

The following is the letter of advice from Red Sun Capital Limited and RaffAello Capital Limited prepared for the purpose of inclusion in this circular in relation (i) the Debt Restructuring, (ii) the Settlement Agreements; and the transaction contemplated thereunder, (iii) the Specific Mandate, (iv) the Special Deal; and the (v) Whitewash Waiver, setting out its advice to the Independent Board Committee and the Independent Shareholders.



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To the Independent Board Committee and the Independent Shareholders of Momentum Financial Holdings Limited

Dear Sirs,

**(1) PROPOSED DEBT RESTRUCTURING INVOLVING ISSUE OF
CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(2) APPLICATION OF WHITEWASH WAIVER; AND
(3) SPECIAL DEAL IN RELATION TO
REPAYMENT OF SHAREHOLDER'S LOAN**

INTRODUCTION

We refer to our appointment as the Joint Independent Financial Advisers to the Independent Board Committee in respect of (i) the Debt Restructuring; (ii) the Settlement Agreements, and the transaction contemplated thereunder; (iii) the Specific Mandate; (iv) the Special Deal; and the (v) Whitewash Waiver, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 20 October 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 requires otherwise.

THE SETTLEMENT AGREEMENTS

On 5 July 2025, the Company entered into the Settlement Agreements with the Creditors as part of the Debt Restructuring to capitalize outstanding Creditors’ loans and address near-term liquidity pressure. The Creditors have conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the aggregate principal amount of HK\$178,615,220 to the Creditors. The Conversion Shares are to be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM.

The Completion of the First Settlement Agreement and the Second Settlement Agreement are inter-conditional. Each of the Settlement Agreements is conditional upon the satisfaction of the following conditions precedent: (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares and such permission remain in full force and effect and has not been withdrawn; (ii) passing by the Independent Shareholders of the Company resolutions at the SGM approving (a) the Settlement Agreements and the transactions contemplated thereunder (more than 50% of the votes cast by the Independent Shareholders at the SGM by way of poll); (b) the Whitewash Waiver (at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll in accordance with the Listing Rules and the Takeovers Code); and (c) the Special Deal by way of poll; (iii) all necessary approvals, consents and/or waivers from the relevant authorities or third party required to be obtained having been obtained and remain in full force and effect; (iv) the Executive having granted (and such grant not having been withdrawn or invalidated) the Whitewash Waiver, and the satisfaction of all conditions (if any) attached thereto; and (v) the grant of consent to the Special Deal by the Executive.

TAKEOVERS CODE IMPLICATIONS

Whitewash Waiver

As at the date of the Settlement Agreements and the Latest Practicable Date, (i) Mr. Zheng, one of the Creditors, holds 40,000 Shares, representing less than 0.01% of the issued Shares; and (ii) the remaining Creditors, being Rosy Benefit, Forever Brilliance, Sunshine Flame, Lumina Investment, Ms. Tian, Ms. Li, Mr. Wang and Mr. Chen, do not hold any Shares.

Upon Completion and full issuance of the Conversion Shares, assuming there will be no change in the issued share capital of the Company up to Completion, the Creditor Concert Group's voting rights in the Company are expected to increase from approximately 0.01% to approximately 71.36% of the enlarged issued share capital.

As such, Rosy Benefit, Forever Brilliance and/or the Creditors Concert Group will therefore be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it and its concert parties pursuant to Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted.

As further mentioned in the Board Letter, the application has been made by Rosy Benefit and Forever Brilliance to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Conversion Shares. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Settlement Agreements and the

transactions contemplated thereunder. As Mr. Zheng is one of the Creditors and holds 40,000 Shares as at the Latest Practicable Date, Mr. Zheng will be required to abstain from voting on the relevant resolutions to approve the Debt Restructuring, the Settlement Agreements, the allotment and issue of the Conversion Shares under the Specific Mandate, the Special Deal and the Whitewash Waiver.

Special Deal in relation to repayment of shareholder's loan

As at the date of the Settlement Agreements and the Latest Practicable Date, save for Mr. Zheng being a Creditor and a Shareholder holding 40,000 Shares, representing less than 0.01% of the issued Shares, the remaining Creditors, being Rosy Benefit, Forever Brilliance, Sunshine Flame, Lumina Investment, Ms. Tian, Ms. Li, Mr. Wang or Mr. Chen do not hold any Shares.

The proposed settlement of the indebtedness due to Mr. Zheng under the Debt Restructuring which is not extended to all other Shareholders, constitutes a Special Deal under Note 5 to Rule 25 of the Takeovers Code and therefore requires consent by the Executive.

The Special Deal is subject to the approval by more than 50% of the Independent Shareholders at the SGM by way of poll and required the consent of the Executive. An application has been made by the Company to the Executive for the consent to the Special Deal under Rule 25 of the Takeovers Code. The Joint Independent Financial Advisers are required to opine on whether the terms of the Special Deal are fair and reasonable to the Independent Shareholders.

Such consent of the Executive, if granted, will be subject to (i) the Joint Independent Financial Advisers publicly stating in their opinion that the terms of the Special Deal are fair and reasonable; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Special Deal.

LISTING RULES IMPLICATIONS

With reference to the Board Letter, the issuance of the Convertible Bonds under the Settlement Agreements will result in a theoretical dilution effect of approximately 5.2%, which is less than the 25% threshold as set out in Rule 7.27B of the Listing Rules, the Debt Restructuring will not have implications under Rule 7.27B of the Listing Rules.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising three independent non-executive Directors, namely Mr. Sin Ka Man, Ms. Liang Lina and Mr. Chen Yifan, has been established to advise the Independent Shareholders on the Debt Restructuring, the Settlement Agreements, the allotment and issue of the Conversion Shares under the Specific Mandate, the Special Deal and the Whitewash Waiver, and as to the voting action therefor.

With the approval of the Independent Board Committee, RaffAello Capital Limited and Red Sun Capital Limited have been appointed as the Joint Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with or interest in the Company, or any of its substantial shareholders, directors or chief executives, or their respective associates, as well as the Creditors, that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code. Save for the appointment as the Joint Independent Financial Advisers, RaffAello Capital Limited and Red Sun Capital Limited did not act as independent financial adviser to the Company under the Listing Rules in the past two years. We are not in the same group as the financial adviser to the Company, the Creditors, their respective substantial shareholders, and/or parties acting in concert with any of them. We do not have a significant connection, financial or otherwise, with either the Creditors, the Company or the controlling shareholders of any of them, within the two years prior to the date of the Announcement, of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice under the Takeovers Code. Apart from the normal advisory fee payable to us in connection with our appointment as the Joint Independent Financial Advisers, no arrangement exists whereby we shall receive any other 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 pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

BASIS OF OUR ADVICE

In order to formulate our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have reviewed, among others, (i) the Settlement Agreements; (ii) the interim report of the Company for the six months ended 30 June 2025 (the “**Interim Report 2025**”); (iii) the annual report of the Company for the year ended 31 December 2024 (the “**Annual Report 2024**”); and (iv) the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report 2023**”). We have assumed that all information, representations and opinions contained or referred to in the Circular or made,

given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Circular, nor statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. However, we have not carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group or its respective history, experience and track records, or the prospects of the markets in which it operates.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the (i) Debt Restructuring; (ii) Settlement Agreements, and the transaction contemplated thereunder; (iii) the Specific Mandate; (iv) the Special Deal; and (v) the Whitewash Waiver, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the (i) Debt Restructuring; (ii) the Settlement Agreements, and the transaction contemplated thereunder; (iii) the Specific Mandate; (iv) the Special Deal; and (v) the Whitewash Waiver, we have taken into account the principal factors and reasons set out below:

1. INFORMATION OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in cross-border trading business of nutrition food and health care products (the “**Cross-Border Trading Business**”). The Group is also engaged in the provision of finance leasing and consultancy services in finance leasing business (earning interest income, handling fee and consultancy fee) and purchasing of leased assets (the “**Finance Leasing Business**”). The Group’s operations are located in Hong Kong and the PRC.

Financial performance of the Group

Set out below is a summary of the Group's operating results extracted from (i) the Interim Report 2025; (ii) the Annual Report 2024; and (iii) the Annual Report 2023, respectively:

Summary of the Group's consolidated statement of comprehensive income

	For the year ended 31 December		For the six months ended 30 June		
	2022	2023	2024	2024	2025
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	327,721	761,781	630,131	329,077	256,127
— Cross-Border					
Trading Business	326,130	761,305	629,993	328,950	256,127
— Finance Leasing					
Business	849	277	138	15	—
— Others	742	199	—	112	—
Gross Profit	23,142	50,197	30,853	21,263	13,466
Profit/(Loss) before income tax	16,420	25,367	(20,899)	12,898	3,684
Profit/(Loss) for the year/period	15,181	19,545	(23,281)	9,510	3,569
Profit/(Loss) for the year/period attributable to:					
Owners of the Company	15,297	20,346	(22,345)	9,488	3,590
Non-controlling interests	(12)	(801)	(936)	22	(21)

1.1 Financial performance of the Group for the year ended 31 December 2024 (“FY2024”) compared with the year ended 31 December 2023 (“FY2023”)

As set out in the Annual Report 2024, the Group recorded total revenue of approximately HK\$630.1 million for FY2024, representing a decrease of approximately 17.3% as compared to approximately HK\$761.8 million recorded for FY2023, which was mainly attributable to the decrease in revenue from the Cross-Border Trading Business segment. The total revenue comprised (i) income from Cross-Border Trading Business segment of approximately HK\$630.0 million for FY2024, representing a decrease of approximately 17.2% from FY2023 of approximately HK\$761.3million; and (ii) income from Finance Leasing Business segment of approximately HK\$0.1 million for FY2024, representing a decrease of approximately 66.7% from FY2023 of approximately HK\$0.3 million.

Based on the Annual Report 2024, the Group recorded a loss attributable to owners of the Company of approximately HK\$22.3 million for FY2024, as compared to the profit attributable to owners of the Company of approximately HK\$20.3 million for FY2023. The decrease in profit was primarily due to (i) the decrease in revenue from Cross-Border Trading Business segment, attributable to the decline in overall consumption sentiment since late 2023 shown by the diminished revenue; (ii) the impairment loss on trade receivables of approximately HK\$16.5 million for FY2024, compared to approximately HK\$6.5 million for FY2023, resulting from some prolonged payments of which the Group have already extended the credit period of the top customers after FY2024; and (iii) the increase in other operating expenses due to the loss on extinguishment of financial liabilities by the issuance of promissory notes.

1.2 Financial performance for the year ended 31 December 2023 (“FY2023”) compared with the year ended 31 December 2022 (“FY2022”)

As set out in the Annual Report 2023, the Group recorded total revenue of approximately HK\$761.8 million for FY2023, representing an increase of approximately 132.4% as compared to approximately HK\$327.8 million recorded for FY2022.

