the increase in inventories by approximately HK\$3.9 million.

Total liabilities increased from approximately HK\$356.3 million as at 31 December 2022 to approximately HK\$371.5 million as at 31 December 2023 mainly attributable to the increase in trade and other payables by approximately HK\$26.8 million partly offset by (i) the decrease in borrowings by approximately HK\$4.7 million; (ii) the decrease in lease liabilities by approximately HK\$4.3 million; and (iii) the decrease in contract liabilities by approximately HK\$1.8 million.

(2) Information on the Subscribers

As mentioned in the Letter from the Board, Double Key is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, Double Key is wholly-owned by Ms. Cheng Hung Mui, a former executive Director, who resigned on 20 October 2024. Ms. Cheng Hung Mui is the spouse of Mr. Wei Qingwen, an executive Director. Ms. Cheng Hung Mui and Mr. Wei Mingren are the directors of Double Key.

As at the Latest Practicable Date, Double Key is interested in 135,781,543 Shares, representing approximately 61.81% of the entire issued share capital of the Company, and is the controlling shareholder of the Company.

Mr. Wei Mingren is the Chairman of the Board and an executive Director. He is the nephew of Mr. Wei Qingwen.

Mr. Li Yuqi is a PRC citizen, and cousin of Mr. Li Yuwei, one of the Shareholders who hold approximately 8.88% of the existing issued share capital of the Company as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Li Yuqi is an Independent Third Party as at the Latest Practicable Date.

(3) Reasons for and benefits of the Subscription

As shown in the 2024 Annual Report, the Group had net current liabilities of approximately HK\$34.9 million as at 31 December 2024. It is mentioned in the Letter from the Board that the Subscription will enable the Company to reduce the indebtedness, strengthen the financial position of the Company, and provide additional funding for developing the Group's business. The Company intends to apply approximately 40% of the net proceeds from the Subscription to repay outstanding loan, approximately 40% of the net proceeds from the Subscription to explore new opportunities to further develop the Group's business, and the remaining 20% as general working capital to support the Group's operation for approximately three months for both Hong Kong head office and the production bases in China.

According to the 2025 Interim Results Announcement, the Group had relatively low bank and cash balances of approximately HK\$1.2 million as at 30 June 2025 as compared with its outstanding loan of approximately HK\$23.0 million as at 30 June 2025. As advised by the management of the Group, the Group obtained loan only from Hai Xia Finance Holdings Limited, which represented as borrowings in the accounts. The Company announced that on 16 July 2025, it, as a defendant, received an amended writ of summons dated 15 July 2025 issued in the Court of First Instance of the High Court of Hong Kong by the solicitors acting for Hai Xia Finance Holdings Limited as a plaintiff (the "Plaintiff") against the Company and Double Key. As disclosed in the said announcement, the loan was in the sum of HK\$80.0 million for the loan period of 20 June 2018 to 15 October 2018, with interest accruing at 8% per annum, starting from the date of advancement of the loan. The Plaintiff alleges that the Company only made partial repayments in the period from 22 March 2022 to 13 June 2025, and is now claiming, against the Company and Double Key, for (i) the outstanding principal of HK\$65,655,179.30; (ii) accrued contractual interest of HK\$460,485.64; and (iii) further or other orders or relief as the Court deems fit. In view of the litigation, the Group's low bank and cash balances and net current liabilities position, we concur with the Directors that it is reasonable to use approximately 40% of the net proceeds from the Subscription (i.e. approximately HK\$19.84 million) to partially repay the debt and lower the interest expenses of the Group.

In the Annual Report 2024, it is mentioned that the Group will continue to explore new opportunities and develop in new energy market taking market expansion, strategic partnerships and synergy effect into consideration, ultimately generate greater value to the shareholders in the future. Given its cash position is tight and the outstanding loan is repayable on demand or within one year, the Group would have funding needs for any business development when opportunities arise.

On 28 July 2025, the Company announced that it entered into a framework cooperation agreement (the "Framework Agreement") with Shenzhen Shendian Power Supply New Energy Co., Ltd.* (深圳市深電供電新能源有限公司) (the "Partner") for establishment of a joint venture with a proposed registered capital of RMB30 million, and the equity interest will be held by the Company and the Partner by 66% and 34% respectively. The joint venture is expected to engage in the investment, establishment and operation of charging stations for new energy heavy-duty trucks in Shenzhen, China and

the surrounding areas (the “Project”). The Company conducted feasibility study on the Project which covered aspects including but not limited to market demand, technical solutions, budget and risk management. According to the feasibility study report, new energy heavy-truck charging stations can be used in different scenarios such as fast charging in mining area transportation; and efficient and/or cost-effective charging in intercity transportation, trunk logistics and port transportation. As the scale of the new energy truck market continues to expand, the market demand for charging facilities is expected to grow rapidly. We understood from the management of the Group that the business model and operation of the joint venture are currently under negotiation; and the joint venture is expected to start operation in early 2026. We also understood from the management of the Group that it is expected that the Group will be responsible for the overall coordination and implementation of the Project, and the Partner will be responsible for coordinating with the power grid company regarding power supply and operational services to ensure power supply and normal operations in the project area. The management of the Group is of the view that the Project is complementary with the Group’s existing lithium ion motive battery business which the Board is knowledgeable about its business environment and industrial practice. Depending on the development of the joint venture, the Group may expand its management and technical team with expertise in the operation of charging stations. The Company intends to satisfy its portion of capital contribution to the initial registered capital of the joint venture (i.e. RMB19.8 million) with approximately 40% of the net proceeds from the Subscription (i.e. approximately HK\$19.84 million). As advised by the Company, if the Framework Agreement does not materialize, such portion of the net proceeds from the Subscription is expected to be used as the Group’s working capital, such as the repayment of its trade and other payables.

