

7 August 2025

*To the Independent Board Committee*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS  
BY KINGSTON SECURITIES LIMITED ON BEHALF OF  
LONGLING CAPITAL LTD  
FOR ALL THE ISSUED SHARES IN  
CHINA NEW ECONOMY FUND LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY LONGLING CAPITAL LTD AND  
PARTIES ACTING IN CONCERT WITH IT) AND FOR ALL OUTSTANDING  
SHARE OPTIONS ISSUED BY CHINA NEW ECONOMY FUND LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY LONGLING CAPITAL LTD AND PARTIES ACTING IN  
CONCERT WITH IT) FOR CANCELLATION**

**INTRODUCTION**

We refer to our appointment as the joint independent financial advisers to the Independent Board Committee in respect of the Offers, details of which are set out in the Composite Document of the Company dated 7 August 2025 jointly issued by the Company and the Offeror in relation to the Offers of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

Reference is made to the joint announcement issued by the Company and the Offeror in relation to the Offers dated 17 July 2025 (the “**Joint Announcement**”). On 5 July 2025,

- (1) Vendor A, Vendor B and the Offeror entered into the SP Agreement 1, pursuant to which (a) Vendor A has agreed to sell and the Offeror has agreed to purchase the Sale Share A (being all the Shares held by Vendor A immediately before Completion), being 45,485,000 Shares representing approximately 3.45% of the total number of Shares in issue as at the date of the Joint Announcement, at a total cash consideration of HK\$4,821,410.00 (equivalent to HK\$0.106 per Sale Share A); and (b) Vendor B has

agreed to sell and the Offeror has agreed to purchase the Sale Shares B (being all the Shares held by Vendor B immediately before Completion), being 315,000,000 Shares representing approximately 23.87% of the total number of Shares in issue as at the date of the Joint Announcement, at a total cash consideration of HK\$33,39,000.00 (equivalent to HK\$0.106 per Sale Share B);

- (2) Vendor C, Vendor D and the Offeror entered into the SP Agreement 2, pursuant to which (a) Vendor C has agreed to sell and the Offeror has agreed to purchase the Sale Shares C (being all the Shares held by Vendor C immediately before Completion), being 61,150,000 Shares representing approximately 4.63% of the total number of Shares in issue as at the date of the Joint Announcement, at a total cash consideration of HK\$6,481,900.00 (equivalent to HK\$0.106 per Sale Share C); and (b) Vendor D has agreed to sell and the Offeror has agreed to purchase the Sale Shares D (being all the Shares held by Vendor D immediately before Completion), being 129,640,000 Shares representing approximately 9.82% of the total number of Shares in issue as at the date of the Joint Announcement, at a total cash consideration of HK\$13,741,840.00 (equivalent to HK\$0.106 per Sale Share D); and
- (3) Vendor E and the Offeror entered into the SP Agreement 3, pursuant to which Vendor E has agreed to sell and the Offeror has agreed to purchase the Sale Shares E (being all the Shares held by Vendor E immediately before Completion), being 117,898,595 Shares representing approximately 8.93% of the total number of Shares in issue as at the date of the Joint Announcement, at a total cash consideration of HK\$12,497,251.07 (equivalent to HK\$0.106 per Sale Share E).

The Completion took place on 8 July 2025. Immediately prior to the Completion, the Offeror was not interested in the Company. Immediately following the Completion and as at the Latest Practicable Date, the Offeror, and parties acting in concert with him, became interested in 669,173,595 representing approximately 50.71% of the total number of Shares in issue. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to make an appropriate offer for all the outstanding Share Options (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) for cancellation.

#### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all non-executive Directors, namely Mr. Chen Shengjie, Mr. Choi Koon Ming, Ms. Xiao Ruimei, Mr. Sze Tak Chi, Mr. Sui Fuxiang and Mr. Tong Yun Lung, has been established to make a recommendation to the Offer Shareholders and the Optionholders as to whether the Offers are fair and reasonable and as to the acceptance of the Offers.

Despite that (i) Mr. Chen Shengjie has multiple business relationships with Ms. Luo Yan (being the ultimate beneficial owner of Vendor C and Vendor D); and (ii) Mr. Choi Koon Ming



is the brother of Mr. Choi Koon Shum (being the indirect controlling shareholder of Vendor E), given that Mr. Chen Shengjie and Mr. Choi Koon Ming were not nominated by, and do not act as nominees for, Ms. Luo Yan or Mr. Choi Koon Shum respectively, neither Mr. Chen Shengjie nor Mr. Choi Koon Ming is considered to have any direct or indirect interests in the Offers and therefore both of them will be members of the Independent Board Committee.

## **THE JOINT INDEPENDENT FINANCIAL ADVISERS**

The Independent Board Committee has approved our appointment as the Joint Independent Financial Advisers in respect of the Offers pursuant to Rule 2.1 of the Takeovers Code. As the Joint Independent Financial Advisers, our role is to give an independent opinion to the Independent Board Committee as to whether (i) the Offers are fair and reasonable so far as the Offer Shareholders and Optionholders are concerned; and (ii) the Offers should be accepted.