The total revenue comprised (i) income from Cross-Border Trading Business segment of approximately HK\$761.3 million for FY2023, representing an increase of approximately 133.5% from approximately HK\$326.1 million for FY2022; and (ii) income from Finance Leasing Business segment of approximately HK\$0.3 million for FY2023, representing a decrease of approximately 62.5% from approximately HK\$0.8 million for FY2022. The increase in total revenue was primarily driven by the increase in revenue from Cross-Border Trading Business of approximately 133.4%, which was mainly attributable to the Group's refinement of its supplier to business to consumer ("S2B2C") model and reoptimization of its product offerings. The S2B2C model is designated to provide value-added service to e-commerce distributors and/or end consumers in the PRC by (i) securing a cross-border ecommerce platform that integrates overseas direct procurement, import and export supply chain management; and (ii) leasing several bonded warehouses, and providing custom clearance warehouse storage, and logistics assistance to its customers.

The Group recorded a profit attributable to owners of the Company of approximately HK\$20.4 million for FY2023, representing an increase in profit of approximately 28.7% as compared to approximately HK\$15.3 million recorded for FY2022. The increase in profit was primarily due to the increase in revenue from the Cross-Border Trading Business segment. Despite the aforesaid increase in total revenue recorded in FY2023 as compared to FY2022, the gross profit margin recorded a decrease from approximately 7.0% for FY2022 to approximately 6.6% for FY2023, mainly due to the reason that the Group offered more competitive prices to the customers under the intense market competition.

1.3 Financial performance for the six months ended 30 June 2025 ("6M2025") compared with the six months ended 30 June 2024 ("6M2024")

As set out in the Interim Report 2025, the Group recorded revenue of approximately HK\$256.1 million, representing a decrease of approximately 22.2% as compared to approximately HK\$329.1 million for 6M2024. The revenue for 6M2025 mainly comprised (i) income from Cross-Border Trading Business segment of approximately HK\$256.1 million for 6M2025, representing a decrease of approximately 22.1% as compared to approximately HK\$329.0 million for 6M2024; and (ii) nil from the Finance Leasing Business segment for 6M2025.

The Group recorded a profit attributable to owners of the Company of approximately HK\$3.6 million for 6M2025, as compared to approximately HK\$9.5 million for 6M2024. The decrease in profit was primarily due to the overall decrease in revenue from Cross-Border Trading Business segment, attributable to the decline in overall consumption sentiment since late 2023.

Financial position of the Group

Summary of the Group's audited consolidated statement of financial position

	As at 31 December			As at
	2022	2023	2024	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(unaudited)
Assets				
— Inventories	26,991	25,712	64,063	74,483
— Trade and other receivables	301,781	355,905	309,780	322,538
— Bank balances and cash	8,188	24,335	3,572	9,537
Liabilities				
— Trade and other payables	92,544	187,335	95,355	87,889
— Loan from the ultimate holdings company	50,000	50,000	50,000	50,000
— Bank and other borrowings	13,026	17,818	6,589	1,576
— Corporate bonds (current and non-current portion)	10,900	51,238	51,515	51,831
— Tax payables	6,299	8,082	7,375	7,495
— Promissory notes (current and non-current portion)	35,379	33,755	91,556	126,861
Net current assets	82,205	176,620	75,697	81,640
Net assets	90,259	107,874	81,977	87,815
Equity attributable to owners of the Company	87,112	104,959	80,081	85,885
Non-controlling interests	3,147	2,915	1,896	1,930

Note: For the avoidance of doubt, only selected major assets and liabilities components are disclosed in the table above.

1.4 Consolidated financial position of the Group as at 30 June 2025 and 31 December 2024

As at 30 June 2025, the Group's total assets amounted to approximately HK\$414.2 million, representing an increase of approximately HK\$28.8 million or 7.5% as compared to approximately HK\$384.5 million as at 31 December 2024.

The increase was mainly attributable to:

- (i) the increase in trade and other receivable, from approximately HK\$309.8 million as at 31 December 2024 to approximately HK\$322.5 million as at 30 June 2025, representing an increase of approximately 4.1%; and
- (ii) the increase in bank balances and cash, from HK\$3.6 million as at 31 December 2024 to approximately HK\$9.5 million as at 30 June 2025, representing an increase of approximately 167.0%.

The trade receivables of the Group increased from approximately HK\$299.9 million as at 31 December 2024 to approximately HK\$304.7 million as at 30 June 2025, representing an increase of approximately 2.5%. Among the trade receivables of the Group, approximately 77.9% of the receivables as at 30 June 2025 and 71.3% of the receivables as at 31 December 2024 was aged over 60 days.

The Group's total liabilities amounted to approximately HK\$326.4 million, representing an increase of approximately HK\$23.0 million or 7.6%, as compared to approximately HK\$303.4 million as at 31 December 2024, which was mainly attributable to the increase in promissory notes from HK\$91.6 million as at 31 December 2024 to approximately HK\$126.8 million, representing an increase of approximately 38.4% as at 30 June 2025.

This was partially offset by:

- (i) the decrease in trade and other payables, from approximately HK\$95.4 million as at 31 December 2024 to approximately HK\$87.9 million as at 30 June 2025, representing a decrease of approximately 7.8%; and
- (ii) the decrease in bank and other borrowings, from approximately HK\$6.6 million as at 31 December 2024 to approximately HK\$1.6 million as at 30 June 2025, representing a decrease of approximately 76.1%.

As at 30 June 2025, the bank balance and cash amounted to approximately HK\$9.5 million, representing an increase of approximately 167.0% compared to approximately HK\$3.6 million as at 31 December 2024. The increase was mainly due to proceeds from issue of promissory notes.

Net assets attributable to owners of the Company amounted to approximately HK\$85.9 million, representing an increase of approximately 7.3% compared to approximately HK\$80.1 million as at 31 December 2024. The gearing ratio, calculated as net debts divided by total equity was approximately 2.5 times as at 30 June 2025.

1.5 Consolidated financial position of the Group as at 31 December 2024 and 2023

As at 31 December 2024, the Group's total assets amounted to approximately HK\$385.4 million, representing a decrease of approximately HK\$29.3 million, or 7.1%, as compared to approximately HK\$414.7 million as at 31 December 2023.

The decrease was mainly attributable to:

- (i) the decrease in trade and other receivable, from approximately HK\$355.9 million as at 31 December 2023 to approximately HK\$309.8 million as at 31 December 2024, representing a decrease of approximately 13.0%;
- (ii) the decrease in bank balances and cash, from approximately HK\$24.3 million as at 31 December 2023 to approximately HK\$3.6 million as at 31 December 2024, representing a decrease of approximately 85.2%; and
- (iii) the decrease in property, plant and equipment, from approximately HK\$6.2 million as at 31 December 2023 to approximately HK\$5.5 million as at 31 December 2024, representing a decrease of approximately 11.3%.

The trade receivables of the Group decreased from approximately HK\$342.0 million as at 31 December 2023 to approximately HK\$299.9 million as at 31 December 2024, representing a decrease of approximately 12.4%. Among the trade receivables of the Group, approximately 71.3% of the receivables as at 31 December 2024 and 86.7% of the receivables as at 31 December 2023 was aged over 60 days.

As at 31 December 2024, the Group's total liabilities amounted to approximately HK\$303.4 million, representing a decrease of approximately HK\$3.5 million or 1.1%, as compared to approximately HK\$306.9 million as at 31 December 2023.

The decrease was mainly attributable to:

- (i) the decrease in trade and other payables, from approximately HK\$145.5 million as at 31 December 2023 to approximately HK\$95.4 million as at 31 December 2024, representing a decrease of approximately 34.4%;
- (ii) the decrease in bank and other borrowings, from approximately HK\$17.8 million as at 31 December 2023 to approximately HK\$6.6 million as at 31 December 2024, representing a decrease of approximately 62.9%;

- (iii) the decrease in promissory notes in non-current liabilities, from approximately HK\$33.8 million as at 31 December 2023 to nil as at 31 December 2024; and
- (iv) the decrease in corporate bonds in non-current liabilities, from approximately HK\$41.8 million as at 31 December 2023 to nil as at 31 December 2024.

This was partially offset by:

- (i) the increase in promissory notes in current liabilities, from nil as at 31 December 2023 to approximately HK\$91.6 million as at 31 December 2024; and
- (ii) the increase in corporate bonds in current liabilities, from approximately HK\$9.4 million as at 31 December 2023 to approximately HK\$51.5 million as at 31 December 2024, representing an increase of approximately 445.9%.

As at 31 December 2024, the bank balance and cash amounted to approximately HK\$3.6 million, representing a decrease of approximately 85.4% compared to approximately HK\$24.3 million as at 31 December 2023. The decrease was mainly due to the prolonged credit period on the trade and other receivables.

The increase in promissory notes was attributable to the issue of new promissory notes amounting approximately HK\$51.3 million due to an agreement with the creditor to settle the financial advance.

Net assets attributable to owners of the Company amounted to approximately HK\$82.0 million, representing a decrease of approximately 23.9% compared to approximately HK\$107.9 million as at 31 December 2023. The gearing ratio calculated as net debts divided by total equity was approximately 2.4 times as at 31 December 2024, compared to approximately 1.2 times as at 31 December 2023.

1.6 Consolidated financial position of the Group as at 31 December 2023 and 2022

As at 31 December 2023, the Group's total assets amounted to approximately HK\$414.7 million, representing an increase of approximately HK\$62.3 million, or 17.7%, as compared to approximately HK\$352.4 million as at 31 December 2022.

The increase was mainly attributable to:

- (i) an increase in trade and other receivables, from approximately HK\$301.8 million as at 31 December 2022 to approximately HK\$355.9 million as at 31 December 2023, representing an increase of HK\$54.1 million or 17.9%; and

- (ii) an increase in bank balances and cash, from approximately HK\$8.2 million as at 31 December 2022 to approximately HK\$24.3 million as at 31 December 2023, representing an increase of HK\$16.1 million, or 196.3%.

This was partially offset by a decrease in inventories, from approximately HK\$27.0 million as at 31 December 2022 to approximately HK\$25.7 million as at 31 December 2023, representing a decrease of HK\$1.3 million, or 4.8%.

The trade receivables of the Group increased from approximately HK\$209.6 million as at 31 December 2022 to approximately HK\$342.0 million as at 31 December 2023, representing an increase of approximately 63.2%. Among the trade receivables of the Group, approximately 86.7% of the receivables as at 31 December 2023 and 55.1% of the receivables as at 31 December 2022 was aged over 60 days.

As at 31 December 2023, the Group's total liabilities amounted to approximately HK\$306.9 million, representing an increase of approximately HK\$44.7 million or 17.0% as compared to approximately HK\$262.2 million as at 31 December 2022.

The increase was mainly attributable to:

- (i) an increase in trade and other payables, from approximately HK\$92.5 million as at 31 December 2022 to approximately HK\$145.5 million as at 31 December 2023, representing an increase of HK\$53.0 million or 57.3%; and
- (ii) an increase in bank and other borrowings, from approximately HK\$13.0 million to approximately HK\$17.8 million, representing an increase of HK\$4.8 million or 36.9%.

As at 31 December 2023, the bank balance and cash amounted to approximately HK\$24.3 million, representing an increase of approximately 197.2% compared to approximately HK\$8.2 million as at 31 December 2022. The increase mainly attributable to increase of proceeds from the bank and other borrowings.

The total borrowings were approximately HK\$153.3 million for FY2023, representing an increase of approximately 0.3% compared to approximately HK\$152.9 million for FY2022. The increase in corporate bonds amounted to approximately HK\$51.2 million for FY2023, an increase of approximately 369.7% compared to approximately HK\$10.9 million for FY2022, was attributable to the reclassification of the outstanding principal and interest of the convertible bonds as corporate bonds. The reclassification was due to an agreement between the Company and the then convertible bondholders to extend the maturity date to 24 June 2025.