As mentioned in the Letter from the Board, the Group continues to seek opportunities to expand its business in the new energy sector, which led to the signing of the Framework Agreement. The Company estimates that the normal construction period for a charging station for new energy heavy-duty truck is approximately 90-120 days, depending on its scale. The Group intends to start the preparation of this new business as soon as possible. The management is in the progress of searching suitable location and had shortlisted some of the possible locations. The construction of charging station and the leasing of land require registration with the relevant government authorities but no government approval is required. The management is of the view that the leasing of land and registration with relevant government authorities would not have a material impact on the construction period, and is aiming to generate a new revenue stream for the Group by early 2026. The new business is expected to improve the Group’s financial performance in the long run. On this basis and taking into account the Group’s persistent weak financial performance as well as reduction in sales, we concur with the Directors that the Group has an imminent need to proceed with the Subscription in order to fund its portion of capital contribution to the initial registered capital of the joint venture for the Project. As advised by the management of the Group, it is currently expected that the joint venture will initially involve construction of one charging station with 70 electric vehicles (“EV”) chargers, which will incur rental of land and land leveling and paving costs; and construction cost for EV chargers and other affiliating facilities. Based on the Company’s preliminary estimation, the total cost for constructing one charging station would be around RMB17.0 million, depending on the final scale of the charging station. Such costs is

expected to be covered by the registered capital of the joint venture; and capital requirement for any expansion is expected to be funded by the Group's internal resources and/or external financing (as appropriate). The estimated cost of RMB17.0 million includes first year rental of land and land leveling and paving costs of approximately RMB5 million; construction cost for new energy vehicles chargers and other affiliating facilities of approximately RMB12 million based on preliminary enquiry made by the management.

As mentioned in the Letter from the Board, currently the Group has no plan to downsize and/or cease its lithium ion motive battery business, and the Group will continue to participate in the sector and step forward to other new energy related products and/or business. In the first half of 2025, the US-China trade war escalated, export volume of the manufacturers in the PRC, including the customers of the Group, dropped significantly. As a consequence of the reduction in their production scale, purchase for the Group's battery products dropped. Sales volume and sales revenue of the Group dropped significantly in the first half of 2025. This alerts the management that new line of business or products is essential to complement the Group's operation for any unforeseen market change and political influence. The management is of the view that the new business of operating charging station is a way to diversify the Group's existing business portfolio and further penetrate into the new energy sector, and is of the interests of the Group and its shareholders.

Approximately 20% of the net proceeds from the Subscription (i.e. approximately HK\$9.92 million) will be applied as general working capital to support the Group's operation for approximately three months for both Hong Kong head office and the production bases in China as detailed below:

	<i>HK\$'000</i>
Salaries for staff and the Directors	6,431
Public utilities and cost of steam	802
Rental expenses	482
Other operating expenses	2,205
	<u>9,920</u>

According to the 2025 Interim Results Announcement with relevant breakdown obtained from the Company, we noted that for a period of six months ended 30 June 2025, the monthly average of the Group's abovementioned expenses amounted to approximately HK\$2.6 million in total. We are advised by the management of the Group that the amount of the net proceeds from the Subscription for satisfying the Group's three-months general working capital requirement is estimated with reference to the historical figures in the accounts adjusted for increment due to the expected sales growth and/or market trend. We also understood from the management of the Group that the Group's capital commitment for plant and equipment will be no less than HK\$10.0 million up to 30 June 2027. In light of the Group's capital commitment, outstanding loan repayable to the Plaintiff, historical net current liabilities position and negative operating

cashflow; and material uncertainty related to going concern stated in the 2024 Annual Report, we concurred that the Group has imminent needs to raise additional fund for general working capital in order to ease its liquidity pressure.

Other financing alternatives

We understood from the management of the Group that the Board has considered other alternative fundraising methods such as debt financing, rights issue or open offer. Given the recent market conditions, the Directors consider that raising funds by way of allotment and issue of the Subscription Shares will enable the Company to obtain funds at a lower cost, as compared to a rights issue or an open offer.