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company, the Offeror, or any of their respective controlling shareholders and any party acting, or presumed to be acting, in concert with any of them, and accordingly, are qualified to give independent advice to the Independent Board Committee. Save for our appointment as the Joint Independent Financial Advisers, we did not act as a financial adviser to the Company and the Offeror in the past two years prior to the Latest Practicable Date.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Offers is at market level and not conditional upon the outcome of the Offer; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Joint Independent Financial Advisers to the Independent Board Committee in respect of the Offers.

## **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information provided by the Directors and the management of the Company (the “**Management**”); (iii) the opinions expressed by and the representations of the Directors and the Management; and (iv) our review of the relevant public information, including but not limited to the historical share prices, financial results or reports and other announcements of the Company. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Composite Document were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Composite Document are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the

Directors and the Management and those as set out or referred to in the Composite Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the Management. Should there be any material changes to the statements, information and/or representation affecting our opinion after the Latest Practicable Date, the Offer Shareholders and the Optionholders would be notified as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

We have reviewed, among others, (i) the annual report of the Company for the year ended 31 December 2024 (the “**Annual Report 2024**”); (ii) the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report 2023**”); (iii) the Joint Announcement; and (iv) other information contained or referred to in the Composite Document. We consider that we reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and the Management, nor have we conducted any in-depth investigation into the business, affairs, operations, financial results, financial position, financial forecast or future prospects of the Company.

#### **PRINCIPAL TERMS OF THE OFFERS**

Kingston Securities, on behalf of the Offeror, is making the Offers on the following basis:

**For each Offer Share ..... HK\$0.106 in cash**

The Share Offer Price per Offer Share under the Share Offer is the same as the purchase price per Sale Share of HK\$0.106 paid by the Offeror to the Vendors under the SP Agreements.

**For each Share Option ..... HK\$0.0001 in cash**

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 to the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise price of the Share Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Share Options of HK\$0.2759 is above the Share Offer Price, the outstanding Share Options are out-of-the-money and the Option Offer Price for the cancellation of each outstanding Share Option is set at a nominal value of HK\$0.0001.

The Offers are unconditional in all respects.



## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation in respect of the Offers, we have taken into account the following principal factors and reasons:

### 1. Information on the Company

#### 1.1. Principal business of the Company

The Company is a close-ended investment company listed under Chapter 21 of the Listing Rules. The principal investment objective of the Company is to achieve long-term capital appreciation through investing globally in both private and public enterprises (including listed securities) that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of Mainland China, Hong Kong, Macau and Taiwan.

#### 1.2. Financial information of the Company

A summary of the financial information of the Company for the three financial years ended 31 December 2022 (“FY2022”), 2023 (“FY2023”) and 2024 (“FY2024”) as extracted from the Annual Report 2023 and Annual Report 2024 are set out below.

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(audited)
Revenue	3,116,109	126,339	759,920
Net loss on financial assets at fair value through profit or loss	39,041,595	35,365,185	17,515,762
Loss and total comprehensive loss for the year attributable to ordinary equity holders of the Company	52,745,075	52,436,843	28,978,531

	As at 31 December		
	2022	2023	2024
	HK\$ (audited)	HK\$ (audited)	HK\$ (audited)
Total assets	149,407,330	95,243,209	65,116,985
– Financial assets at fair value			
through profit or loss	116,438,778	66,340,464	42,960,053
– Cash and cash equivalents	27,830,332	17,309,428	13,007,593
Total liabilities	7,132,534	5,405,256	4,257,563
Total equity	142,274,796	89,837,953	60,859,422

*Comparison between FY2022 and FY2023*

The revenue of the Company decreased from approximately HK\$3.1 million for FY2022 to approximately HK\$0.1 million for FY2023, representing a decrease of approximately 95.9%. According to the Annual Report 2023, the decrease in revenue of the Company was mainly attributable to the decreased revenue from (i) dividend income from unlisted equity securities; (ii) interest income from promissory notes; and (iii) interest earned from bonds. The Company's loss and total comprehensive loss for the year attributable to ordinary equity holders of the Company remained relatively stable at approximately HK\$52.7 million and HK\$52.4 million for FY2022 and FY2023 respectively. Loss recorded for both FY2022 and FY2023 were mainly due to the net loss recorded on financial assets at fair value through profit or loss, amounting to approximately HK\$39.0 million and HK\$35.4 million for FY2022 and FY2023 respectively. The investment performance of the Company for FY2022 and FY2023 was affected by the slow recovery of the Chinese economy after the global pandemic and the rising volatility of the global or China stock markets.

The total equity of the Company decreased from approximately HK\$142.3 million as at 31 December 2022 to approximately HK\$89.8 million as at 31 December 2023, representing a decrease of approximately 36.9%, which was mainly due to the decrease in the financial assets fair value through profit or loss of approximately HK\$50.1 million and the decrease in cash and cash equivalents of approximately HK\$10.5 million.