Net assets attributable to owners of the Company amounted to approximately HK\$107.9 million, representing an increase of approximately HK\$17.6 million or 19.5% compared to approximately HK\$90.3 million as at 31 December 2022. The gearing ratio, calculated as net debts divided by total equity, was approximately 1.2 times as at 31 December 2023, compared to approximately 1.6 times as at 31 December 2022.

Summary

Based on the above, it is noted that the Group had gradually recovered from the effect of the pandemic with a significant increase in revenue of approximately 132.4% in FY2023 as compared to FY2022. However, total revenue declined in FY2024, primarily due to the decrease in revenue from the Cross-Border Trading Business segment. The Group's financial position also deteriorated in FY2024 compared to FY2023. While the Group recorded a profit attributed to owners of the Company in FY2023, a loss was incurred in FY2024. In addition, the Group's bank balances and cash decreased to approximately HK\$3.6 million as of 31 December 2024, representing a decrease of approximately HK\$20.7 million or 85.2%, compared to approximately HK\$24.3 million as at 31 December 2023.

The Group also faces challenges in maintaining sufficient bank balances and cash to settle the Outstanding Debt and the finance costs. The finance costs amounted to approximately HK\$8.5 million in FY2023 and HK\$11.4 million in FY2024, representing an increase of approximately 34.1%. The total borrowings including the Outstanding Debt and loan from Triumph Hope Limited amounted to approximately HK\$153 million and approximately HK\$201 million respectively, representing approximately 50% and 66.1% of the total liabilities as at 31 December 2023 and 2024. As at 30 June 2025, the total borrowings amounted to approximately HK\$231 million, representing approximately 70.8% of the total liabilities. As a result, the Group has imminent funding needs to meet the demands of the Outstanding Debt.

It is also noted that the Group's overall liquidity is deteriorated, with net current assets decreased from HK\$176.6 million as of 31 December 2023, to HK\$75.7 million as of 31 December 2024 and increased to HK\$81.6 million as of 30 June 2025.

As set out in the Annual Report 2024, given the latest financial position of the Company, in the event of any winding-up petition initiated against the Company would likely reveal that the Company does not have sufficient financial resources for the settlement of the Outstanding Debt in full. The Creditors, namely (i) Mr. Zheng, issued Statutory Demand on 10 October 2024; (ii) Sunshine Flame, issued a Demand Letter on 14 October 2024; and (iii) Forever Brilliance, issued statutory demand on 3 March 2025, details of which are set out in the announcements of the Company dated 10 October 2024, 14 October 2024 and 10 March 2025, respectively. Without timely funding arrangements to address the Outstanding Debt, these demands could escalate to winding-up petitions, and may result in liquidation. As such, after the termination of the Previous Settlement Agreement, the Company continued to negotiate with the Creditors, and the Creditors are willing to enter into the Debt Restructuring to settle the Outstanding Debt.

In this connection, the Debt Restructuring involving the issuance of Convertible Bonds, if consummated, is expected to alleviate the Group's imminent funding needs without utilizing its existing financial resources, which in turn, able to maintain operational cashflow, and improve the overall financial position of the Group upon the conversion of the Convertible Bonds into Convertible Shares, subject to the Conversion rights.

2. INFORMATION ON THE CREDITORS

As set out in the Board Letter, the Creditors consisted of Rosy Benefit, Forever Brilliance, Sunshine Flame, Lumina Investment, Mr. Zheng, Ms. Tian, Ms. Li, Mr. Wang and Mr. Chen.

Rosy Benefit

Rosy Benefit is a company incorporated in the British Virgin Islands with limited liability on 29 May 2019 principally engaged in investment holding. The ultimate beneficial owner and sole director of Rosy Benefit since its incorporation is Ms. Lin Ling, a PRC citizen. Ms. Lin, aged 44, is one of the founders of “購吧網”, an online shopping platform in Suzhou. She is the chairlady of Guangzhou Zhoujian Information Technology Co. Limited, a private company established in the PRC, since December 2011, and vice president of Tianxiang Construction Group Co. Limited, a private company established in the PRC, since June 2016. Ms. Lin has extensive equity and debt investment in a number of companies. She is currently a director of the Guangdong Internet Association, vice chairman of Guangdong Hunan Chamber of Commerce and a consultant of Guangdong Zhejiang Youth Chamber of Commerce. Rosy Benefit and its ultimate beneficial owner (i) has never owned any Shares; and (ii) do not hold any Shares as at the Latest Practicable Date.

Forever Brilliance

Forever Brilliance is a company incorporated in the British Virgin Islands with limited liability on 31 December 2021 principally engaged in investment holding. The ultimate beneficial owner and sole director of Forever Brilliance since its incorporation is Ms. Smith Lexi Lucia. Ms. Smith Lexi Lucia, aged 25, is engaged in the investment business, with her family engaged in property investment in the PRC. Forever Brilliance and its ultimate beneficial owner (i) has never owned any Shares; and (ii) do not hold any Shares as at the Latest Practicable Date.

Sunshine Flame

Sunshine Flame is a company incorporated in Hong Kong with limited liability principally engaged in investment holding. The sole and ultimate beneficial owner and sole director of Sunshine Flame is Ms. Guo Caiyun, a PRC citizen with extensive experience in private investment. Sunshine Flame and its ultimate beneficial owner (i) has never owned any Shares; and (ii) do not hold any Shares as at the Latest Practicable Date.

Lumina Investment

Lumina Investment is a company incorporated in Hong Kong with limited liability principally engaged in investment holding. The ultimate beneficial owner and sole director of Lumina Investment is Mr. Zhao Dongli, a Hong Kong resident. Mr. Zhao has extensive experience in investment, banking and finance industry. Lumina Investment and its ultimate beneficial owner (i) has never owned any Shares; and (ii) do not hold any Shares as at the Latest Practicable Date.

Mr. Zheng

Mr. Zheng is a PRC citizen who has extensive experience in the trading of building materials and financial investment in the PRC. He is the sole shareholder of Evermore Steel Industrial (Hong Kong) Limited, a company principally engaged in trading of building materials and invested in a number of listed companies in Hong Kong, such as Xinming China Holdings Limited (stock code: 2699). Mr. Zheng is a Shareholder holding 40,000 Shares, representing approximately 0.01% of the issued Shares as at the Latest Practicable Date.

Mr. Tian

Ms. Tian is a PRC citizen and an experienced entrepreneur. She is the founder of Beijing Haichuan Rongxin Xin Services Co., Ltd., a company principally engaged in consultancy and brand management services. Ms. Tian (i) has never owned any Shares; and (ii) does not hold any Shares as at the Latest Practicable Date.

Mr. Li

Ms. Li is a PRC citizen and the vice president of Wenzhou Kaiyuan Group Co., Ltd, which is principally engaged in automobile distribution and financial investment in the PRC. She has extensive experience in management positions in automobile distribution industry in the PRC. Ms. Li (i) has never owned any Shares; and (ii) does not hold any Shares as at the Latest Practicable Date.

Mr. Chen and Mr. Wang

Mr. Chen and Mr. Wang are Hong Kong residents and merchants. Mr. Chen and Mr. Wang (i) has never owned any Shares; and (ii) do not hold any Shares as at the Latest Practicable Date.

3. REASONS FOR AND BENEFITS OF THE DEBT RESTRUCTURING

As set out in the Board Letter and the announcement dated 10 October 2024, the Company received a statutory demand issued by Mr. Zheng demanding the immediate repayment of an outstanding sum of approximately HK\$20.3 million (the “**Statutory Demand**”), being part of the Outstanding Debt with Mr. Zheng at the material time on the basis that an event of default under the promissory notes held by Mr. Zheng had occurred. On 14 October 2024, the Company further received a demand letter from Sunshine Flame (the “**Demand Letter**”), stating the receipt of the Statutory Demand by the Company had constituted an event of default of the promissory note issued by the Company held by it, and therefore demanding the immediate repayment of an outstanding sum of approximately HK\$9.2 million, representing the principal amount and respective accrued interest of one of the promissory notes held by Sunshine Flame, being part of the Outstanding Debt.

As a result, in order to avoid in the risk of any of Rosy Benefit, Sunshine Flame and Mr. Zheng filing winding-up petitions against the Company, the Company commenced negotiation with Rosy Benefit, Sunshine Flame and Mr. Zheng.

Previous Settlement Agreement

On 18 October 2024, the Company entered into the Previous Settlement Agreement with Rosy Benefit, Sunshine Flame and Mr. Zheng, pursuant to which the Company has conditionally agreed to capitalize the outstanding debts by issuing convertible bonds in the aggregate principal amount of HK\$91,534,164 to Rosy Benefit, Sunshine Flame and Mr. Zheng. Pursuant to the Previous Settlement Agreement, the issuance of the convertible bonds would result in a theoretical dilution effect of approximately 61.06%, which is higher than the 25% threshold as set out in Rule 7.27B of the Listing Rules. Reference is also made to the announcement of the Company dated 28 March 2025, as the completion of the Previous Settlement Agreement is conditional on, among other things, the consent from the Stock Exchange in respect of Rule 7.27B of the Listing Rules being obtained but such consent was not expected to be fulfilled by the long stop date of the Previous Settlement Agreement, and the Company, Rosy Benefit, Sunshine Flame and Mr. Zheng entered into a termination agreement to terminate the Previous Settlement Agreement.

During the April-August Suspension (defined hereafter), the Company continued to explore fundraising opportunities. In particular, the Company intended to conduct fundraising through the issuance of new Shares to Lumina Investment, Ms. Tian and Ms. Li, with the purpose of settling the Group's liabilities and replenishing its working capital. However, as the trading of the Shares was suspended since 1 April 2025 pending the release of the annual results of the Company for the year ended 31 December 2024, the Company had difficulties in executing the aforesaid shares issuances exercise. Consequently, in June 2025, the Company issued promissory notes in the aggregate amount of HK\$34 million to Lumina Investment, Ms. Tian and Ms. Li to address the Group's liabilities and support its working capital needs as mentioned above. As such, the Company invited Lumina Investment, Ms. Tian and Ms. Li to participate in the Debt Restructuring.

Despite the termination of the Previous Settlement Agreement, the Company continued to negotiate with the Creditors including Rosy Benefit, Sunshine Flame and Mr. Zheng, as well as other Creditors such as Forever Brilliance, Lumina Investment, Ms. Tian, Ms. Li, Mr. Wang and Mr. Chen to explore alternative means of settling the Outstanding Debt.

Settlement Agreements

In this connection, the Company entered into the Settlement Agreements with the Creditors on 5 July 2025, involving the capitalization of the Outstanding Debt through the issue of Convertible Bonds. Pursuant to the Settlement Agreements, the Company will issue to the Creditors the Convertible Bonds in the aggregate principal amount of HK\$178,615,220 as full settlement of the respective promissory notes and corporate bonds and the fulfilment of all obligations of the Company under the respective promissory notes and corporate bonds. Accordingly, any interest accrued on the Outstanding Debt from 1 July 2025 up to the date of Completion will be considered as settled upon the issuance of the Convertible Bonds.