In respect of rights issue or open offer, we concur with the Directors that rights issue or open offer may not be desirable for the following reasons:

- (a) additional time would reasonably be required. According to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Stock Exchange as updated in September 2024, (i) if general meeting is not required, an open offer will take at least 32 business days and a rights issue will take at least 28 business days from the date of announcement of the relevant proposal to the first date of dealings of the offer shares and full-paid rights shares; and (ii) if general meeting is required, both an open offer and a rights issue will take least 40 business days from the date of announcement of the relevant proposal to the first date of dealings of the offer shares or fully-paid rights shares;
- (b) additional cost would be required for rights issue and open offer, including but not limited to underwriting commission (i.e. usually a percentage to the aggregated subscription price of underwritten shares) and other professional fees, including costs for engagement of reporting accountants, financial advisers and/or brokerage agent(s), as compared to the Subscription, for example, additional cost for unaudited pro forma financial information on net tangible assets, indebtedness statement, comfort letter on working capital sufficiency of the Group to be prepared by the reporting accountants or auditors of the Company; and
- (c) in view of the current unclear market conditions, amount of fund that could be raised under a rights issue or an open offer is uncertain. In order to encourage the Shareholders to participate in a rights issue or an open offer, the Company will have to set the subscription price at deeper discount to the market price of the Shares as compared to a share placement so as to provide incentives to attract the Shareholders to further invest in the Company. While some Shareholders may still elect not to participate in the rights issue or open offer, deeper discount to the market price of the Shares will deteriorate value of the Shareholder’s holdings in the Company due to the lower theoretical ex-rights price.

In respect of debt financing, it would incur additional finance costs to the Group and may be subject to lengthy due diligence and negotiations with potential lenders. Having considered the Group's net current liabilities position and weak financial performance, we concur with the Directors that it may not be practicable to obtain bank financing without incurring relatively high finance cost, which would result in additional interest burden to the Group.

In light of the above, we concur with the Directors that the Subscription is an appropriate fundraising method currently available to the Group. Having considered that the proposed use of proceeds is justifiable and in line with the reasons for the Subscription, we are of the view that although the Subscription is not conducted in the ordinary and usual course of business of the Group, the Subscription is in the interest of the Company and the Shareholders as a whole.

(4) Principal terms of the Subscription Agreements

Set out below is the principal terms of the three Subscription Agreements, details of which are set out under the section headed "Subscription Agreements" in the Letter from the Board:

Date

25 July 2025 (after trading hours)

Parties

Subscription Agreement A

- (i) the Company (as issuer); and
- (ii) Double Key (as subscriber)

Subscription Agreement B

- (i) the Company (as issuer); and
- (ii) Mr. Wei Mingren (as subscriber)

Subscription Agreement C

- (i) the Company (as issuer); and
- (ii) Mr. Li Yuqi (as subscriber)

Each of Double Key and Mr. Wei Mingren is a connected person of the Company, whose details are set out under the section headed "(2) Information on the Subscribers" above.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Li Yuqi is an Independent Third Party.

Number of Subscription Shares subscribed by the Subscribers

Subscription Agreement A

75,000,000 Subscription Shares, represent approximately 34.14% of the existing issued share capital of the Company as at the Latest Practicable Date; and approximately 23.46% of the issued share capital of the Company as enlarged by the allotment and issue of all Subscription Shares under the three Subscription Agreements (assuming that there are no other changes in the share capital of the Company between the Latest Practicable Date and the date of the Completion).

Subscription Agreement B

13,000,000 Subscription Shares, represent approximately 5.92% of the existing issued share capital of the Company as at the Latest Practicable Date; and approximately 4.07% of the issued share capital of the Company as enlarged by the allotment and issue of all Subscription Shares under the three Subscription Agreements (assuming that there are no other changes in the share capital of the Company between the Latest Practicable Date and the date of the Completion).

Subscription Agreement C

12,000,000 Subscription Shares, represent approximately 5.46% of the existing issued share capital of the Company as at the Latest Practicable Date; and approximately 3.75% of the issued share capital of the Company as enlarged by the allotment and issue of all Subscription Shares under the three Subscription Agreements (assuming that there are no other changes in the share capital of the Company between the Latest Practicable Date and the date of the Completion).

Total Subscription Shares under the three Subscription Agreements being 100,000,000 Subscription Shares represent approximately 45.52% of the existing issued share capital of the Company as at the Latest Practicable Date; and approximately 31.28% of the issued share capital of the Company as enlarged by the allotment and issue of all Subscription Shares (assuming that there are no other changes in the share capital of the Company between the Latest Practicable Date and the date of the Completion).

4.1 Subscription Price

The Subscription Price is the same for all three Subscription Agreements. The Subscription Price of HK\$0.5 per Subscription Share represents:

- (i) a discount of approximately 43.18% to the closing price of HK\$0.88 as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 16.67% to the closing price of HK\$0.60 as quoted on the Stock Exchange on the Last Trading Day;

- (iii) a discount of approximately 19.87% to the average closing price of HK\$0.624 as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 2.72% to the latest published audited consolidated net asset value per Share as at 31 December 2024 of approximately HK\$0.514 (based on the net asset value of the Group as at 31 December 2024 of approximately HK\$112.9 million as shown in the 2024 Annual Report and 219,685,228 Shares in issue as at 31 December 2024);
- (v) a premium of approximately 30.60% to the latest published unaudited consolidated net asset value per Share as at 30 June 2025 of approximately HK\$0.383 (based on the net asset value of the Group as at 30 June 2025 of approximately HK\$84.1 million as shown in the 2025 Interim Results Announcement and 219,685,228 Shares in issue as at 30 June 2025); and
- (vi) the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 6.22% represented by the theoretical diluted price of approximately HK\$0.5852 per Share to the benchmarked price of approximately HK\$0.6240 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.60 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day of HK\$0.6240 per Share).

As mentioned in the Letter from the Board, the Subscription Price of HK\$0.5 for the Subscription was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the recent market prices of the Shares, current market conditions and the funding needs as disclosed under the section headed "(3) Reasons for and benefits of the Subscription" above.