*Comparison between FY2023 and FY2024*

The revenue of the Company increased from approximately HK\$0.1 million for FY2023 to approximately HK\$0.8 million for FY2024, representing an increase of approximately 501.5%. According to Annual Report 2024, the increase in revenue of the Company was mainly attributable to the increase in the income from profit guarantee related to amounts received and receivable in respect of private equity investments in Hong Kong. The Company recorded loss and total comprehensive loss for the year attributable to ordinary equity holders of the Company of approximately



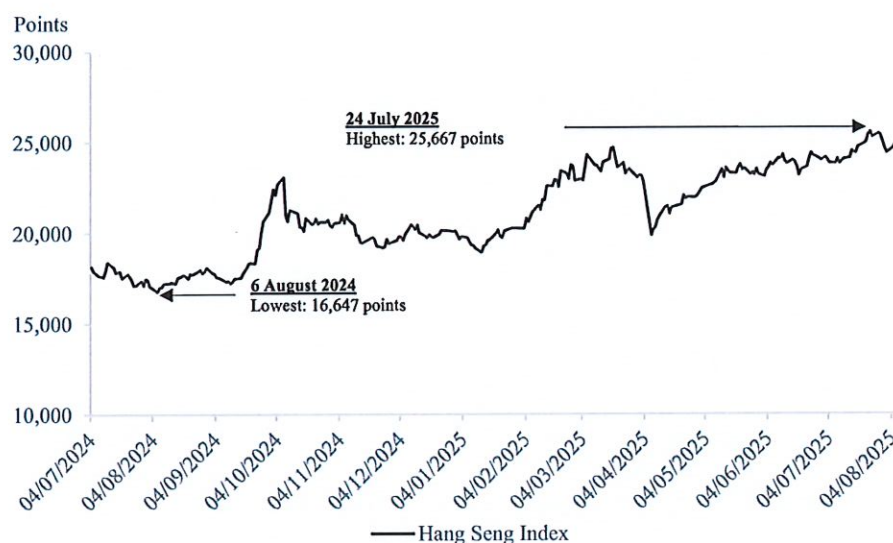
HK\$52.4 million and HK\$29.0 million for FY2023 and FY2024 respectively, representing a significant decrease of approximately 44.7%. Such decrease in loss for FY2024 as compared to FY2023 was mainly due to the decrease in net loss on financial assets at fair value through profit or loss of approximately HK\$17.8 million, representing a decrease of approximately 50.5%.

The total equity of the Company decreased from approximately HK\$89.8 million as at 31 December 2023 to approximately HK\$60.9 million as at 31 December 2024, representing a decrease of approximately 32.3%, which was mainly due to the decrease in financial assets at fair value through profit or loss of approximately HK\$23.4 million and the decrease in cash and cash equivalents of approximately HK\$4.3 million.

## **2. Outlook of the Company**

According to the Company's investment objective, the Company invests globally in both private and public enterprises (including listed securities) that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of Mainland China, Hong Kong, Macau and Taiwan. According to the Annual Report 2024, the Company's major investments as at 31 December 2024 included a listed company in Hong Kong, private companies with principal businesses in the financial industry in Hong Kong and/or Mainland China, as well as a limited partnership fund and a private fund company focusing on Hong Kong and/or Mainland China equity market. Based on the business nature and the investment strategy of the Company, the business performance of the Company is affected by the overall economic condition and financial market sentiment. According to the Annual Report 2024, the global investment market, in particular Mainland China and Hong Kong, faced numerous significant challenges throughout 2024. Firstly, China faced significant economic challenges, including issues in the real estate sector and fluctuating global trade conditions in 2024. According to the National Bureau of Statistics of China, the country's gross domestic product ("GDP") has recorded quarterly growth rates of 5.3%, 4.7%, 4.6% and 5.4% for the first, second, third and fourth quarter of 2024 respectively, on a year-over-year basis, reflecting the adjustments in economy in China. Moving on to 2025, while the GDP growth rate of China had remained steady at 5.4% for the first quarter of 2025, it had shown a decrease to 5.2% for the second quarter of 2025, on a year-over-year basis. Besides, according to Annual Report 2024, the prolonged period of high interest rates in the United States presented further economic challenges. Since the United States Federal Reserve Board announced 25 basis points cut to the federal funds rate in December 2024, bringing borrowing costs to the range of 4.25% to 4.5%, there has been no further rates cut announced up to July 2025. Moreover, the re-election of Donald Trump as the president of the United States has significantly impacted United States-China relations, directly influencing the performance of the Hong Kong stock market and the broader investment market. The persistence of uncertainties in the trade policies of the United States and its complicated monetary policy trajectory going forward may affect global financial conditions and investment sentiment.

Given that the Company's major investments as at 31 December 2024 were either listed in Hong Kong or with principal businesses or investments relevant to the Hong Kong financial market, set out below is the chart showing the daily closing points of the Hang Seng Index (the "HSI") as quoted on the Stock Exchange during the period from 4 July 2024, being approximately one-year period before the Last Trading Day, up to and including the Latest Practicable Date (the "Review Period"), providing an overview of the Hong Kong financial market performance.



Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

The HSI experienced significant fluctuations during the Review Period. The HSI hit the lowest at 16,647 points on 6 August 2024, and then increased sharply in end September and early October 2024, reaching 23,100 points on 7 October 2024, which was possibly driven by the stimulus package announced by the Chinese regulatory authorities in late September 2024 aiming at revitalising the economy which included, among others, cuts in mortgage-debt servicing and provision of facilities for stock markets. The rising trend did not sustain thereafter and the HSI retreated to the level of around 19,000 points in mid-January 2025 before it started climbing up again in late January 2025, reaching around 24,000 points in mid-March 2025. The HSI dropped sharply in early April 2025, which was possibly due to the announcement of reciprocal tariff measures by the United States government. After that, the HSI has shown a strong recovery and rebounded to 24,903 points as at the Latest Practicable Date.