As at 30 June 2025, the Company had the Outstanding Debt due and payable in an aggregate amount of approximately HK\$178.6 million.

The Debt Restructuring, involving the capitalisation of the Outstanding Debt through the issuance of Convertible Bonds, is driven by the Company's urgent need to address its deteriorating financial and liquidity position, mitigate creditor pressures, and maintain operational continuity.

Given that the Debt Restructuring allows the Company to discharge its settlement obligations for the Outstanding Debt without immediate cash outflow, the Group will be able to preserve limited cash reserves (approximately HK\$9.5 million as at 30 June 2025) for its daily operations and business development. By converting the Outstanding Debt into the Convertible Bonds, the Company avoids immediate cash outflows for the settlement of the Outstanding Debt. Upon completion of conversion, the Conversion Shares are expected to be recognized as equity, enlarging the Group's capital base and improving net asset position and gearing ratio. In addition, the Debt Restructuring averts potential winding-up petitions from Creditors as statutory demands already issued by Mr. Zheng, Sunshine Flame and Forever Brilliance, given the Company lacks sufficient capital for full repayment. Furthermore, the Debt Restructuring also provides a possible pathway to full settlement and operational continuity of the Group. Based on the aforesaid, we are of the view that the Debt Restructuring is in the interests of the Company and the Shareholders as a whole and the entering into the Settlement Agreements is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

4. OUR ANALYSIS OF THE GROUP'S FINANCIAL NEEDS AND FINANCING ALTERNATIVES

As discussed in the section headed "1. INFORMATION OF THE GROUP", it is noted that the Company has a limited amount of bank balances and cash of approximately HK\$9.5 million as at 30 June 2025, which is insufficient to settle the Outstanding Debt without affecting the daily operations. In view of the Group's unsatisfactory financial performance shown by the diminishing revenue and the imminent funding needs to settle the Creditors demands, the Directors have considered alternative financing methods such as debt financing and equity fundraising, including but not limited to, bank borrowings, share and/or convertible bonds placements.

As far as debt financing is concerned, it is noted that the indebtedness of the Group, being unsecured and repayable on demand or within one year, amounted to approximately HK\$193.1 million and HK\$240.5 million as at 31 December 2024 and 30 June 2025, respectively. Based on the review on the Group's published financial information and discussion with the Management, we are given to understand that the Management is of the view that it is not feasible for the Group to obtain new and/or upsize their existing banking facilities due to (i) the recent financial position and performance; (ii) the increased liquidity pressure and cashflow to service additional debt; and (iii) the lack of suitable asset as collateral for credit facilities.

Nonetheless, we understand that the Company still approached three banks in Hong Kong to explore the possibilities of debt financing options. However, given the Group's financial position and performance, and the lack of acceptable collateral, as the banks indicated that they typically require property or bank and cash balances as security, the request for the bank loans and facilities were therefore declined. The Management considered that additional borrowings would also increase the finance costs and further increase the gearing ratio. In addition to the above, we noted that an increase in the Group's trade and other receivables which amounted to approximately HK\$309.8 million as at 31 December 2024, as compared to approximately HK\$322.0 million as at 30 June 2025. The credit period for the Company's customers was a maximum of 180 days. The prolonged collection periods reduce their suitability and reliability as collateral for factoring. Taken into account the above, the Directors consider conducting further debt financing exercises may not be the most feasible option for the Company to settle the Outstanding Debt.

With respect to the Group's trade and other receivables, we have further discussed with the Management in relation to the recoverability of the abovementioned outstanding receivables. Considering these customers have maintained business relationship with the Group from three to five years and have no records of bad debts, the Group believes that these customers shall settle these receivables within the prolonged credit period. Nevertheless, even if the customers were able to settle these receivables within the prolonged credit period, considering (i) the Group's limited bank balances and cash; (ii) the Group's needs to maintain adequate level of working capital for general operations illustrated by the lengthy collection process of the trade receivables of allowable average credit period of 60 to 180 days comparing with the payment process of the trade payables of allowable average credit period of 60 days, the Directors consider, and we concur that, the trade receivables may not be a viable alternative source of funding for settling the Outstanding Debt. Additionally, we understand that the Company has approached three banks to explore accounts receivable factoring arrangement, but to no avail. In light of the above, we consider that the trade receivables may not be a feasible option to address the Outstanding Debt in a timely and suitable manner. Notwithstanding the amount of the Group's trade and other receivables is higher than the Outstanding Debt, the collection process of all the trade and other receivables may be prolonged making it impractical to rely on these trade receivables to settle the Outstanding Debt. Additionally, the Group requires working capital to meet other financial obligations and to pay for other liabilities. Based on our discussion with the Management, we understand that the Creditors are not willing to wait for an extended period, therefore we consider that leveraging on the Group's trade and other receivables as an alternative financing option is not feasible under current circumstances.

In addition to the above, the Group had also considered the option of equity fundraising exercise. Based on our discussion with the Management, we understand that the Company had preliminary negotiations with two securities brokerage firms to assess the possibilities of equity fundraising options. As advised by the Management, these fundraising options had not been able to realise due to the Group's challenging financial position and its diminishing performance in recent period. We reviewed the Group's Interim Report 2025 and noted that, the Group recorded total liabilities of approximately HK\$326.4 million as at 30 June 2025 with current liabilities accounted for approximately HK\$326.2 million. In view of (i) the financial position of the Group as mentioned above; (ii) the substantial amount of the Outstanding Debt; (iii) the Company's high gearing; and (iv) the thin liquidity of the Shares to be discussed in below section, we concur with the view that it would be difficult to secure an underwriter or placing agent to conduct open offer/rights issue/issuance of shares on terms that are favorable to the Company without offering a deep discount. In addition, rights issues or open offers typically involve a longer execution process and incur high transaction costs due to prospectus preparation, underwriting arrangement, and associated transaction costs including placing and underwriting commissions. As a result, no substantive progress in raising funds through the abovementioned equity fundraising methods were noted, and the Directors consider the Debt Restructuring to be a more practical and timely solution.

With reference to the Board Letter, Triumph Hope Limited has pledged 501,330,000 Shares (approximately 51.05% of issued Shares) as security for a Secured Facility from Great Wall International Investment XX Limited. PwC have been appointed as receivers of these Shares. The above limits the ability to obtain additional financial support from the controlling shareholder and adding uncertainty to the shareholding structure. These factors might discourage potential lenders and investors due to concerns over the risk of a potential change in control or a forced sale of shares in event of default.

Based on our review on the Group's current financial status, including the financial performance and liquidity pressure and funding needs of the Group, and discussion with the Management and understood that the Debt Restructuring, and also having considered the limitations of the other financing alternatives, we concur with the Management that the Debt Restructuring, involving the issuance of Convertible Bonds is an appropriate method for the Group and is in the interests of the Company and the Independent Shareholders as a whole.

5. PRINCIPAL TERMS OF THE SETTLEMENT AGREEMENTS

Reference is made to the announcement of the Company dated 4 August 2025; the Debt Restructuring involves two inter-conditional settlement agreements:

The First Settlement Agreement

The parties to the First Settlement Agreement are set out as follows:

Creditors: Rosy Benefit, Sunshine Flame, Lumina Investment,
Mr. Zheng, Ms. Tian, Ms. Li, Mr. Wang, and Mr. Chen

Issuer: The Company

The Second Settlement Agreement

The parties to the Second Settlement Agreement are set out as follows:

Creditors: Forever Brilliance

Issuer: The Company

It is noted that as at the Latest Practicable Date, save for Mr. Zheng, being the only Creditor who is also a Shareholder, holds 40,000 Shares, representing approximately 0.01% of the issued Shares, each of Rosy Benefit, Forever Brilliance, Sunshine Flame, Lumina Investment and their ultimate beneficial owners, Ms. Tian, Ms. Li, Mr. Wang and Mr. Chen are Independent Third Parties and none of them hold any Shares or have any prior shareholding interest in the Company.

Maximum Conversion Shares

Assuming full conversion of the aggregate principal amount of the Convertible Bonds to be issued under the Settlement Agreements of approximately HK\$178,615,220 at the Conversion Price of HK\$0.073 per Conversion Share into Conversion Shares, a maximum of 2,446,783,326 Conversion Shares (including the 717,173,014 Conversion Shares and 602,308,123 Conversion Shares to be allotted and issued to Rosy Benefit and Forever Brilliance respectively) with an aggregate nominal value of approximately HK\$24,467,833.26 will be allotted and issued. Such Conversion Shares represent approximately 249.16% of the total existing issued share capital of the Company as at the Latest Practicable Date and approximately 71.36% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares.

Assuming fully conversion of the principal amount of the Convertible Bonds at the initial Conversion Price in full by Rosy Benefit only, 717,173,014 Conversion Shares will be allotted and issued to Rosy Benefit and (1) the interest of Rosy Benefit in the voting rights of the Company will increase from nil to 42.21%; and (2) the interest of the Creditors Concert Group in the voting rights of the Company will increase from approximately 0.01% to 42.22% of the issued share capital of the Company as enlarged by the allotment and issue of the 717,173,014 Conversion Shares; and

Assuming fully conversion of the principal amount of the Convertible Bonds at the initial Conversion Price in full by Forever Brilliance only, 602,308,123 Conversion Shares will be allotted and issued to Forever Brilliance and (1) the interest of Forever Brilliance in the voting rights of the Company will increase from nil to 38.02%; and (2) the interest of the Creditors Concert Group in the voting rights of the Company will increase from approximately 0.01% to 38.03% of the issued share capital of the Company as enlarged by the allotment and issue of the 602,308,123 Conversion Shares.

Conversion Price

The Conversion Price, being HK\$0.073 per Conversion Share, represents:

- (i) the closing price of HK\$0.0730 per Share as quoted on the Stock Exchange on 31 March 2025, being the Last Trading Day;
- (ii) a discount of approximately 75.25% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iii) a discount of approximately 7.36% to the average closing price of approximately HK\$0.0788 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the date of the Settlement Agreements;
- (iv) a discount of approximately 12.48% to the audited consolidated net assets of approximately HK\$0.0834 per Share as at 31 December 2024, which is calculated based on the Group's audited consolidated net assets of the Company of approximately HK\$81,977,000 as at 31 December 2024 and 982,000,000 Shares in issue as at the Latest Practicable Date;
- (v) a discount of approximately 18.35% to the unaudited consolidated net assets of approximately HK\$0.0894 per Share as at 30 June 2025, which is calculated based on the Group's unaudited consolidated net assets of approximately HK\$87,815,000 as at 30 June 2025 and 982,000,000 Shares in issue as at the Latest Practicable Date; and

- (vi) (a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 5.20% of the theoretical diluted price of HK\$0.0747 per Share to the benchmarked price of HK\$0.0788 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of the Settlement Agreements of HK\$0.073 per Share and the average closing price of HK\$0.0788 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the date of the Settlement Agreements).

As stated in the Board Letter, the Conversion Price was arrived at after arm's length negotiation between the Company and Creditors after taking into account the maturity of the Outstanding Debt, the latest financial position and performance of the Group and the factors as discussed in the section headed "Reasons for and benefits for the Debt Restructuring".