In determining the Subscription Price and number of Subscription Shares, the Board has considered the following factors:

- (i) The share price of the Company exhibited a generally downward trend since October 2024. In the preceding three months immediately prior to the date of the Subscription Agreement, the share price of the Company varied between HK\$0.45 and HK\$0.75, while the trading volume of the Shares maintained at a very low level. The Subscription Price is within this range, and represented a discount of approximately 16.67% to the closing price on the Last Trading Day, and approximately 19.87% discount to the average closing price of the Shares over the five consecutive trading days immediately prior to the Last Trading Day.

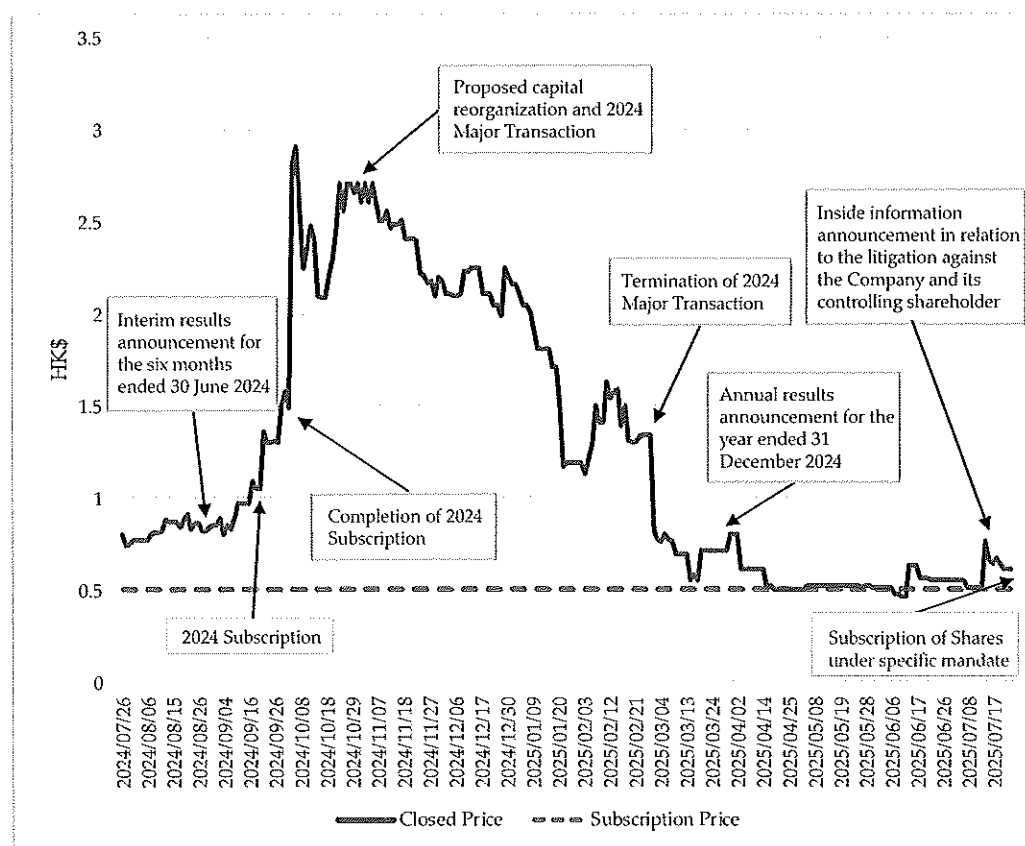
- (ii) As set out in the announcement of the Company dated 18 July 2025 regarding the litigation initiated by a lender against the Company and its controlling shareholder, the Company is seeking legal advice and intends to negotiate with the lender for other feasible solutions. The Company plans to utilise a portion of the proceeds from Subscription to settle part of the outstanding principal. Further, as set out in the announcement dated 28 July 2025, the Group is considering a new project on charging stations for new energy heavy-duty trucks in the PRC with initial investment amount of approximately RMB19.8 million. The Board takes the view that the Subscription Price enables the Group to obtain adequate funding to meet the aforesaid purposes.

The Directors (including the members of the Independent Board Committee after having been advised by the Independent Financial Adviser) consider the terms of the Subscription Agreements, including the Subscription Price, to be normal commercial terms and the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We noted that the Subscription Price represents a discount of approximately 2.72% to the latest published audited consolidated net asset value per Share as at 31 December 2024; but represents a premium of approximately 30.60% to the latest published unaudited consolidated net asset value per Share as at 30 June 2025. This is due to the decrease in total assets and the slightly increase in total liabilities as discussed in “Financial Position — (a) comparison between 31 December 2024 and 30 June 2025” under the section headed “(1) Background information of the Company” above. As such, net asset value per Share decreased from approximately HK\$0.514 per Share as at 31 December 2024 to approximately HK\$0.383 per Share as at 30 June 2025. In light of (i) the Subscription Price represents a discount to the net asset value per Share as at 31 December 2024 but a premium over the net asset value per Share as at 30 June 2025; and (ii) among the 245 trading days during the Review Period (as defined below), there were 148 trading days which the closing price of the Shares were over 20% higher or over 20% lower than the then net asset value per Share, we consider that the net asset value per Share is not a meaningful benchmark to assess the Subscription Price. The current market price of the Shares in general reflects the value of the Shares that is generally perceived by the market; therefore, it would be a more appropriate reference in determining the Subscription Price.