The Company incurred losses in FY2022, FY2023, and FY2024 consecutively, as outlined in the section headed "1.2 Financial information of the Company" above. Looking ahead, given that the investment sentiment and performance are sensitive to macro environment, the uncertain economic outlook in global markets poses challenges to the Company's business performance. Based on the above, we maintain a cautious view on the outlook of the Company in the near term.



### 3. Background information of the Offeror

#### 3.1. The Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability on 15 May 2009 and its issued share capital as at the date of the Latest Practicable Date comprised one share of US\$1.00 which was beneficially owned by Mr. Cai. The Offeror is principally engaged in the business of capital investments in the PRC and other countries.

Mr. Cai is the chairman and sole director of the Offeror. He is an entrepreneur and renowned investor in the internet and technology industry in the PRC. Mr. Cai is the co-chairman (聯席主席) of the Early-stage Investment Committee of the Asset Management Association of China (中國證券投資基金業協會早期投資專委會) and an honorary chairman of the Angel Investment Union (天使聯合匯). Angel Investment Union was founded in 2013 and currently has more than 220 angel investment governing units. Angel Investment Union provides growth space for investors, development opportunities for entrepreneurs, and encourages more people to join the angel investment business. Mr. Cai has been appointed by the Government of Hong Kong as a new non-official member of the Task Force on Promoting Web3 Development for a term of two years, with effect from 1 July 2025.

In 2004, Mr. Cai established 265.com Inc. (北京二六五科技有限公司), a company that provides site navigation services. 265.com Inc. was sold to Google in 2007. Since then, Mr. Cai has become an influential figure in the internet start-up community in the PRC.

Mr. Cai is the founder and currently a substantial shareholder of Meitu, Inc. (Stock Exchange stock code: 1357). He is also the single largest shareholder of China Financial Leasing Group Limited (Stock Exchange stock code: 2312). Mr. Cai has invested in various technology start-ups in the PRC, including Baofeng Group Co., Ltd (暴風集團股份有限公司) (formerly listed on the Shenzhen Stock Exchange with a stock code of 300431), 58.com Inc. (NYSE: WUBA) and Feiyu Technology International Company Ltd. (Stock Exchange stock code: 1022). Mr. Cai is also the founder and chairman of Longling Capital Co., Ltd. From January 2009 to October 2013, Mr. Cai was the chairman of 4399 Network Co., Ltd (四三九九網絡股份有限公司), a software enterprise that provides Internet gaming applications and information services. He was also appointed as a part-time professor at the School of Management, Xiamen University in September 2015. From May 2011 to November 2015, Mr. Cai served as a director of 58.com Inc. Mr. Cai also held directorships in Xiamen Fei Bo Network Technology Co., Ltd (廈門飛博共創網絡科技股份有限公司) (National Equities Exchange and Quotations stock code: 834617) between June 2015 and October 2016, and TTG Fintech Limited (Australian Securities Exchange ticker: TUP) between September 2012 and August 2017. Mr. Cai served as the chairman of Meitu, Inc. from July 2013 to June 2023.

As at the Latest Practicable Date, the Offeror was a controlling Shareholder holding 669,173,595 Shares (representing approximately 50.71% of the total number of Shares in issue) and therefore each of the Offeror and Mr. Cai was a connected person of the Company.

### ***3.2. Intentions of the Offeror regarding the Company***

It is the Offeror's intention to further increase its interest in the Company pursuant to the Offers. As at the Latest Practicable Date, the Offeror intended to maintain the existing listed and unlisted equity investment business of the Company and also intended the Company to continue to invest in a diversified portfolio of financial products immediately after close of the Offers. In addition, it is intended that the Company will invest in licensed wealth management companies including licensed corporations to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and will invest in various financial products such as global financial markets, bonds and financial derivatives. The Company will focus on investing in Crypto-AI technology companies in the PRC, Hong Kong and globally, and increase early-stage equity investments by the Company in companies or projects that are still in the research and development phase or in the early commercialisation of artificial intelligence (AI) technologies (including development of innovative algorithms, machine learning models and data-driven solutions) and Web3 industries (including new decentralisation and blockchain-based technologies and cryptocurrencies), in conjunction with the Hong Kong's government's initiative to develop a digital asset financial centre, the Company will increase its investment in a diverse digital asset portfolio, striving to build the Company into a comprehensive investment holding group. In addition to the above, the Offeror will review the Company's operations and business activities and formulate a long-term business strategy for the Company. Depending on the results of the review, the Offeror may explore other investment opportunities for the Company, seek to expand the Company's business and consider any equity, debt and other appropriate fund raising options, to enhance the long-term growth potential of the Company. In the implementation of the aforesaid intentions regarding the Company, the Offeror will ensure that the Company will comply with the requirements under Chapter 21 of the Listing Rules (including the restrictions under Rules 21.04(3)(a) and (b) of the Listing Rules).

As at the Latest Practicable Date, (i) the Offeror has no intention to make material changes to the employment of the employees of the Company (except for certain proposed changes to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the offeror considers to be appropriate); (ii) the Offeror has no intention to dispose of or re-deploy the assets of the Company other than those in its ordinary course of business; and (iii) no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Company.