Conditions precedent to the Settlement Agreements

The Completion of the First Settlement Agreement and the Second Settlement Agreement are inter-conditional and each of the Settlement Agreements is conditional upon the satisfaction of the following conditions precedent:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares and such permission remains in full force and effect and has not been withdrawn;
- (ii) passing by the Independent Shareholders of the Company resolutions at the SGM approving: (a) the Settlement Agreements and the transactions contemplated thereunder (more than 50% of the votes cast by the Independent Shareholders at the SGM by way of poll); (b) the Whitewash Waiver (at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll in accordance with the Listing Rules and the Takeovers Code); and (c) the Special Deal;
- (iii) all necessary approvals, consents and/or waivers from the relevant authorities or third party required to be obtained having been obtained and remain in full force and effect;
- (iv) the Executive having granted (and such grant not having been withdrawn or invalidated) the Whitewash Waiver, and the satisfaction of all conditions (if any) attached thereto; and
- (v) the grant of consent to the Special Deal by the Executive.

All the above conditions precedent are not waivable, except the Company may waive the condition (iii) above. As at the Latest Practicable Date, save for the approvals as detailed in the conditions (i), (ii), (iv) and (v) above, no other approvals, consents and/or waivers are required to be obtained in respect of the Settlement Agreements and transactions contemplated thereunder. None of the conditions precedent above have been fulfilled as at the Latest Practicable Date.

If the above conditions precedent is not satisfied by the Long Stop Date, the Settlement Agreements shall be automatically terminated with immediate effect.

Completion

Completion of the Debt Restructuring shall take place within seven Business Days after the date on which the last conditions precedent is satisfied, or at such other date, time and venue as the parties may agree in writing.

Summary

Having considered that (i) the Group recorded net loss since the year ended 31 December 2024; (ii) the Group's insufficient financial resources to meet debt repayment obligations as at 30 June 2025; (iii) the limitations for the Group to obtain debt financing and/or carry out other forms of equity financing; and (iv) the issuance of the Convertible Bonds not only can settle the debt due to the Creditors, but also strengthen the capital base upon completion and full issuance of the Conversion Shares; (vi) the Debt Restructuring also demonstrates Creditors' support and provides an opportunity to achieve full settlement of the Outstanding Debt without utilising the Company's existing bank balances and cash, thereby alleviating pressure on the Group's cashflow and reducing the risk of winding-up petitions, we concur with the Directors that the issuance of Convertible Bonds is desirable ways to raise capital and is in the interest of the Company and the Shareholders as a whole.

6. EVALUATION OF THE PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Principal terms of the Convertible Bonds

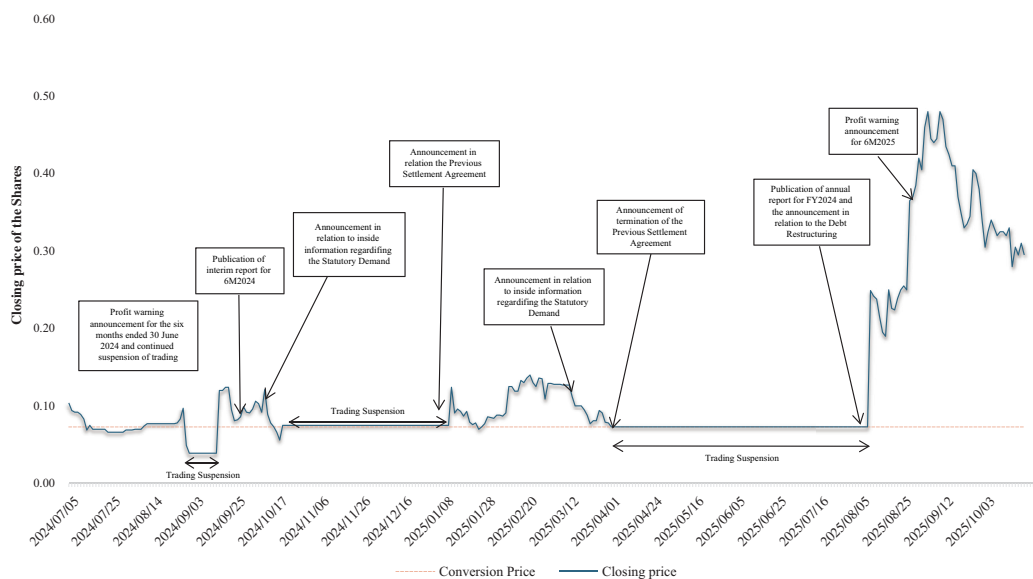
Issuer:	The Company
Principal amount:	HK\$178,615,220
Maturity Date:	The second anniversary of the date of issue of the Convertible Bonds (i.e. date of Completion of the Settlement Agreements)
Interest rate:	3% per annum on the outstanding amount payable semi-annually in arrears. The interest rate was determined after arm's length negotiation between the Company and the Creditors after taking into account the range of the existing interest rate of 3% to 7% of the Outstanding Debt, the conversion rights of the Convertible Bonds and the initial Conversion Price.
Conversion Price:	The Conversion Price will initially be HK\$0.073 per Conversion Share.

For further details, please refer to the section headed "Principal terms of the Convertible Bonds" from the Board Letter.

6.1 Analysis of historical Share price performance

We have reviewed the movement in historical closing prices and the chart below reflects the movement in closing prices for the period from 5 July 2024, being one year before the date of the Settlement Agreements entered into between the Company and the relevant Creditors in relation to the Debt Restructuring, and up to the Latest Practicable Date, (the "**Review Period**") which covers recent major announcements of the Company published during the Review Period. We consider that the Review Period is reasonable and representative for our analysis to conduct a fair comparison between the Conversion Price and historical closing price of Shares as the twelve-month period allows a sufficient demonstration of the performance of Shares in response to prevailing market and operating conditions, and to avoid distortions caused by any specific events within a shorter period.

Share Price Performance during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the closing prices of the Shares of the Company demonstrated fluctuation around the Conversion Price, with the highest and lowest prices quoted on the Stock Exchange being HK\$0.48 and HK\$0.039, respectively. The highest price HK\$0.48 was recorded on 5 September 2025 after the issue of the Announcement regarding the Debt Restructuring. The lowest price HK\$0.039 was recorded on 30 August 2024, prior to the date of suspension in trading on 2 September 2024. The average daily closing price of the Share during the Review Period was approximately HK\$0.122. It is noted that the Conversion Price of HK\$0.073 is within the range of the daily closing prices of the Shares during Review Period and represents (i) a discount of 84.8% over the highest closing price per Share during the Review Period; (ii) a premium of 87.2% over the lowest closing price per Share during the Review Period; and (iii) a discount of 40.2% of the average closing price per Share during the Review Period.

As shown in the above table, trading in the Shares were suspended in the below periods:

- (i) on 2 September 2024 due to delay in publication of the interim results and report for the six months ended 30 June 2024 (the “**Interim Results 2024**”) and resumed on 16 September 2024 (“**First September Suspension**”). The closing price of the Shares was HK\$ 0.039 on 2 September 2024 prior to the First September Suspension and increased to HK\$ 0.120 on 16 September 2024 immediately after the resumption of the First September Suspension and the publication of Interim Results 2024 on 15 September 2024;

- (ii) on 17 September 2024 pending an announcement regarding a Demand Letter from the Creditors for approximately HK\$20.3 million, and trading resumed on 19 September 2024 (“**Second September Suspension**”). Following the resumption of the Second September Suspension, the closing price of the Shares recorded at HK\$0.124 per Share on 19 September 2024 and demonstrated a downtrend up to 18 October 2024, prior to the date of October-January Suspension (defined hereafter);
- (iii) on 21 October 2024 due to the pending release of an announcement in relation to the inside information of the Company regarding the Previous Settlement Agreement, and trading of the Shares was subsequently resumed on 9 January 2025 (“**October-January Suspension**”). Following the resumption of the October-January Suspension, the closing price of the Shares surged to HK\$0.124 on 9 January 2025. It is also noted that the closing price of the Shares between 9 January 2025 and 7 March 2025 ranged between HK\$0.070 to HK\$0.140. We had discussed with the Management, and the Company had confirmed that, save for the information as set out in the announcement of the Company dated 28 February 2025, regarding the extension of long stop date of the Previous Settlement Agreement, they are not aware of any material affairs which may cause the fluctuation in the Share price during that period;
- (iv) on 10 March 2025 due to the pending release of an announcement in relation to inside information of the Company (“**March Suspension**”). According to the announcement of the Company dated 10 March 2025, the Company had received a statutory demand from a solicitors’ firm acting on behalf of one of the Creditors, which might result in a winding-up petition being presented against the Company. Following the resumption of the March Suspension, the Share price recorded at HK\$0.112 on 11 March 2025 and decreased to approximately HK\$0.073 per Share as at 31 March 2025; and
- (v) from 1 April 2025 to 4 August 2025 due to an initial delay in publication of the Group’s audited annual results for the financial year ended 31 December 2024. The annual results were subsequently released on 5 July 2025. However, as the Company entered into Settlement Agreements regarding the Debt Restructuring on the same day, the trading of the Shares remained to be suspended until 4 August 2025 (“**April-August Suspension**”). After the publication of the Annual Report 2024 on 31 July 2025 and the announcement dated 4 August 2025 regarding the Debt Restructuring, trading of the Shares resumed on 5 August 2025. It is noted that the closing price of the Shares surged from HK\$0.249 on 5 August 2025 immediately following the resumption of trading, representing an increase of approximately 241% as compared to the closing price per Shares prior to the trading halt from 5 July 2025. We have discussed with the Management, and the Company has confirmed that, save for information disclosed in the announcement dated 4 August 2025 regarding the Debt Restructuring, and the announcement dated 29 August 2025 regarding the publication of the interim results for the six months ended 30 June 2025, they

are not aware of any information which may cause the notable increase in the Share price. As such, the increase in Share price following the publication of the aforementioned announcements may be attributed to the market reaction to the Debt Restructuring, including the issuance of Convertible Bonds.

From observing the historical price movement of the Shares before and after each of the respective suspension periods, notable movements in the closing price of the Shares were noted following the resumption of trading. The observed movements in the closing price per Share price may be an indication of the investors' or the Shareholders' perception towards the Shares during the relevant periods or potentially represents the market reaction towards the published announcements at the material time.

As at the Latest Practicable Date, the Conversion Price of HK\$0.073, is below the average closing price of HK\$0.122, representing at a discount of approximately 40.2%; and below the unaudited net assets ("NAV") per Share (HK\$0.0894) as at 30 June 2025, representing a discount of approximately 18.35%.

Although the Conversion Price is lower than the average closing price during the Review Period and the NAV per Share, considering the factors including, among others: (i) the Group's unsatisfactory financial position and the financial performance; (ii) its imminent funding needs to settle the Outstanding Debt; and (iii) the reasons and benefits of the Debt Restructuring; (iv) the Group's inability to carry out bank or equity financing to settle the Outstanding Debt due to reasons as discussed under the section headed "4. OUR ANALYSIS OF THE GROUP'S FINANCIAL NEEDS AND FINANCING ALTERNATIVES"; (v) the Conversion Price is within the range of the daily closing prices of the Shares during the Review Period and represents a discount of approximately 47.9% to the highest closing price as at 5 September 2025 or a premium of approximately 87.2% over the lowest closing price per Share as at 30 August 2024 during the Review Period; (vi) the Conversion Price equals to the closing price of HK\$0.0730 per Share as quoted on the Stock Exchange on 31 March 2025, being the last trading day prior to the date of the Settlement Agreements; we are of the view that the Conversion Price is justifiable.