4.1.1 Historical closing price

Set out below is a chart showing the movement of the closing prices of Shares during the one-year period from 26 July 2024 up to and including the date of the Subscription Agreements (i.e. 25 July 2025) (the “Review Period”), which is a commonly adopted period for analysis and the duration of such period is sufficient for us to perform a thorough analysis on the historical closing price of Shares. The comparison of the daily closing price of Shares and the Subscription Price is illustrated as follows:



During the Review Period, the lowest closing price of Shares as quoted on the Stock Exchange were HK\$0.45 on 12 and 13 June 2025 and the highest closing price of Shares as quoted on the Stock Exchange were HK\$2.9 per Share as quoted on 7 October 2024. The Subscription Price of HK\$0.5 per Share is within the range of the lowest and highest closing price of Shares.

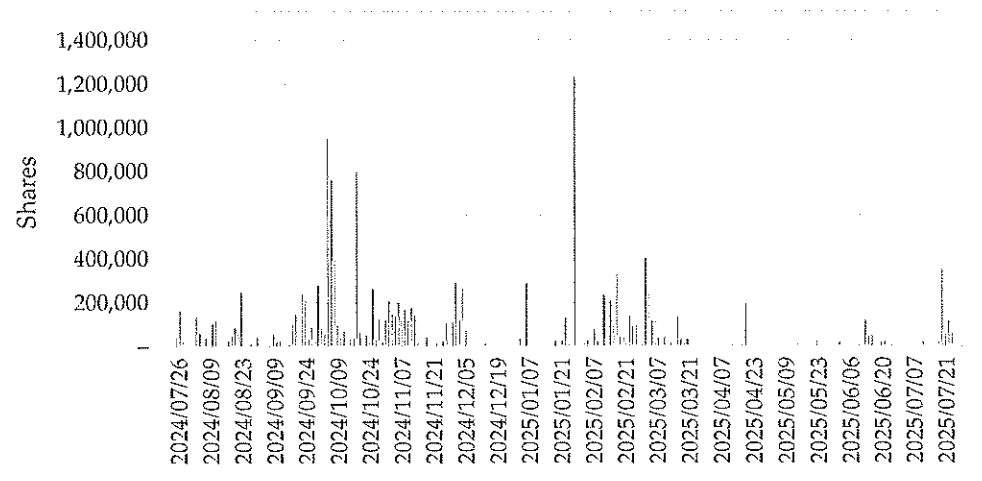
The closing prices of the Share increased from HK\$0.79 since the beginning of the Review Period. After the trading hours on 30 August 2024, the Company published its interim results announcement for the six months ended 30 June 2024. The closing prices of the Shares remained stable at around HK\$0.84 between 30 August 2024 and 9 September 2024. The closing prices of the Shares began to rise on 10 September 2024 and reached HK\$1.04 on 20 September 2024. After the trading hours on 20 September 2024, the Company announced subscription of new shares

under general mandate (the “2024 Subscription”) to raise net proceeds of approximately HK\$11.6 million. The closing prices of the Share escalated from HK\$1.04 on 20 September 2024 to HK\$1.35 on 23 September 2024. After trading hours on 7 October 2024, the Company announced the completion of the 2024 Subscription. The closing prices of the Share reached HK\$2.9, which is the highest closing price of the Shares during the Review Period on 7 October 2024. From 8 October 2024 to 1 November 2024, the closing prices of Share fluctuated between HK\$2.08 and HK\$2.7. After the trading hours on 1 November 2024, the Company announced proposed capital reorganisation, which included the share consolidation, the capital reduction and the sub-division; and a major transaction in relation to formation of joint venture companies (the “2024 Major Transaction”) to utilise the joint venture partner’s unique technology, resources and intellectual property advantages in China’s new energy field. Thereafter, the closing prices of the Shares showed a gradual decreasing trend and fell to HK\$1.12 on 4 February 2025. The closing price of Shares increased to HK\$1.49 on 7 February 2025 and fluctuated around HK\$1.49 during the period from 7 February 2025 to 19 February 2025. The 2024 Major Transaction was terminated pursuant to the announcement of the Company dated 1 March 2025. The closing prices of the Shares dropped sharply from HK\$1.33 on 28 February 2025, prior to the said announcement, to HK\$0.81 on 3 March 2025. The closing price of the Shares fluctuated between HK\$0.54 and HK\$0.79 between 4 March 2025 and 28 March 2025. After the trading hours on 28 March 2025, the Company published its annual results announcement for the year ended 31 December 2024. The closing prices of the Shares increased to and remained at HK\$0.79 on 1 April to 3 April 2025. The closing prices of the Shares then generally decreased and reached HK\$0.45 on 12 June 2025, which is the lowest closing price of Share during the Review Period. The closing price of the Shares fluctuated between HK\$0.45 and HK\$0.75 from 13 June 2025 to 18 July 2025. After the trading hours on 18 July 2025, the Company published the inside information announcement in relation to the litigation against the Company and its controlling shareholder. The closing price of the Shares decreased slightly from HK\$0.66 on 21 July 2025 to HK\$0.6 on 25 July 2025, being the date of the Subscription Agreements. The Directors confirmed that save for the abovementioned corporate actions, they are not aware of any reasons for such increase or decrease in the closing price of the Shares mentioned above.

Although the Subscription Price is below the average closing prices of the Share and was in the lower end of the closing prices during the Review Period, having considered that (i) the closing prices of the Share had been in a general downward trend since November 2024; (ii) given the relatively low trading volume of the Shares as illustrated below may hinder the attractiveness of any fundraising activities of the Company; and (iii) reasons for entering into the Subscription Agreements and benefits of the Subscription as mentioned in the section headed “(3) Reasons for and benefits of the Subscription” above, in particular the Group has imminent needs to raise additional funds for repayment of outstanding loan and replenishment of working capital and the Subscription is an appropriate fundraising method in terms of time and cost effectiveness as compared with other financial alternatives, we concurred with the Directors that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

4.1.2 Historical trading volume

The average daily trading volume of the Shares for each month, and the respective percentages of the average daily volume as compared to the total number of issued Shares at the beginning of each calendar month during the Review Period are set out below:



	Approximate average daily trading volume of the Shares <i>Number of Shares</i>	Number of issued Shares at the beginning of each month <i>Number of Shares</i>	Percentage of average daily trading volume to total number of issued Shares at the beginning of the month <i>Approximately %</i>
2024			
July	59,250	207,685,228	0.03%
August	46,773	207,685,228	0.02%
September	68,621	207,685,228	0.03%
October	195,158	207,685,228	0.09%
November	85,686	219,685,228	0.04%
		(Notes 1 and 2)	
December	40,605	219,685,228	0.02%
		(Notes 1 and 2)	

	Approximate average daily trading volume of the Shares <i>Number of Shares</i>	Number of issued Shares at the beginning of each month <i>Number of Shares</i>	Percentage of average daily trading volume to total number of issued Shares at the beginning of the month <i>Approximately %</i>
2025			
January	92,621	219,685,228 (Note 2)	0.04%
February	80,516	219,685,228 (Note 2)	0.04%
March	58,110	219,685,228 (Note 2)	0.03%
April	12,212	219,685,228 (Note 2)	0.01%
May	2,430	219,685,228 (Note 2)	0.00%
June	14,414	219,685,228 (Note 2)	0.01%
July (up to the date of the Subscription Agreements)	36,683	219,685,228 (Note 2)	0.02%

Source: Website of the Stock Exchange and Bloomberg

Notes:

- Adjusted for the 2024 Subscription, being the issue of 120,000,000 Shares (before share consolidation which became effective on 17 December 2024) to a subscriber which was completed on 7 October 2024.
- Adjusted for the share consolidation of 10 shares into 1 consolidated share which became effective on 17 December 2024.

As shown in the table above, trading volume of the Shares was exceptionally high in October 2024, representing approximately 0.09% of average daily trading volume to the total number of issued Shares at the beginning of the month. We have reviewed the announcements published by the Company on the website of the Stock Exchange in October 2024; and enquired the Directors about the reasons for the high trading volume of the Shares in October 2024. The Directors confirmed that save for the completion of the 2024 Subscription as announced on 7 October 2024; and the change of directors, appointment of chief executive and change of authorised representative as announced on 20 October 2024, they are not aware of any reasons for the exceptionally high trading volume of the Shares in October 2024. During the

Review Period and save for October 2024, the average daily trading volume of the Shares ranged from approximately 0.00% to approximately 0.04% of the total number of issued Shares as at the beginning of the relevant months, indicating generally thin trading liquidity during the Review Period. Given the low liquidity of the Shares, it is reasonable to set the Subscription Price at a discount to the prevailing market prices of the Shares to attract investor(s).

4.1.3 Comparable transactions

As part of our analysis, we also identified subscription of new shares under specific mandate for cash consideration during the six-month period from 26 January 2025 up to and including the date of the Subscription Agreements (i.e. 25 July 2025), which is sufficient for us to identify sizeable samples of comparable transactions for analysis, with the following criteria: the subscription transactions (i) were not lapsed or terminated up to the Latest Practicable Date; (ii) do not involve the issuance of A shares, H shares or domestic shares; (iii) do not relate to rights issue, restructuring, acquisition or loan capitalization, as announced by companies listed on the Stock Exchange (the “Comparable Transactions”). We found 15 transactions which met the said criteria and they are exhaustive. Shareholders should note that although the businesses, operations, market capitalisation and prospects of the Company are not the same as the subject companies of the Comparable Transactions; and the issuance size of the Subscription is not the same as those of the Comparable Transactions, the Comparable Transactions can demonstrate the recent market practices of subscription transactions under specific mandate conducted by Hong Kong listed companies and thus they are fair and representative for our analysis.

Company name (Stock code)	Date of announcement	Market capitalisation (HK\$ million)	Premium/ (discount) of the subscription price over/to the average closing price per share for the five consecutive trading days immediately preceding the date of the subscription agreement (%)	Premium/ (discount) of the subscription price over/to the closing price per share on last trading date prior to the date of the subscription agreement (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the five consecutive trading days immediately preceding the date of the subscription agreement (%)	Gross proceeds (HK\$ million)	Principal activities
CHINA ZHENG TONG AUTO SERVICES HOLDINGS LTD. (1728)	26 January 2025	368	36.36		42.59	1,000.36	4S dealership business, supply chain business and comprehensive properties business
CHINA SILVER TECHNOLOGY HOLDINGS LTD. (515)	7 March 2025	92	58.73		53.37	22.6	Manufacture and trading of double-sided printed circuit boards
ACME INTERNATIONAL HOLDINGS LTD. (1870) (Note 2)	17 March 2025 and 16 May 2025	191	(28.03)		(30.90)	32.4	Building maintenance unit business
ZO FUTURE GROUP (2309)	11 April 2025	1,891	(18.78)		(18.10)	130.0	Operation of professional football clubs
KINGSOFT CLOUD HOLDINGS LTD. (3896)	17 April 2025	23,022	(17.07)		(16.83)	404.5	Provision of independent cloud services
BRIGHTSTAR TECHNOLOGY GROUP CO., LTD (8446)	13 May 2025	113	14.17		10.48	28.8	Provision of visual display solutions services
UNIVERSAL HEALTH INTERNATIONAL GROUP HOLDING LTD. (2211)	13 May 2025	65	1.27		2.83	24.4	Distributions and retails of drugs and other pharmaceutical products
DOWWAY HOLDINGS LTD. (8403)	27 May 2025	190	(17.39)		(19.61)	6.8	Design, planning, coordination and management of exhibitions, events and showrooms, media advertising events and electronic commerce services

Company name (Stock code)	Date of announcement	Market capitalisation (HK\$ million)	Premium/ (discount) of the subscription price over/to the average closing price per share for the five consecutive trading days immediately preceding the date of the subscription agreement (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the five consecutive trading days immediately preceding the date of the subscription agreement (%)	Gross proceeds (HK\$ million)	Principal activities
HAICHANG OCEAN PARK HOLDINGS LTD. (2255)	2 June 2025	6,816	(44.44)	(45.26)	2295.0	Operation and development of marine theme park
SINOHOPE TECHNOLOGY HOLDINGS LTD. (1611)	29 June 2025	1,382	(29.66)	(23.85)	275.6	Manufacture and sale of energy-related electric and electronic products
CT VISION S.L. (INTERNATIONAL) HOLDINGS LTD. (994) (Note 3)	8 July 2025	143	108.09	104.08	65.9	Provision of construction services
NATIONAL UNITED RESOURCES HOLDINGS LTD. (254)	16 July 2025	184	2.56	(2.91)	50.0	Operation of car rental business
EV DYNAMICS (HOLDINGS) LTD. (476)	18 July 2025	154	(33.80)	(41.60)	27.0	Energy and resource businesses
OSL GROUP LTD. (863)	25 July 2025	10,746	(15.34)	(16.20)	708.0	Digital assets and blockchain platform business
PURAPHARM CORPORATION LTD. (1498)	25 July 2025	182	(5.50)	(5.50)	20.0	Concentrated Chinese medicine granule businesses
		Maximum Minimum Average Median	58.73 (44.44) (6.92) (16.21)	53.37 (45.26) (7.96) (16.52)		
The Company	25 July 2025	132	(16.67)	(19.87)	50.0	

Source: Website of the Stock Exchange and Bloomberg

Notes:

1. The information in the table is extracted from the relevant announcement and from public disclosures.
2. The information is based on the revised number of subscription shares (188,370,000 shares) and subscription price (HK\$0.172) pursuant to the supplement agreement dated 16 May 2025.
3. As the premiums of the subscription price over the relevant closing prices of CT Vision S.L. (International) Holdings Ltd. (994) are over 100%, we consider such comparable transaction is an outlier and is excluded from the analysis.

According to the table above, we noted that the subscription prices of the Comparable Transactions:

- ranged from a discount of approximately 44.44% to a premium of approximately 58.73% (excluding outlier), with average discount of approximately 6.92% to the respective closing prices of the shares on the last trading date prior to the date of the respective subscription agreement (the "LTD Discount/Premium Market Range");
- ranged from a discount of approximately 45.26% to a premium of approximately 53.37%, with average discount of approximately 7.96% to the respective average closing prices of the shares for the five consecutive trading days immediately preceding the date of the respective subscription agreement (the "5 Days Discount/Premium Market Range").

The Subscription Price represents: (i) a discount of approximately 16.67% to closing prices of the Shares on the last trading date prior to the date of the Subscription Agreements, which is within the LTD Discount/Premium Market Range; and (ii) a discount of approximately 19.87% to the average closing price of the Shares for the five consecutive trading days immediately preceding the date of the Subscription Agreements, which is also within the 5 Days Discount/Premium Market Range.

Having considered that (i) despite the Subscription Price represents discount to the closing price of the Shares on the last trading date prior to the date of the Subscription Agreements greater than the average discount to the closing prices of the shares on the last trading date prior to the date of the respective subscription agreement of the Comparable Transactions, subscription prices of 7 out of the 14 Comparable Transactions (excluding the outlier) represented discount to the respective closing price of the shares on the last trading date prior to the date of the subscription agreement greater than that of the Subscription Price; (ii) there are Comparable Transactions where the subscription prices represented discount to the respective average closing price of the shares for the five consecutive trading days immediately preceding the date of the subscription agreement greater than that of the Subscription Price, although they are minority among the Comparable Transactions; (iii) despite the discount of the Subscription Price to the average closing price per Share for the five consecutive trading days immediately preceding the date of the Subscription Agreements was greater than the median discount of that of the Comparable Transactions; the discount of the Subscription Price to the closing price per Share on the Last Trading Date prior to the date of the Subscription Agreement was slightly higher and close to the median discount of that of the Comparable Transactions; and (iv) given the continuous net loss financial performance and the net current liabilities position of the Group, a relatively deep discount to the prevailing closing price of the Shares is inevitable to attract the Subscribers, we considered that the extent of discount to the closing prices of the Shares in determining the Subscription Price is not uncommon and the Subscription Price is fair and reasonable and on normal commercial terms.

Having considered that (i) the Subscription Price is within the respective closing price range of the Comparable Transactions; (ii) low liquidity of the Shares as illustrated in the paragraph headed “4.1.2 Historical trading volume” above; and (iii) the funding needs of the Group as discussed, we are of the view that the Subscription Price is fair and reasonable.

(5) Possible financial impacts of the Subscription

5.1 Working capital

According to the 2025 Interim Results Announcement, the Group had bank and cash balances of approximately HK\$1.2 million as at 30 June 2025. As mentioned in the Letter from the Board, the Group will apply approximately 20% of the net proceeds from the Subscription as its general working capital. It is expected that the net proceeds from the Subscription will lead to an increase in the bank and cash balances, which will help to replenish the general working capital of the Group.

5.2 Gearing ratio

The Group’s gearing ratio (defined as a percentage of total borrowings over total equity) was approximately 27.30% as at 30 June 2025. It is expected that net proceeds from the Subscription will enhance the Group’s bank and cash balances for partial repayment of the Group’s borrowings and enlarge its capital base and total equity. Accordingly, the gearing ratio of the Group is expected to decrease.

5.3 Net asset value per Share

As at 30 June 2025, the unaudited consolidated net asset value of the Company was approximately HK\$84.1 million. Upon completion of the Subscription, total assets and net assets of the Group will increase. Since the Subscription Price of HK\$0.5 per Subscription Share is higher than the net asset value per Share of approximately HK\$0.383 as at 30 June 2025, the net asset value per Share will increase slightly upon completion of the Subscription.

It should be noted that the abovementioned analysis is for illustrative purpose only and does not purport to represent how the financial position of the Company following completion of the Subscription.

(6) Potential dilution effect of the Subscription on the shareholding interests

With reference to the shareholding table in the section headed “Effects on shareholding structure” in the Letter from the Board, the shareholding interests held by the existing public Shareholders would be diluted by approximately 9.16 percentage points as a result of the Subscription (assuming there will be no change in number of Shares in issue (other than the issue of all Subscription Shares pursuant to the three Subscription Agreements) between the Latest Practicable Date and the date of Completion). Having considered (i) the reasons for and benefits of the Subscription; and (ii) the terms of the Subscription being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the existing public Shareholders as a result of the Subscription is acceptable.

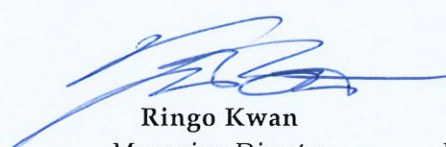
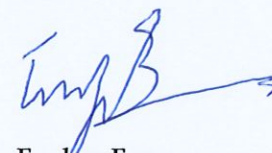
RECOMMENDATION

Having considered that the above principal factors and reasons, in particular:

- (i) the Group has imminent need to raise additional fund to improve its cash position, repay outstanding loan and replenish its working capital as discussed in the section headed “(3) Reasons for and benefits of the Subscription” above;
- (ii) the Group entered into the Framework Agreement for establishment of a joint venture to develop the business of charging stations for new energy heavy-duty trucks in Shenzhen as discussed in the section headed “(3) Reasons for and benefits of the Subscription” above. This is in line with the Group’s business strategy to explore new opportunities and develop in new energy market taking market expansion as mentioned in the 2024 Annual Report; and the Group has genuine funding needs for contribution of the registered capital to the joint venture;
- (iii) the Subscription is the most appropriate financing alternatives which would provide the Group with amount of funds with certainty and is efficient and cost effective as compared to other financing alternatives;
- (iv) the Subscription Price of HK\$0.5 per Subscription Share falls within the range of the daily closing prices of the Shares during the Review Period; and is above the latest published unaudited consolidated net asset value per Share as at 30 June 2025 of approximately HK\$0.383;
- (v) Double Key is the controlling Shareholder and one of the Subscribers. Its participation in Subscription demonstrates support to enhance the Group’s ability to continue as a going concern; and
- (vi) the Subscription Price was the same for Double Key and Mr. Wei Mingren (who are connected persons of the Company) and Mr. Li Yuqi (who is an Independent Third Party),

we are of the opinion that (i) the terms of Subscription are on normal commercial terms and are fair and reasonable; and (ii) although the Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders, and we ourselves advise the Independent Shareholders, to vote in favour of the resolution(s) relating to the Subscription Agreements and transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
SBI China Capital Hong Kong Securities Limited

	
Ringo Kwan	Evelyn Fan
<i>Managing Director</i>	<i>Executive Director</i>

Mr. Ringo Kwan and Ms. Evelyn Fan have been responsible officers of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) since 2005 and 2012, respectively. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.