Taking into consideration of the background and the intentions of the Offeror regarding the Company above, given that there is no intended change of the principal business of the Company being an investment company, and that the Company will continue to invest globally, including PRC and Hong Kong, while no investment or business opportunity had been identified as at the Latest Practicable Date, we maintain our cautious view on the outlook of the Company in the near term as discussed in the section headed “2. Outlook of the Company” above.

### ***3.3. Proposed changes in composition of the Board***

As at the Latest Practicable Date, the Board comprised one executive Director, namely Mr. Chan Cheong Yee, three non-executive Directors, namely Mr. Chen Shengjie, Mr. Choi Koon Ming and Ms. Xiao Ruimei, and three independent non-executive Directors, namely Mr. Sze Tak Chi, Mr. Sui Fuxiang and Mr. Tong Yun Lung.

Mr. Sze Tak Chi, Mr. Sui Fuxiang and Mr. Tong Yun Lung, being all the existing independent non-executive Directors, have expressed their intention to resign from their directorship after the appointment of the new independent non-executive Directors and the later of (a) the first date on which they are permitted to resign under the Takeovers Code, and (b) the date after the despatch of the interim report of the Company for the six months ended 30 June 2025.

As at the Latest Practicable Date, the Offeror intends to nominate Mr. Cai for appointment as a non-executive Director and the Chairman of the Company, and Prof. Wang Yang, Ms. Hsieh Yafang and Mr. Li Jian Bin for appointment as independent non-executive Directors, at a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate:

#### ***Prof. Wang Yang (汪揚)***

Prof. Wang Yang (汪揚), aged 62, is a professor in mathematics, specializing in blockchain technology, data science, and applied mathematics. Prof. Wang joined The University of Hong Kong as the Vice President for Institutional Advancement since 1 August 2025. He served as the head of the Department of Mathematics of the Hong Kong University of Science and Technology (“HKUST”) from August 2014 to October 2016, the dean of the School of Science from November 2016 to September 2020, the director of the HKUST Big Data for Biological Intelligence Laboratory and an associate director of the HKUST Big Data Institute from 2015 to 2025, as well as the Vice-President for Institutional Advancement from October 2020 to March 2025. Prof. Wang has been awarded the title of Chair Professor of Department of Mathematics at HKUST since August 2014. His other previous working experience includes consecutively serving as an assistant professor, an associate professor and a professor in mathematics, an adjunct professor of The Logistics Institute, an undergraduate director of the School of Mathematics, and an associate chair of the School of Mathematics at Georgia Institute of Technology from July 1989 to May

2007, serving as the department chair of Mathematics at Michigan State University from August 2007 to August 2014, and serving as a program director at the United States National Science Foundation from September 2006 to August 2007. Prof. Wang was appointed as an independent non-executive director of Xunfei Healthcare Technology Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 2506) since 6 December 2024 and an independent director of Antalpha Platform Holding Company, a company listed on NASDAQ (Nasdaq: ANTA) since 14 May 2025.

Prof. Wang was appointed as the Chief Scientific Advisor of the Institute of Web 3.0 Hong Kong on 11 April 2023 and is the Founding Advisor for Blockchain Academy and Chairman of the Academic Executive Committee for the Hong Kong Web3.0 Association. Prof. Wang has made significant contributions to advancing digital technologies education, including launching the popular Big Data Technology MSc program. He is an internationally respected scholar with over 150 research publications in areas like wavelets, machine learning, and supply chain management.

Prof. Wang obtained his bachelor's degree in mathematics from the University of Science and Technology of China (中國科學技術大學) in the PRC in July 1983, and his Master of Science degree and Doctorate of Philosophy degree in mathematics from Harvard University in the United States in June 1988 and March 1990, respectively.

*Ms. Hsieh Yafang (謝亞芳)*

Ms. Hsieh Yafang, aged 52, is a senior media worker, a former senior presenter and anchor for a channel of Phoenix Satellite Television Holdings Limited. She has close to 30 years of journalist experience in the Mainland China, Taiwan and Hong Kong. Since 2010, Ms. Hsieh has served as the Secretary-General and Executive Vice President to the board of the Hong Kong alumni association of the Cheung Kong Business School and currently serves as the Executive President. She was an independent non-executive director of China VAST Industrial Urban Development Company Limited (a company previously listed on the Stock Exchange with stock code 6166 and delisted on 6 December 2022) from 10 November 2017 to 6 December 2022. Ms. Hsieh has more than 25 years of investment experience in the financial market.

Ms. Hsieh received her EMBA from Cheung Kong Business School in 2007 and her Bachelor of Art with focus in Japanese studies from Soochow University in Taiwan in 1996.



*Mr. Li Jian Bin (李建濱)*

Mr. Li Jian Bin (李建濱), aged 47, has over 23 years of experience in tax advisory, investment matters and financial management. From April 2020 to September 2023, he served as the Managing Partner at the Strategic Investment Department of Beijing Xiaomi Mobile Software Co., Ltd. (北京小米移動軟件有限公司), a subsidiary of Xiaomi Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 1810), and prior to that, between December 2017 and April 2020, he was the Vice President of the finance department where he was responsible for optimising the capabilities of the group's finance department, managing its tax matters and overseeing its merger and acquisition projects. From July 2001 to November 2017, he held various positions at PricewaterhouseCoopers Consultants (Shenzhen) Limited Beijing Branch (普華永道諮詢(深圳)有限公司北京分公司), where his last position was Tax and Commercial Advisory Partner. Mr. Li was appointed as an independent non-executive director of Chaoju Eye Care Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2219) since 7 July 2021 and an independent non-executive director of Beijing Fourth Paradigm Technology Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 6682) since 16 July 2021.