6.2 Historical trading liquidity of Shares

We have conducted analysis on the historical trading volume and liquidity of the Shares during the period from 5 July 2024, being one year before the date of the Settlement Agreements entered into between the Company and the relevant Creditors in relation to the Debt Restructuring and up to the Latest Practicable Date. The table below sets out a summary of the average daily trading volume of the Shares with respect to the (i) total number of issued Shares; and (ii) the total number of Shares held by public, respectively, as at the end of respective month/period. It is considered the aforesaid period is a reasonable period covering the annual cycle of the Shares for our analysis purpose, demonstrating a fair representation of the market trading as well as the overall market perception of the Shares, offering a fair and reliable reflection of how the market values the Shares of the Company.

Month/Period	Average Daily Number of Shares Traded Per Trading Day	% of Average Daily Number of Shares Traded to the Total Number of Shares in Issue (Note 2)	% of Average Daily Number of Shares Traded to the total number of Shares held by public (Note 3)
2024			
July (from and including 5 July 2024)	47,895	<0.01%	<0.01%
August	1,050,273	0.11%	0.22%
September (Note 2)	11,665,556	1.19%	2.43%
October (Note 2)	4,240,833	0.43%	0.88%
November (Note 2)	N/A	N/A	N/A
December (Note 2)	N/A	N/A	N/A
2025			
January (Note 1)	2,295,857	0.23%	0.48%
February	857,000	0.09%	0.18%
March	345,400	0.04%	0.07%
April (Note 1)	N/A	N/A	N/A
May (Note 1)	N/A	N/A	N/A
June (Note 1)	N/A	N/A	N/A
July (Note 1)	N/A	N/A	N/A
August (Note 1)	12,501,368	1.27%	2.60%
September	3,388,455	0.35%	0.71%
October (up and including the Latest Practicable Date)	3,048,727	0.31%	0.63%
Average		0.40%	0.82%
Maximum		1.27%	2.60%
Minimum		<0.01%	<0.01%

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Trading in the Shares was suspended during the following periods: from (i) 2 September to 13 September 2024; (ii) 17 September to 18 September 2024; (iii) 21 October 2024 to 8 January 2025; and (iv) 1 April to 4 August 2025, respectively.
2. It is calculated by dividing the average daily number of shares traded per trading day during the relevant period by the total number of shares in issue as at the end of the month/period
3. As of the Latest Practicable Date, Triumph Hope Limited held 51.05% of the Company's issued share capital. The number of Shares to be held by the public is approximately 48.95% of the Company's issued share capital. It is calculated by dividing the average daily number of shares traded per trading day during the relevant period by the total number of Shares held by public as at the end of the month/period.

As set out in the table above, during the Review Period of the trading liquidity analysis, the average daily trading volume for each month or period as a percentage to the total number of Shares in issue at the end of respective month or period ranged from approximately <0.01% to 1.27% with an average of 0.40%. The average daily trading volume for each month or period as a percentage to the total number of public float at the end of respective month or period ranged from approximately <0.01% to 2.60% with an average of 0.82%.

It is noted that the trading liquidity of the Shares is considerably thin during the Review Period. On this basis, we are of the view that thin trading liquidity may discourage investors/underwriters from participating when the Company tried to pursue fundraising activities by way of placement of shares, rights issue or open offer.

It is noted that trading in suspension was frequent, with a total of nearly five months during the Review Period. During the period before the trading of Shares suspended on 1 April 2025, the above statistics indicated that the trading liquidity of the Shares has been low in the open market. The percentage in average daily number of Shares traded to the public float in issue showing a downward trend from approximately 2.43% in September 2024 to approximately 0.07% in March 2025. Therefore, it is unlikely for the Company to be able to raise funds by issuing new Shares without a deep discount.

6.3 Comparable analysis of the Conversion Price

To further assess the fairness and reasonableness of the terms of the Convertible Bonds, we conducted a search of recent issues of convertible bonds or notes under specific mandate with the purpose to settle their respective outstanding indebtedness while facing financial difficulties by companies listed on the Main Board of the Stock Exchange, excluding (i) the issuance of convertible bonds or notes for acquisition, which we considered to be not comparable to the Convertible Bonds as the purposes of acquisition is for generating future income; (ii) perpetual convertible bonds with no maturity date, which we considered to be not comparable to the Convertible Bonds in terms of the nature as the perpetual convertible bonds offer a steady stream of interest indefinitely; (iii) the proposed issue of the convertible bonds or notes that have been terminated and lapsed as at the Latest Practicable Date; and (iv) the relevant convertible bonds or notes that are under mandatory conversion into equity at maturity which are not directly comparable to the Debt Restructuring due to the difference in the settlement mechanism as the Convertible Bonds will be subject to redemption by the Company upon maturity which could pose a difference in the determination of the conversion price, attributable to redemption terms, market conditions or other negotiated factors and result in a materially different outcome against mandatory conversion terms (the “**Selection Criteria**”), that were conducted during the period from 1 April 2025 up to the Latest Practicable Date. The aforesaid six month period is a commonly adopted timeframe for similar analysis in the market and that it is considered to be sufficiently lengthy to illustrate the recent trend of convertible bonds or notes issuance exercises in the market. The Selection Criteria is not confined to issues to connected persons but also includes issues to Independent Third Party as it provides recent and relevant information in relation of convertible bonds issues conducted under recent period to demonstrate a more accurate representation of prevailing market practices under the prevailing market conditions.

Based on such Selection Criteria and to the best endeavor, we have identified five comparable companies (the “**Comparable Issues**”) on an exhaustive basis. Shareholders should note that the size, principal business, operations, financial positions and prospects of the respective companies may not be identical to the Company. We have not conducted any in-depth investigation into the size, principal business, operations, financial positions and prospects of the Comparable Issues. This analysis aims to provide a general reference for the recent market practice in relation to the key terms of the Comparable Issues under similar type of transactions, of which the major reasons of such companies issuing the convertible bonds are used to settle their respective outstanding indebtedness, therefore the differences mentioned above would not have any implications or impact on our assessment, we consider that our comparable analysis and the Selection Criteria are fair and reasonable and useful for Independent Shareholders’ reference.

We set out our findings in the table below:

Date of announcement	Company name (Stock Code)	Reasons for the issuance of convertible bonds	Relevant shareholders' approval has been obtained as at the Latest Practicable Date <i>Yes (Y) /No (N)</i>	Interest rate per annum (%)	Maturity (year)	Connected Transaction <i>Yes (Y)/ No (N)</i>	Premium/ (discount) of conversion price over/to the closing price on the last trading day/on the date of the respective announcement/ agreement (%)	Premium/ (discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day/ on the date of the respective announcement/ agreement (%)	Premium/ (discount) of conversion price over/to the latest audited net asset value of the corresponding company	Dilution effect, immediately after the full conversion of the convertible bonds <i>(Note 1)</i> (%)
31 July 2025	Dingyi Group Investment Limited (508)	To set off the redemption money of the previous convertible bonds	Y (Note 2)	2.0	3	Y	5.8	2.8	(73.77%)	37.7
02 June 2025	CROSSTEC Group Holdings Limited (3893)	To partially settle and restructure outstanding indebtedness owed to its major creditors	Y (Note 3)	2.0	3	Y	1.9	1.9	Net liabilities	56.5
21 April 2025	Daido Group Limited (544)	To repay the indebtedness of the subject company and to fund working capital	Y (Note 4)	6.0	3	N	(20.0)	(18.9)	Net liabilities	59.5
14 April 2025	Wai Chun Bio-Technology Limited (660)	To settle the outstanding shareholder loans and other loans	Y (Note 5)	2.0	3	Y	(7.9)	(13.4)	Net liabilities	44.4
11 April 2025	Wai Chun Group Holdings Limited (1013)	To settle the outstanding principal and accrued interest under the shareholder's loan and other loans	Y (Note 5)	2.0	3	Y	(5.3)	(16.4)	Net liabilities	23.2
	Maximum			6.0	3		5.8	2.8		59.5
	Minimum			2.0	3		(20.0)	(18.9)		23.2
	Average			2.8	3		(5.1)	(8.8)		44.3
	Median			2.0	3		(5.3)	(13.4)		44.4
	The Company			3.0	2		0.00	(7.4)	(18.35%)	34.9

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. The dilution effect is calculated as the change in the shareholding percentage of a Shareholder immediately before and immediately after the full conversion of the Convertible Bonds.
2. Completion of the subject issuance of convertible bonds has taken place on 29 September 2025.
3. Completion of the subject issuance of convertible bonds has taken place on 22 September 2025.
4. Completion of the subject issuance of convertible bonds has taken place on 21 July 2025.
5. The subject issuance of convertible bonds had been duly passed at the relevant shareholders' meeting, however no relevant announcement has been published regarding the completion of the issuance.

As shown in the above table, we noted that the conversion prices of the Comparable Issues, ranged from (i) a discount of approximately 20.0% to a premium of approximately 5.8% over the respective closing prices of the shares on the last trading day/on the date of the relevant announcement/agreement (the “**Market Range**”), with a median discount of approximately 5.3% (the “**Market Median**”) and an average discount of approximately 5.1% (the “**Market Average**”); and (ii) a discount of approximately 18.9% to a premium of approximately 2.8% to the respective average closing prices of the shares on the last five trading days up to and including the date of the respective announcement/agreement (the “**5-Day Market Range**”), with a median discount of approximately 13.4% (the “**5-Day Market Median**”) and an average discount of approximately 8.8% (the “**5-Day Market Average**”).

We noted that the Conversion Price represented the closing price of HK\$0.0730 per Share as quoted on the Stock Exchange on 31 March 2025, being the last trading day prior to the date of the Settlement Agreements and a discount of approximately 7.36% to the average closing price for the last five consecutive trading days immediately prior to the date of the Settlement Agreements, which was within the Market Range and the 5-Day Market Range, and higher than the Market Average, the Market Median, the 5-Day Market Average and the 5-Day Market Median.

As shown in the above table, we noted that the Conversion Price represents a discount of approximately 18.35% to the net asset value while all of the Comparable Issues, save for Dingyi Group Investment Limited, were in net liabilities position. In consideration of factors including (i) the unsatisfactory financial performance and position of the Group and inability to carry out bank or equity financing to settle the Outstanding Debt; and (ii) less discount of conversion price comparing with the Comparable Issues in terms of the Market Average, the Market Median, the 5-Day Market Average and the 5-Day Market Median; we are of the view that the above factors outweighed the discount to the net asset value, therefore such discount is acceptable.

The adjustment terms of the Convertible Bonds

In assessing the fairness and reasonableness of the adjustment terms of the Convertible Bonds with regard to the Conversion Price, we compared such adjustment terms with the relevant adjustment terms of the Comparable Issues as disclosed above and noted that the conversion prices of a majority of the Comparable Issues are subject to the similar adjustments terms to the Convertible Bonds upon occurrence of dilutive events, which includes consideration, subdivision or re-classification; capitalisation of profits or reserves; capital distribution; rights issues of Shares; and options, warrants or other rights to subscribe for or purchase Shares.