Mr. Li obtained his bachelor's degrees in laws and economics from Peking University (北京大學) in Beijing, China in July 2001. He has been a member of The Chinese Institute of Certified Public Accountants since September 2010 and a member of the China Certified Tax Agents Association since March 2013 and received his PRC lawyer's practicing licence issued by the Ministry of Justice of the People's Republic of China in February 2007.

Each of Prof. Wang Yang, Ms. Hsieh Yafang and Mr. Li Jian Bin has confirmed that he/she meets the independence criteria as set out in Rule 3.13 of the Listing Rules.

**3.4. Listing status of the Company**

The Stock Exchange has stated that if, at the close of the Offers, the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offers. Each of the sole director of the Offeror and the proposed new independent non-executive Directors has jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that sufficient Shares will be in public hands after the close of the Offers. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

### ***3.5. Compulsory acquisition***

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Offer Share outstanding and not acquired under the Share Offer after Closing Date.

## **4. Share Offer Price**

### ***4.1. Share Offer Price comparison***

The Share Offer Price of HK\$0.106 per Offer Share is the same as the purchase price per Sale Share paid by the Offeror to the Vendors under the SP Agreements, which represents:

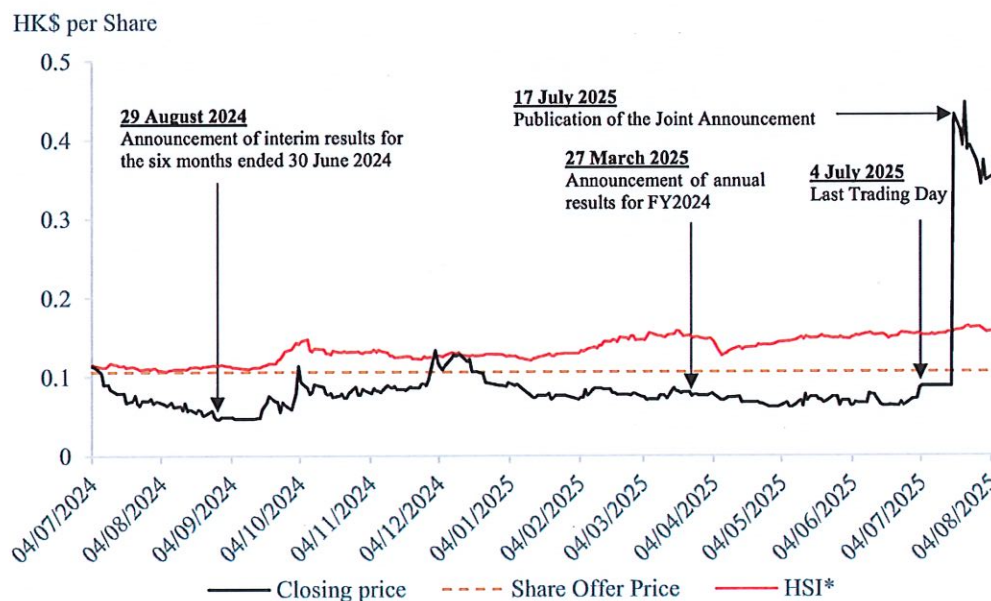
- (i) a discount of approximately 69.71% to the closing price of HK\$0.350 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 19.10% over the closing price of HK\$0.089 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (iii) a premium of approximately 37.66% over the average closing price of HK\$0.077 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days prior to and including the Last Trading Day;
- (iv) a premium of approximately 49.30% over the average closing price of HK\$0.071 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days prior to and including the Last Trading Day;
- (v) a premium of approximately 51.43% over the average closing price of HK\$0.070 per Share based on the daily closing prices as quoted on the Stock Exchange for the thirty (30) consecutive trading days prior to and including the Last Trading Day;
- (vi) a premium of approximately 53.62% over the average closing price of HK\$0.069 per Share based on the daily closing prices as quoted on the Stock Exchange for the sixty (60) consecutive trading days prior to and including the Last Trading Day;



- (vii) a premium of approximately 130.43% over the audited net assets attributable to owners of the Company per Share of approximately HK\$0.046 as at 31 December 2024, calculated based on the Company's audited net assets attributable to owners of the Company of approximately HK\$60,859,422 as at 31 December 2024 and 1,319,700,274 issued Shares as at the Latest Practicable Date; and
- (viii) a premium of approximately 165.00% over the unaudited net asset value per Share of approximately HK\$0.04 as at 30 June 2025 as disclosed in the Company's announcement dated 14 July 2025 as required under the Listing Rules, calculated based on the Company's unaudited net assets attributable to owners of the Company of approximately HK\$56,510,125 and 1,319,700,274 issued Shares as at 30 June 2025.

#### 4.2. Historical price performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the Review Period. We consider the length of the Review Period is sufficient and representative to provide a general overview of the recent market performance of the Shares, for conducting a reasonable comparison between the closing Share prices and the Share Offer Price.



Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

\* HSI is rebased to the closing price of the Shares as at 4 July 2024

From the beginning of the Review Period until the Last Trading Day (the “Pre-Announcement Period”), the closing price of the Shares fluctuated between the lowest of HK\$0.046 recorded on 28 and 29 August 2024 and the highest of HK\$0.135 recorded on 2 December 2024. The average closing price of the Shares during the Pre-Announcement Period is approximately HK\$0.077. The Share Offer Price of HK\$0.106 per Share represents a premium of approximately 37.4% over the average closing price per Share during the Pre-Announcement Period.

From the beginning of the Pre-Announcement Period to mid-September 2024, the closing price of the Shares exhibited a general downward trend. In end September 2024, the closing price of the Shares rebounded generally in line with the HSI. After reaching the highest during the Pre-Announcement Period at HK\$0.135 on 2 December 2024, the closing Share price turned into a downward trend until the end of the Pre-Announcement Period, while the HSI exhibited an upward trend during such period. During the Pre-Announcement Period, the Shares closed (i) above the Share Offer Price for 18 trading days, representing approximately 7.3% of total trading days during the Pre-Announcement Period; (ii) below the Share Offer Price for 227 trading days, representing approximately 92.3% of total trading days during the Pre-Announcement Period; and (iii) at the Share Offer Price for 1 trading day, representing approximately 0.4% of total trading days during the Pre-Announcement Period.

From the day when the trading of Shares resumed on 18 July 2025 until the Latest Practicable Date, the closing Share price fluctuated within a higher range between HK\$0.350 and HK\$0.455, which was likely associated with the market response to the Offers. There is no assurance that the closing price of the Shares will remain at the current level or continue to rise if the Offers close or lapse for any reason.

#### **4.3. Historical trading volume of the Shares**

The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares.



Month/Period	Total trading volume for the month/period (number of Shares)	Number of trading days in each month/period (days)	Average daily trading volume for the month/period (number of Shares) (Note 1)	Percentage of average daily trading volume to total number of the issued Shares % (Note 2)
<b>2024</b>				
July (from 4 July 2024)	56,160,000	20	2,808,000	0.21%
August	97,600,000	22	4,436,364	0.34%
September	99,416,500	19	5,232,447	0.40%
October	162,510,000	21	7,738,571	0.59%
November	92,997,500	21	4,428,452	0.34%
December	97,050,000	20	4,852,500	0.37%
<b>2025</b>				
January	46,340,000	19	2,438,947	0.18%
February	11,167,500	20	558,375	0.04%
March	87,745,000	21	4,178,333	0.32%
April	8,740,000	19	460,000	0.03%
May	30,520,000	20	1,526,000	0.12%
June	51,847,000	21	2,468,905	0.19%
July	588,299,288	13	45,253,791	3.43%
August (up to and including the Latest Practicable date)	19,750,000	3	6,583,333	0.50%

Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

**Notes:**

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Based on 1,319,700,274 Shares in issue as at the Latest Practicable Date.

As illustrated in the above table, the daily trading volume of the Shares was generally low during the Review Period. From beginning of the Review Period to June 2025, the average trading volume of the Shares ranged from approximately 0.03% to approximately 0.59% of the total number of the issued Shares. We noted the higher average daily volume for July 2025, which we believe that the increase in trading volume of the Shares was possibly due to the market reaction to the publication of Joint Announcement. The improvement of liquidity of the Shares indicated that, without the Offers, the Shares were generally illiquid in the open market and that the higher level of trading volume may not be

sustainable after the Offer Period. In view of the above, the Share Offer provides an opportunity for the Offer Shareholders to realise their investment in the Company for cash regardless of the number of Shares they hold without exerting downward pressure on the market price of the Shares.

#### 4.4. Comparable company analysis

In order to assess whether the Share Offer Price is fair and reasonable, we have also assessed the Share Offer Price using the comparable company analysis based on price-to-book ratio (the “P/B ratio”), which is a commonly used benchmark in assessing the valuation of a company. Price-to-earnings ratio is not applicable given that the Company was loss-making in FY2024.

Based on the Share Offer Price of HK\$0.106 per Offer Share and the total number of Shares in issue of 1,319,700,274 as at the Latest Practicable Date, the implied market value of the Company is approximately HK\$139.9 million (the “**Implied Market Capitalisation**”). The P/B ratio of the Company implied by the Share Offer Price (the “**Implied P/B Ratio**”) is approximately 2.3 times based on the audited net asset value of the Company of approximately HK\$60.9 million as at 31 December 2024.

We have identified an exhaustive list of 13 comparable companies (the “**Comparable Companies**”) based on the following selection criteria: (i) companies are listed on the Stock Exchange; (ii) companies are defined as investment companies pursuant to Chapter 21 of the Listing Rules; and (iii) companies had a market capitalisation less than HK\$300.0 million as at the Latest Practicable Date, as tabulated below.

Offer Shareholders and Optionholders should note that despite of the aforesaid criteria, the scale of operation and future prospect of the Company are not exactly the same as those of the Comparable Companies, and we have not conducted any in-depth investigation into the businesses and operations of the Comparable Companies.

Company name	Stock code	Market capitalisation (HK\$'million) (Note 1)	P/B ratio (times) (Note 2)
China Development Bank International Investment Limited	1062	290.2	0.3
DT Capital Limited	356	196.9	3.2
China Innovation Investment Limited	1217	179.2	0.3
China SCI-Tech Industrial Investment Group Limited	339	127.4	N/A (Note 3)



Company name	Stock code	Market capitalisation (HK\$'million) (Note 1)	P/B ratio (times) (Note 2)
Harbour Digital Asset Capital Limited	913	118.9	0.7
Goldstone Capital Group Limited	1160	75.9	11.2
Capital VC Limited	2324	70.7	0.2
UBA Investments Ltd.	768	58.5	0.6
Capital Realm Financial Holdings Group Limited	204	38.9	0.1
Shanghai International Shanghai Growth Investment Limited	770	32.2	3.4
Cocoon Holdings Limited	428	25.9	0.2
China Castson 81 Financial Co. Limited	810	24.8	0.8
Prosperity Investment Holdings Limited	310	12.1	N/A (Note 3)
		<b>Maximum</b>	11.2
		<b>Minimum</b>	0.1
		<b>Average</b>	1.9
		<b>Median</b>	0.6
The Company	80	139.9	2.3

Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

**Notes:**

1. The market capitalisation of the respective Comparable Companies as at the Latest Practicable Date.
2. The P/B ratio is calculated based on the market capitalisation of the respective Comparable Companies as at the Latest Practicable Date divided by the net asset value of the respective Comparable Companies as disclosed in their respective latest published annual or interim results or reports prior to the Latest Practicable Date.
3. The Comparable Company recorded net liabilities in their latest published annual or interim results or reports and therefore the P/B ratio is not available.

As illustrated in the table above, the P/B ratios of the Comparable Companies ranged from approximately 0.1 times to approximately 11.2 times, with an average and median of approximately 1.9 times and 0.6 times respectively. The Implied P/B Ratio of approximately 2.3 times is within the range of the P/B ratios of the Comparable Companies and is higher than the average and median P/B ratios of the Comparable Companies.

Therefore, from the perspective of comparable company analysis, we consider that the Share Offer Price is fair and reasonable.

#### **4.5. Option Offer**

As at the Latest Practicable Date, the Company had 4,015,163 outstanding Share Options with an exercise price of HK\$0.2759.

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 to the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise price of the Share Options and the Share Offer Price i.e. the “see-through” value. Under the Option Offer, given that the exercise price of the outstanding Share Options of HK\$0.2759 per Share is above the Share Offer Price, the outstanding Share Options are out-of-money and the Option Offer Price for the cancellation of each outstanding Share Option is set at a nominal value of HK\$0.0001. Given that the “see-through” value of the outstanding Share Options is zero, we consider that the Option Offer Price of HK\$0.0001 offered to the Optionholders is fair and reasonable so far as the Optionholders are concerned.

#### **RECOMMENDATION**

Having considered the factors and reasons set out in this letter, in particular,

- (a) the Share Offer Price is higher than the closing prices of the Shares on most of the trading days throughout the Review Period, and represents a premium of approximately 37.4% over the average closing price of the Shares during the Pre-Announcement Period;
- (b) the liquidity of the Shares was generally thin during the Review Period, rendering it difficult for the Offer Shareholders to dispose of their Shares in the market without exerting downward pressure on the Share price;
- (c) from the perspective of comparable company analysis, the Implied P/B Ratio is within the range of the P/B ratios of the Comparable Companies and is higher than the average and median P/B ratios of the Comparable Companies; and
- (d) the Option Offer Price of HK\$0.0001 is higher than the “see-through” value of the outstanding Options (i.e. zero) pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code,

we are of the opinion that the Offers are fair and reasonable, and accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders and the Optionholders to accept the Share Offer and the Option Offer respectively.



While we consider that the Offers are fair and reasonable so far as the Offer Shareholders and Optionholders are concerned, we noted that the Shares have been trading at a price level above the Share Offer Price up to the Latest Practicable Date. Offer Shareholders and Optionholders who intend to accept the Offers are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period for acceptance and should, having regard to their own circumstances and investment objectives, (i) for Offer Shareholders, consider selling the Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares would be higher than the receivable under the Share Offer; and (ii) for Optionholders, consider exercising the Share Options and selling the underlying Shares on the market, instead of accepting the Option Offer, if the net proceeds from the selling the underlying Shares on the market from exercising the Share Options is higher than the receivable under the Option Offer. Offer Shareholders and Optionholders should be reminded that there is no assurance that the liquidity and/or the closing price of the Shares will remain at the current level or continue after the close of the Offers.

As different Offer Shareholders and Optionholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Offer Shareholders and Optionholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,  
For and on behalf of



Frontpage Capital Limited  
Wu Man Kit  
Director



Quam Capital Limited  
Leo Chan  
Head of Corporate Finance

*Mr. Wu Man Kit is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Frontpage Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in corporate finance.*

*Mr. Leo Chan is the Head of Corporate Finance of Quam Capital Limited and is licensed under the SFO as a Responsible Officer to carry out, among others Type 6 (advising on corporate finance) regulated activity and has approximately 29 years of experience in corporate finance.*