Summary

In view of (i) the Conversion Price was within the Market Range and the 5-Day Market Range, and higher than the Market Average, the Market Median, the 5-Day Market Average and the 5-Day Market Median; (ii) the Conversion Price represented the closing price of HK\$0.0730 per Share as quoted on the Stock Exchange on 31 March 2025, being the last trading day prior to the date of the Settlement Agreements; (iii) the adjustment mechanisms to the Conversion Price is consistent with recent market practice; and (iv) the imminent funding need of the Group, we are of the view that the Conversion Price is aligned with general market conditions and is fair and reasonable so far as the Independent Shareholders are concerned.

6.4 Analysis of the Interest rate

We noted that, the interest rates for the Comparable Issues range from 2.0% to 6.0% per annum (the “**Interest Range**”), with an average of approximately 2.8% per annum and a median of approximately 2.0% per annum. The interest rate of the Convertible Bonds therefore falls within the Interest Range and broadly in line with the average interest rate of the Comparable Issues.

Taking into account that (i) the Convertible Bonds bears interest at 3% per annum, which is within the Interest Range and broadly in line with the average of the Comparable Issues, which is consistent with normal market practice; (ii) the 3% per annum rate is lower than the interest rate of the Outstanding Debt of 7% per annum; and (iii) the lower interest rate is expected to reduce the Group’s overall finance costs. Based on above, we are of the view that the interest rate of Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

6.5 Analysis of the Maturity Period

As shown in the above table, all of the Comparable Issues have a term to maturity of 3 years. The maturity of the Convertible Bonds of 2 years is shorter than the maturity period of the Comparable Issues. Considering the Company’s urgent liquidity needs, we are of the view that the maturity period of the Convertible Bonds is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Taking into account the principal terms of the Convertible Bonds as discussed above, considering (i) the imminent need to settle the Outstanding Debt; (ii) the difficulties in conducting further debt or equity fundraising exercise; (iii) the Conversion Price equals to the closing price of HK\$0.0730 per Share as quoted on the Last Trading Day; (iv) the analysis of the Comparable Issues as discussed above, we consider that the terms of the Convertible Bonds are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

7. EXPECTED FINANCIAL EFFECTS OF THE SUBSCRIPTIONS AND THE ISSUE OF CONVERTIBLE BONDS

Working capital

According to the Annual Report 2024 and Interim Report 2025, the bank balances and cash of the Group amounted to approximately HK\$3.6 million as at 31 December 2024 and HK\$9.5 million as at 30 June 2025. The Debt Restructuring and the Convertible Bonds will not involve a change in the bank balances and cash.

Upon completion of the Debt Restructuring and the subsequent conversion of the Convertible Bonds, the Company's liquidity position is expected to improve as the Outstanding Debt will be settled without utilising the Group's cash resources, which, in turn, enables the Group to retain its existing bank balances and cash for ongoing operations and business development.

Net assets

According to the Annual Report 2024 and the Interim Report 2025, the net assets value of the Company amounted to approximately HK\$82.0 million as at 31 December 2024 and approximately HK\$87.8 million as at 30 June 2025. The Convertible Bonds, when being booked into the financial statements of the Group, will consist of an equity portion of approximately HK\$50.9 million and a liability portion of approximately HK\$127.7 million, respectively (for indicative purpose only), as at the Latest Practicable Date, subject to future assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards. The liability portion of the Convertible Bonds is expected to record at a value lower than the Outstanding Debt, thereby reducing the Group's net liabilities and improving its financial position. Upon subsequent conversion of the Convertible Bonds, the allotment and issuance of the Conversion Shares to settle the indebtedness owed to the Creditors under the Debt Restructuring would reduce the Company's liabilities and increase the net asset position without any cash outflow. Assuming there is no material change in the Group's asset position compared to that as of 31 December 2024, the completion of the Debt Restructuring is expected to reduce the Group's liabilities upon conversion of the Convertible Bonds into Conversion Shares, thereby improving its financial position.

Gearing

According to the Annual Report 2024 and the Interim Report 2025, the Group's gearing ratio is calculated as net debts divided by total equity, was approximately 2.4 times as at 31 December 2024 and 2.5 times as at 30 June 2025. Net debts is calculated as sum of bank and other borrowings, promissory notes, convertible bonds, corporate bonds and lease liabilities, less bank balances and cash. Under the Debt Restructuring, the issuance of the Convertible Bonds will set off the Outstanding Debt. While the Convertible Bonds will introduce a new financial instrument to the Group, the Convertible Bonds comprise both liability portion and equity portion, with the amount of the liability portion is expected lower than the Outstanding Debt. Therefore, reducing the Group's net debt position and improving its gearing ratio. Upon subsequent conversion of the Convertible Bonds into Conversion Shares, the liability portion will be fully transferred to equity, further reducing the net debt and improving the gearing ratio. The capital base of the Group is thus expected to be enlarged upon the conversion of the Convertible Bonds. Accordingly, the gearing ratio of the Group is expected to improve as a result of the Debt Restructuring upon the conversion of the Convertible Bonds.

Based on the above analysis, we noted that the Debt Restructuring is expected to have a positive effect on the Group's working capital and gearing position. The Debt Restructuring is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

8. POTENTIAL DILUTION EFFECTS ON THE SHAREHOLDING INTEREST OF THE INDEPENDENT SHAREHOLDERS

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or other securities carrying rights to subscribe for or be converted into Shares.

For illustrative purpose only, the table below illustrates the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) assuming the conversion and issuance of the Conversion Shares to Rosy Benefit only in full; (iii) assuming the conversion and issuance of the Conversion Shares to Forever Brilliance only in full; and (iv) assuming the conversion and issuance of the Conversion Shares to all of the Creditors in full at Completion (assuming no change to the number of issued Shares from the Latest Practicable Date up to the date of the Completion) are as follows:

	As at the Latest Practicable Date		Assuming the conversion and issuance of the Conversion Shares to Rosy Benefit only in full (Note 1)		Assuming the conversion and issuance of the Conversion Shares to Forever Brilliance only in full (Note 1)		Assuming the conversion and issuance of the Conversion Shares to all of the Creditors in full (Note 1)	
	Approximate		Approximate		Approximate		Approximate	
	Number of Shares	% of issued Shares	Number of Shares	% of issued Shares	Number of Shares	% of issued Shares	Number of Shares	% of issued Shares
Rosy Benefit	—	—	717,173,014	42.21%	—	—	717,173,014	20.92%
Forever Brilliance	—	—	—	—	602,308,123	38.02%	602,308,123	17.57%
Sunshine Flame	—	—	—	—	—	—	274,606,877	8.01%
Lumina Investment	—	—	—	—	—	—	136,986,301	4.00%
Mr. Zheng	40,000	0.01%	40,000	0.01%	40,000	0.01%	280,353,384	8.18%
Ms. Tian	—	—	—	—	—	—	191,780,822	5.59%
Ms. Li	—	—	—	—	—	—	136,986,301	4.00%
Mr. Chen	—	—	—	—	—	—	52,906,178	1.54%
Mr. Wang	—	—	—	—	—	—	53,725,836	1.57%
Creditors Concert Group	<u>40,000</u>	<u>0.01%</u>	<u>717,213,014</u>	<u>42.22%</u>	<u>602,348,123</u>	<u>38.03%</u>	<u>2,446,783,836</u>	<u>71.36%</u>
Triumph Hope Limited (Note 2)	<u>501,330,000</u>	<u>51.05%</u>	<u>501,330,000</u>	<u>29.50%</u>	<u>501,330,000</u>	<u>31.64%</u>	<u>501,330,000</u>	<u>14.62%</u>
Public Shareholders								
Shanxi Coking Coal Electric (Hong Kong) Company Limited (Note 3)	58,800,000	5.99%	58,800,000	3.46%	58,800,000	3.71%	58,800,000	1.74%
Mr. Ke Xin Hai	57,000,000	5.80%	57,000,000	3.35%	57,000,000	3.60%	57,000,000	1.66%
Other Shareholders	<u>364,830,000</u>	<u>37.15%</u>	<u>364,830,000</u>	<u>21.46%</u>	<u>364,830,000</u>	<u>23.03%</u>	<u>364,830,000</u>	<u>10.64%</u>
Total	<u>982,000,000</u>	<u>100.00%</u>	<u>1,699,173,014</u>	<u>100.00%</u>	<u>1,584,308,123</u>	<u>100.00%</u>	<u>3,428,783,836</u>	<u>100.00%</u>

Notes:

1. As the conversion right under the Convertible Bonds shall only be exercisable provided that any such conversion would not result in the public float of the Shares falling below the minimum public float requirements under the Listing Rules or as required by the Stock Exchange immediately after such conversion, the number of Conversion Shares to be allotted and issued in full are set out for illustrative purpose only.
2. Triumph Hope Limited is wholly-owned by Mr. Chan Chung Shu, an executive Director and chairman of the Board until 2 July 2019. As such, Mr. Chan Chung Shu is deemed to be interested in 501,330,000 Shares held by Triumph Hope Limited. On 24 April 2018, Triumph Hope Limited had pledged 501,330,000 Shares as security for a Secured Facility provided to Triumph Hope Limited by Great Wall International Investment XX Limited which was wholly owned by China Great Wall AMC (International) Holdings Company Limited which was, in turn, wholly-owned by China Great Wall Asset Management Co., Ltd, a state-owned enterprise in the PRC ultimately beneficially owned by the Ministry of Finance of the PRC. Based on the understanding of the Company, PwC, at the capacity as a receiver, would exercise the voting rights of the Shares held by Triumph Hope Limited. On 13 October 2025, Fighton Fund become the holder of the Secured Facility. Fighton Fund is wholly owned by Fighton Capital Limited, a corporation licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.
3. Shanxi Coking Coal Group Company Limited, a state-owned enterprise in the PRC ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of Shanxi Provincial Government, is the beneficial owner of 100% of the issued share capital of Shanxi Coking Coal Electrical (Hong Kong) Company Limited and is deemed to be interested in the 58,800,000 Shares held by Shanxi Coking Coal Electrical (Hong Kong) Company Limited under the SFO.

As set out in the above table, the shareholding interest of the existing Public Shareholders would be diluted from approximately 48.9% as at the Latest Practicable Date to (i) assuming the conversion and issuance of the Conversion Shares to Rosy Benefit only in full, approximately 28.3% immediately after the Conversion, representing a dilution effect of approximately 20.7%; (ii) assuming the conversion and issuance of the Conversion Shares to Forever Brilliance only in full, approximately 30.3% immediately after the Conversion, representing a dilution effect of approximately 18.6%; and (iii) assuming the conversion and issuance of the Conversion Shares to all of the Creditors in full, approximately 14.0% immediately after the Conversion, representing a dilution effect of approximately 34.9%.

As discussed in the section headed “6.3 COMPARABLE ANALYSIS OF THE CONVERSION PRICE,” we noted that the dilution effects immediately after the full conversion of the subject convertible bonds of the Comparable Issues, ranged from approximately 23.2% to approximately 59.5%, with a median of approximately 50.5% and an average of approximately 45.9%. The Company’s expected dilution effect falls within this market range and is below both the market median and the market average.

Having considered the above and the reasons for and benefits of the Debt Restructuring as discussed in the section headed “3. REASONS FOR AND BENEFITS OF THE DEBT RESTRUCTURING”, in particular:

- (i) the imminent funding needs of the Group given the limited bank balances and cash of approximately HK\$3.57 million as at 31 December 2024, which is insufficient to settle the aggregate amount of the Outstanding Debt that is due imminently in June 2025, which amounted to approximately HK\$178.62 million as at 30 June 2025, and the existing cash balance of the Group will be required for maintaining the Group’s businesses and operations;
- (ii) the Debt Restructuring enables the Group to maintain its capital base by reducing the financial burden without a significant amount of cash outflow and easing the liquidity pressure caused by the current liabilities, thus enable to utilise the Group’s internal resources on existing business operations or support future development;
- (iii) the Group’s finance costs will be reduced given that the interest rate of Convertible Bonds is substantially lower as compared to the interest rate of promissory notes and corporate bonds under the Outstanding Debt; and
- (iv) the Conversion Price is within the range of the dilution effect of Comparable Issues, details of which are set out in the paragraphs headed “6.3 COMPARABLE ANALYSIS OF THE CONVERSION PRICE” in this letter,

we are of the view that the aforesaid level of dilution effect being inevitable but acceptable.

9. SPECIFIC MANDATE

In view of (i) the aforesaid reasons for and benefits of the Debt Restructuring; and (ii) the Specific Mandate is one of the conditions precedent for the allotment and issuance of Conversion Shares, we are of the view that the Specific Mandate is fair and reasonable so far as the Independent Shareholders are concerned, and the Specific Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Specific Mandate and the transactions contemplated thereunder.

10. THE SPECIAL DEAL IN RELATION TO REPAYMENT OF SHAREHOLDER'S LOAN

Based on the records available to the Company and the Latest Practicable Date, Mr. Zheng, being one of the Creditors, is a Shareholder holding 40,000 Shares, representing less than 0.01% of the issued Shares as at the Latest Practicable Date. The Company is also indebted to Triumph Hope Limited, which holds 501,330,000 Shares, representing approximately 51.05% of the issued Shares as at the Latest Practicable Date.

Triumph Hope Limited is wholly-owned by Mr. Chan Chung Shu. As such, Mr. Chan Chung Shu is deemed to be interested in 501,330,000 Shares held by Triumph Hope Limited. On 24 April 2018, Triumph Hope Limited had pledged 501,330,000 shares of the Company as security for a Secured Facility provided to Triumph Hope Limited by Great Wall which was wholly owned by China Great Wall AMC (International) Holdings Company Limited which was, in turn, wholly-owned by China Great Wall Asset Management Co., Ltd, a state-owned enterprise in the PRC ultimately beneficially owned by the Ministry of Finance of the PRC. On 13 October 2025, Fighton Fund become the holder of the Secured Facility. Fighton Fund is wholly owned by Fighton Capital Limited, a corporation licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Reference is made from the Board Letter, in the course of negotiations with the Creditors regarding the Debt Restructuring, the Company had discussed with Great Wall to understand whether and how Great Wall would participate or otherwise be affected. Great Wall had not expressed any decision in respect of the Shares held by Triumph Hope Limited that was charged in favor of Great Wall. Also, the Company did not receive any request on the immediate repayment of the Loan from Ultimate Holding Company up to the Latest Practical Date and Triumph Hope Limited, PwC and Great Wall were not involved or have any role in the Settlement Agreements and the Debt Restructuring.

As the proposed settlement of the indebtedness to Mr. Zheng under the Debt Restructuring is not extended to all the other Shareholders, such as Triumph Hope Limited, the purposed settlement of indebtedness constitutes Special Deal under Rule 25 of the Takeovers Code. An application had been made to the Executive for the consent to proceed with the Special Deal under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (i) the Joint Independent Financial Advisers publicly stating in its opinion to the Independent Shareholders that the respective terms of the Special Deal are fair and reasonable; and (ii) approval of the Special Deal by the Independent Shareholders at the SGM, in which Mr. Zheng will be required to abstain from voting in respect of the resolution to approve the Special Deal.

The settlement to be made to Mr. Zheng under the Debt Restructuring is, by its nature, not capable of being extended to the other Shareholders that are not Creditors. Given that (i) the Company has certain indebtedness owed to Mr. Zheng, being one of the Creditors and a Shareholder holding only 40,000 Shares, representing approximately 0.01% of the issued Shares as at the Latest Practicable Date, and the settlement under the Debt Restructuring will only be made in his capacity of being a Creditor; (ii) the settlement to Mr. Zheng will be made in accordance with the terms of the Debt Restructuring which apply equally to all other Creditors; (iii) the imminent funding needs of the Group as discussed in the section headed 3. REASONS FOR AND BENEFITS OF THE DEBT RESTRUCTURING in this letter; (iv) the proposed Convertible Bonds provide a mechanism for the Creditors to support the recapitalisation of the Company and to participate in any potential growth of the Company's business consistent with those offered to other Creditors; (v) the terms of the Convertible Bonds are fair and reasonable and the Debt Restructuring is in the interests of the Company and the Shareholders as a whole, taking into account the Group's financial position, the need to address the Outstanding Debt, reducing the financial burden without a significant amount of cash outflow and easing the liquidity pressure caused by the current liabilities, we concur with the Directors' view that the terms of the Special Deal are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

11. APPLICATION OF THE WHITEWASH WAIVER

As at the Latest Practicable Date, save for (i) Mr. Zheng, one of the Creditors, holds 40,000 Shares, representing approximately 0.01% of the issued Shares), (ii) the remaining Creditors, being Rosy Benefit, Forever Brilliance, Sunshine Flame, Lumina Investment, Ms. Tian, Ms. Li, Mr. Wang or Mr. Chen do not hold any Shares.

Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion:

- (i) upon full conversion of the Convertible Bonds at the initial Conversion Price, 2,446,783,836 Conversion Shares (including the 717,173,014 Conversion Shares and 602,308,123 Conversion Shares to be allotted and issued to Rosy Benefit and Forever Brilliance respectively) will be allotted and issued to the Creditors and the interest of the Creditors Concert Group in the voting rights of the Company will increase from approximately 0.01% to approximately 71.36% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares;

- (ii) upon full conversion of the Convertible Bonds at the initial Conversion Price in full by Rosy Benefit only, 717,173,014 Conversion Shares will be allotted and issued to Rosy Benefit and (1) the interest of Rosy Benefit in the voting rights of the Company will increase from nil to 42.21%; and (2) the interest of the Creditors Concert Group in the voting rights of the Company will increase from approximately 0.01% to 42.22% of the issued share capital of the Company as enlarged by the allotment and issue of the 717,173,014 Conversion Shares; and
- (iii) upon full conversion of the Convertible Bonds at the initial Conversion Price in full by Forever Brilliance only, 602,308,123 Conversion Shares will be allotted and issued to Forever Brilliance and (1) the interest of Forever Brilliance in the voting rights of the Company will increase from nil to 38.02%; and (2) the interest of the Creditors Concert Group in the voting rights of the Company will increase from approximately 0.01% to 38.03% of the issued share capital of the Company as enlarged by the allotment and issue of the 602,308,123 Conversion Shares.

As such, Rosy Benefit, Forever Brilliance and/or the Creditors Concert Group will therefore be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it and its concert parties pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted.

In this regard, Rosy Benefit and Forever Brilliance had applied to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensation from Rule 26 of the Takeovers Code in respect of the allotment and issue of the Conversion Shares. The Whitewash Waiver, if granted by the Executive, would be subject to (i) the approval by more than 50% of the votes cast by the Independent Shareholders at the SGM by way of poll in respect of the Debt Restructuring, the Settlement Agreements and the transaction contemplated thereunder, and the Specific Mandate; and (ii) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll. Save for Mr. Zheng, no other Shareholders will be required to abstain from voting on the relevant resolutions to approve the Debt Restructuring, the Settlement Agreements, the allotment and issue of the Conversion Shares under the Specific Mandate, the Special Deal and the Whitewash Waiver.

Completion of the Debt Restructuring involving issue of Convertible Bonds, the Settlement Agreements and the transaction contemplated under the Specific Mandate, the Special Deal is conditional upon, among other things, the Whitewash Waiver being approved by the Independent Shareholders. If the Whitewash Waiver is not approved by the Independent Shareholders, the Debt Restructuring involving issue of convertible bonds, the Settlement Agreement and the transaction contemplated thereunder will terminate forthwith.

Having considered that (i) the Debt Restructuring is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Convertible Bonds and the Settlement Agreements, and the Specific Mandate, are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) approval of the Whitewash Waiver by the Independent Shareholders is a non-waivable condition precedent to completion of the Debt Restructuring, we are of the view that the grant of the Whitewash Waiver is fair and reasonable and in the interests of the Independent Shareholders, and we recommend that the Independent Shareholders vote in favour of the relevant resolutions at the SGM.

Recommendation

As set out in this letter above and having considered the factors, in particular:

- (i) our work and analysis as set out under the section headed “1. INFORMATION OF THE GROUP” in this letter, including the net loss financial performance for FY2024 and the cash position of the Group as at 31 December 2024, indicated that the imminent funding needs of the Group given the limited bank balances and cash, which is insufficient to settle the Outstanding Debt that is due imminently in June 2025; and the existing cash balance of the Group will be required for maintaining the Group’s businesses and operations;
- (ii) our analysis on the financing alternatives, including equity fundraising and debt financing, considered by the Management, but were assessed to be unfeasible and not cost-effective for the Group due to various reasons as discussed under the section headed “4. OUR ANALYSIS OF THE GROUP’S FINANCIAL NEEDS AND FINANCING ALTERNATIVES”. In contrast, the Debt Restructuring, which involves the issuance of the Convertible Bonds, would not only allow settlement of the amounts due to the Creditors, but also strengthen the capital base;
- (iii) based on our work and analysis of the Comparable Issues, we consider the terms of the Convertible Bonds to be fair and reasonable;
- (iv) the interest rate of 3% per annum rate is lower than the highest interest rate of the Outstanding Debt (7% per annum), resulting in lower finance costs for the Company;
- (v) the Debt Restructuring is expected to improve the Company’s liquidity position, net asset value and reduce its gearing ratio;
- (vi) the possible dilution effects of the Convertible Bonds being acceptable as discussed in the section head “8. POTENTIAL DILUTION EFFECTS ON THE SHAREHOLDING INTEREST OF THE INDEPENDENT SHAREHOLDERS” above; and

(vii) the analysis on the fairness and reasonableness of the Whitewash Waiver as discussed in the section headed “11. APPLICATION OF THE WHITEWASH WAIVER” above,

we are of the opinion that (i) the Debt Restructuring involving issue of Convertible Bonds and Settlement Agreements and transaction contemplated thereunder, the Specific Mandate, the Special Deal and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (ii) the approval of the Whitewash Waiver and the Special Deal, which is a prerequisite for the completion of the subscription of Convertible Bonds, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the relevant resolutions on the Settlement Agreements, the Specific Mandate, the Special Deal and the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
For and on behalf of
RaffAello Capital Limited



Ricky Tsang
Managing Director

Yours faithfully,
For and on behalf of
Red Sun Capital Limited



Robert Siu
Managing Director

Note: Mr. Ricky Tsang is a licensed person registered with the Securities and Futures Commission and a responsible officer of RaffAello Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has around 20 years of experience in the investment banking industries.

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry.