

6 March 2026

*To: The independent board committee and the independent shareholders
of True Partner Capital Holding Limited*

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER;**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 6 March 2026 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 January 2026 (the “**Agreement Date**”) (after trading hours), the Company entered into the Bond Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of US\$2,450,000 (equivalent to approximately HK\$19.07 million).

With reference to the Board Letter, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

With reference to the Board Letter, the aggregate shareholding and voting rights held by the Subscriber and parties acting in concert with it will increase from approximately 23.02% (including approximately 19.51% held by the Subscriber) of the issued share capital of the Company as at the Latest Practicable Date to approximately 47.08% (including approximately 44.66% held by the Subscriber) of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to conversion of the Convertible Bonds in full at the initial Conversion Price). Accordingly, such increase of voting rights of the Company held by the Subscriber would trigger an obligation of the Subscriber and the parties acting in concert with it to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Subscriber and the parties acting in concert with it under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive. An application has been made by the Subscriber to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be conditional upon, among other matters, the conditions that the respective resolutions relating to the Subscription on the one hand, and the Whitewash Waiver on the other hand, being approved by more than 50% and at least 75% respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll.

The Independent Board Committee comprising Mr. Ming Tak Ngai (being the sole independent non-executive Director who does not have interests in the Bond Subscription Agreement) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription and Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription and Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole; and (iii) how to vote in relation to the Subscription and Whitewash Waiver at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect. The appointment of Gram Capital has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the Company's connected transaction, details of which are set out in the Company's circular dated 21 January 2025 (the "Previous IFA Engagement").

Notwithstanding the Previous IFA Engagement, as at the Latest Practicable Date, we were not aware of (i) any relationship or interest between (a) Gram Capital and the Company; (b) Gram Capital and the Subscriber or the party acting in concert with it; or (c) Gram Capital and any other parties, that could be reasonably regarded as hindrance to Gram Capital's independence, or any significant connection 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 Gram Capital, to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; or (ii) any services provided by Gram Capital to (a) the Company; or (b) the Subscriber and the party acting in concert with it, during the past two years immediately preceding the Latest Practicable Date.

Having considered the above and that (i) none of the circumstances as set out under the Rule 17.96 of the GEM Listing Rules and Rule 2.6 of the Takeovers Code existed as at the Latest Practicable Date; and (ii) the Previous IFA Engagement will not affect our independence to act as the Independent Financial Adviser due to the fact that we were appointed as independent financial adviser to advise the then independent board committee and the independent shareholders of the Company and the Previous IFA Engagement did not fall into any circumstances as set out under the Rule 17.96 of the GEM Listing Rules, therefore we maintained our independence from the Company during the Previous IFA Engagement, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscription and the Whitewash Waiver. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix IV to the Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscriber, or their respective subsidiaries or associates (where applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders will be notified of any material changes to the statements made or opinions expressed in this letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources and fairly presented and reproduced while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

I. BACKGROUND OF THE SUBSCRIPTION

1. Information on the Group

With reference to in the Board Letter, the Company is a Hong Kong, Europe and United States based fund management group with a focus on volatility trading in liquid markets. The Group principally manages funds and managed accounts on a discretionary basis using a global relative value volatility strategy and other volatility strategies developed by the Group. The Company may also engage in limited trading of proprietary capital, principally via derivatives, as part of its research into new strategies and markets that may be appropriate for inclusion in the mandates it runs for external clients. The Group's roots in Hong Kong in combination with its current global footprint allow the Group to capitalize on market opportunities in the Asia Pacific markets and particularly those in Hong Kong and the PRC.

1.1 Financial performance

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2024 as extracted from the Company's annual report for the year ended 31 December 2024 (the "2024 Annual Report") and the six months ended 30 June 2025 (with comparative figures for the corresponding period in 2024) as extracted from the Company's interim report for the six months ended 30 June 2025 (the "2025 Interim Report"):

	For the six months ended 30 June 2025 ("1H2025") HK\$'000 (unaudited)	For the six months ended 30 June 2024 ("1H2024") HK\$'000 (unaudited)	Changes from 1H2024 to 1H2025 %	For the year ended 31 December 2024 ("FY2024") HK\$'000 (audited)	For the year ended 31 December 2023 ("FY2023") HK\$'000 (audited)	Changes from FY2023 to FY2024 %
Revenue	4,784	5,026	(4.81)	9,569	13,289	(27.99)
– Asset management and consultancy services (Note)	4,859	4,374	11.09	7,696	13,271	(42.01)
– Derivative trading	(75)	652	N/A	1,873	18	10,305.56
Gross profit	4,268	4,547	(6.14)	8,594	11,687	(26.47)
Loss attributable to owners of the Company	(15,967)	(26,871)	(40.58)	(48,506)	(67,001)	(27.60)

Note: Includes management fee income, performance fee income and/or consultancy services fee.

FY2024 vs FY2023

As depicted from the above table, the Group's revenue for FY2024 decreased by approximately 27.99% as compared to that for FY2023. With reference to the 2024 Annual Report and as advised by the Directors, such decrease was primarily due to decrease of the Group's revenue from funds and managed accounts that was caused by the shifts in product mix (the product mix entails different products (e.g. commingled fund products or managed accounts for individual clients) with different types of strategies (e.g. the TP RV Volatility and the TP Volatility Premium)) over the period, which had the result of a decrease in the average revenue per unit of assets under management during FY2024, as partially offset by the increase of the Group's revenue from derivative trading.

The Group's gross profit for FY2024 also decreased by approximately 26.47% as compared to that for FY2023. With reference to the 2024 Annual Report, such decrease was primarily driven by decrease in the average revenue per unit of assets under management for FY2024. As advised by the Directors, the average revenue per unit of assets under management was the ratio between the revenue generated from the assets under management of the Group and overall assets under management of the Group. According to the 2024 Annual Report, the Group's assets under management as at 31 December 2023 and 31 December 2024 were approximately US\$885 million and approximately US\$501 million respectively.

Notwithstanding the aforesaid decreases in the Group's revenue and gross profit, loss attributable to owners of the Company for FY2024 decreased by approximately 27.60% as compared to that for FY2023. With reference to the 2024 Annual Report, (i) the loss attributable to owners of the Company for both FY2023 and FY2024 were substantially caused by the Group's general and administrative expenses (approximately HK\$78.34 million for FY2023 and approximately HK\$57.90 million for FY2024) (the "G&A Expenses"); and (ii) the aforementioned decrease in loss attributable to owners of the Company was mainly due to the decrease of approximately 26.09% in the Group's G&A Expenses as the Group proactively reviewed its operations and made adjustments (as advised by the Directors, the Group reduced its headcount and implemented cost reduction plan in its G&A Expenses including reduction of salaries of the senior management of the Company and adjustment of the employment terms of certain staff members from full-time to part-time employment during FY2024) where it was able to identify redundancies and opportunities (i.e. opportunities to improve contract terms with third-party providers and reduction of information technology (IT) spending for operational tasks) for efficiency gains.

1H2025 vs 1H2024

As depicted from the above table, the Group's revenue for 1H2025 decreased by approximately 4.81% as compared to that for 1H2024. With reference to the 2025 Interim Report, such decrease was primarily due to (i) decrease of the Group's management fee income from funds and managed accounts that was caused by the shifts in product mix (the product mix entails different products (e.g. commingled fund products or managed accounts for individual clients) with different types of strategies (e.g. TP RV Volatility, TP Volatility Premium and TP Dragon Tail)) during 1H2025; and (ii) net loss on derivatives (recognised as negative revenue from derivative trading for 1H2025) in contrast to net gain on derivatives (recognised as revenue from derivative trading for 1H2024), as partially offset by performance fee income from funds and managed accounts for 1H2025 (no such performance fee income for 1H2024) and increase in revenue from consultancy services.

The Group's gross profit for 1H2025 also decreased by approximately 6.14% as compared to that for 1H2024. With reference to the 2025 Interim Report, such decrease was primarily driven by a decrease in the average revenue per unit of assets under management during 1H2025. According to the 2025 Interim Report, the Group's assets under management as at 30 June 2024 and 30 June 2025 was approximately US\$512 million and approximately US\$474 million respectively.

Notwithstanding the aforesaid decreases in the Group's revenue and gross profit, loss attributable to owners of the Company for 1H2025 decreased by approximately 40.58% as compared to that for 1H2024. With reference to the 2025 Interim Report, (i) the loss attributable to owners of the Company for both 1H2025 and 1H2024 were substantially caused by the Group's G&A Expenses (approximately HK\$20.88 million for 1H2025 and approximately HK\$31.73 million for 1H2024); and (ii) the aforementioned decrease in loss attributable to owners of the Company was mainly due to decrease in the Group's G&A Expenses of approximately 34.19% as the Group reviewed its operations and made adjustments (as advised by the Directors, the Group implemented cost reduction plan in its G&A Expenses including reduction of salaries of the senior management of the Company and adjustment of the employment terms of certain staff members from full-time to part-time employment during 1H2025) where it was able to identify redundancies and opportunities (e.g. opportunities to improve contract terms with third-party providers and reduction of IT spending for operational tasks) for efficiency given the cyclical nature of the market conditions which the Group encounters. As advised by the Directors, markets are cyclical in the sense that periods of strong performance are interspersed with brief periods of market turmoil, and the cyclical nature of the market conditions ties to the demand for the Group's asset management strategies. During 1H2025, the Group further optimized the global data center presence and connectivity to enhance cost-efficiency while maintaining the Group's stringent requirements for redundancy and stability, which allows the Group to reduce costs while not hindering operational capabilities (i.e. achieving the same objectives with greater efficiency in both personnel and resource allocation).

Profit Alert Announcements

With reference to the Profit Alert Announcements, the loss attributable to owners of the Company for the year ended 31 December 2025 ("FY2025") decreased by no less than 30% as compared to that for FY2024. Such decrease was primarily attributed to the decrease in staff cost, professional and administrative expenses as the Group reviewed its operations and made adjustments where it was able to identify redundancies and opportunities for efficiency.

1.2 Summary

Based on the financial information as discussed above, the Group's revenue and gross profit decreased substantially from FY2023 to FY2024 and continued to decrease for 1H2025 as compared to 1H2024. Loss attributable to owners of the Company for FY2023, FY2024 and 1H2025 was mainly caused by substantial G&A expenses. The Group's financial performance improved with reduction of the Group's G&A expenses, as reflected by reduction in loss attributable to owners of the Company from FY2023 to FY2024, 1H2024 to 1H2025 and FY2024 to FY2025.

2. Information on the Subscriber

With reference to the Board Letter, the Subscriber is a company incorporated in Hong Kong with limited liability which is principally engaged in investment holding. As at the Latest Practicable Date, the Subscriber is a substantial Shareholder and an associate of Mr. Chan (a substantial Shareholder and non-executive Director) and therefore, is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, the Subscriber is a wholly-owned subsidiary of DSS Financial Management, Inc. DSS Financial Management, Inc. is in turn wholly-owned by DSS Securities, Inc., which is in turn wholly-owned by DSS, Inc.. DSS, Inc. is owned as to 60.22% by Mr. Chan. DSS, Inc. is a company listed on the New York Stock Exchange (stock code: DSS), which operates as an investment holding company, acquiring and developing high-growth, undervalued assets with the aim to unlock shareholder value, and its investment portfolio includes businesses encompassing product packaging, biotechnology, commercial lending, and securities and investment management.

3. Reasons for and benefits from the Subscription and use of proceeds

With reference to the Board Letter:

- (i) In light of the deteriorating financial performance, the Company has initiated various projects to establish new trading strategies and investment offerings including a China-focused strategy (i.e. the TP Dragon Tail), a short-volatility strategy (i.e. the TP Volatility Premium) in addition to the already existing True Partner Relative Value Volatility strategy (i.e. the TP RV Volatility). This is an ongoing development which has resulted in establishment of both the new strategies in a managed account format with the aim to launch commingled investment vehicles.

- (ii) Despite the generally difficult circumstances, the Company's trading strategies (i.e. TP RV Volatility, TP Dragon Tail and TP Volatility Premium) performed well relative to Company's competitive peers and benchmarks such as the EurekaHedge Relative Value Volatility and Long Volatility indices over the period from 2024 onwards. The establishment of the new strategies greatly aided by the back testing and analysis tools which the Company has developed over the past years. Technological development remains an ongoing process in light of the current ongoing technological advances (including but not limited to the role of artificial intelligence in analysis and development of trading strategies). This in turn has also generated attention for the Company's customized solutions including for tail-hedge mandates. With regards to tail-hedge mandates, the upcoming transition of the Dutch pension system (one of the largest in the world in terms of assets under management) continues to be an opportunity for the Company, as individual pension fund transitions are now scheduled for 2026 and 2027.
- (iii) The Board considers that the Subscription will provide the Company with resources to continue these ongoing developments and initiatives including development of new trading strategies, improvement to the IT infrastructure to support and augment research capabilities including increased implementation of artificial intelligence tools and continued marketing towards prospective investors. Hence, the Board considers that fund-raising through the Subscription is in the interests of the Company and the Shareholders as a whole.
- (iv) The Directors considered various ways of raising funds in the equity and debt capital markets, including but not limited to bank borrowing and equity financing, taking into account that the Company would prioritise any acquisition of capital within the shortest possible timeline. From that perspective, the Directors are of the view that the Company could obtain more favorable terms and timeliness working with the Subscriber. Given the prospective role the Subscriber (and potentially his associates) will have at the Company, a convertible bond has the Subscriber's preference which is reflected in the borrowing rate of 3% per annum, which compares favorably to current market reference rates (such as the Hong Kong Monetary Authority Base Rate from time to time).
- (v) With respect to equity financing alternatives (such as placing of new Shares, rights issue and open offer), the Directors considered that placing will usually be conducted on a best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from such placing exercise being uncertain and subject to market condition. Rights issue or open offer will involve the issue of listing documents with other application and administrative procedures involving the public Shareholders which may require relatively longer time and incur additional administrative costs as compared to the issue of the Convertible Bonds. Furthermore, the Directors considered that (i) the issue of Convertible Bonds will not have an immediate dilution effect on the shareholding of the existing Shareholders, and (ii) if the conversion rights attaching to the Convertible Bonds are exercised, the equity base of the Company will be enlarged with consolidated support from Mr. Chan and the financial position of the Group will be strengthened, benefiting the long-term development of the Company.

- (vi) Assuming there will be no change to the total number of Shares in issue from the Latest Practicable Date and up to conversion of the Convertible Bonds, the Net Proceeds are expected to be approximately US\$2,250,000 (equivalent to approximately HK\$17.51 million). The Company intends to apply the Net Proceeds in the following manner:
- as to approximately US\$0.63 million (equivalent to approximately HK\$4.90 million), representing approximately 28.0% of the Net Proceeds, for enhancement of the Group's IT systems, including the development and implementation of various AI-driven methodologies for position management, investment analysis and strategy development. Over the years the Company has substantially invested in technological infrastructure and analysis and back testing capabilities. These investments have allowed for the development of new strategies which have been successfully implemented over the past years including TP Volatility Premium and TP Dragon Tail in addition to improvements in the existing TP RV Volatility. Furthermore, improvements to the trading and risk/position management software and implementation of artificial intelligence are ongoing processes that the Group intends to develop and apply in its strategies in the long run. The expenditure would consist of both the procurement of required hardware as the engagement of software developers and this part of the proceeds are expected to be utilized by year-end 2027;
 - as to approximately US\$0.63 million (equivalent to approximately HK\$4.91 million), representing approximately 28.0% of the Net Proceeds, for ongoing operational costs, including staff salaries, rent and other direct expenses and general corporate expenses taking into account the current financial position of the Company and the required working capital for developing its relative value volatility strategies (i.e. TP Dragon Tail and TP Volatility Premium), which is expected to be utilised by year-end 2027;
 - as to approximately US\$0.42 million (equivalent to approximately HK\$3.27 million), representing approximately 18.7% of the Net Proceeds, for continued marketing expenses, including attending symposia and other financial events, visiting prospective clients and investors and maintaining and expanding the client relation management (CRM) system. Such marketing events will enrich the Company's resources in promoting and marketing its newly developed volatility strategies (i.e. TP Dragon Tail and TP Volatility Premium), other relative value volatility strategy(ies) as well as its ability to tailor solutions and provide investment advisory, thereby the Company's exposure to a wider pool of prospective clients. The utilization of the allotted part of the proceeds are expected to occur through year-end 2027;

- as to approximately US\$0.36 million (equivalent to approximately HK\$2.80 million), representing approximately 16.0% of the Net Proceeds, for professional fees and expenses, including advisory fees and listing-related expenses that relate to the general operations of a listed company and potential fund formation matters for the Company's strategies. Examples of the latter would be continued engagement of the Group's legal adviser in relation to listing matters as well as share registrar, professional printer and listing-related compliance support. Furthermore, as the Company intends to launch the TP Dragon Tail strategy in a commingled fund vehicle, the legal costs of establishing such fund vehicle are also included under this allocation. The utilization of this part of the proceeds is expected to be completed by year-end 2027; and
- as to the balance of approximately US\$0.21 million (equivalent to approximately HK\$1.63 million), representing approximately 9.3% of the Net Proceeds, for contingency and replenishing working capital of the Group as and when required. The allocation of this portion of the proceeds being factored in when determining the working capital sufficiency of the Group as confirmed in Appendix I to the Circular and is expected to be utilized by year-end 2027.

The Net Proceeds

We noted from the 2024 Annual Report and the 2025 Interim Report that:

- (i) as at 30 June 2025, the Group's fixed bank deposit was approximately HK\$12.77 million and the Group's cash and cash equivalents was approximately HK\$16.46 million; and
- (ii) the Group's net cash used in operating activities were approximately HK\$65.73 million for FY2023, approximately HK\$49.53 million for FY2024 and approximately HK\$11.88 million for 1H2025.

In light of the Group's cash positions as set out above, the Net Proceeds will provide additional funding for the Group and the intended uses of the Net Proceeds as mentioned above will facilitate the Group's business operation and future development.

In addition, the Company expects the Group's net asset value ("NAV") to increase by the Net Proceeds amount of approximately US\$2,250,000 (equivalent to approximately HK\$17.51 million) upon full conversion of the Convertible Bonds.

Mr. Chan's experience and expertise

Under one of the CB Conditions Precedent, an individual nominated by the Subscriber (i.e. Mr. Chan) shall be appointed and designated as Chairman, executive Director and Chief Business Development Officer of the Company. Personal details of Mr. Chan (including his experience and expertise) are set out in Appendix II to the Circular. Upon completion of the Bond Subscription Agreement and the Subscriber becoming the controlling Shareholder upon full conversion of the Convertible Bonds, Mr. Chan will be incentivized to apply his experience and expertise on the Group's business development.

We also noted the advantages of the Subscription that the Directors considered as aforementioned. Nevertheless:

- (i) It is one of the principal terms of the Convertible Bonds that "Any part of the Convertible Bonds which is not converted by the Subscriber during the Conversion Period shall be mandatorily and automatically converted into the Conversion Shares upon the CB Maturity Date. Under no circumstances can the Convertible Bonds be redeemed by cash.". The mandatory conversion feature of the Convertible Bonds will cause inevitable dilution on the shareholding interest of the existing Shareholders.

With reference to the Board Letter, based on the "Benchmarked Price" (as defined in Rule 10.44A of the GEM Listing Rules) of HK\$0.45 per Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price (which is substantially below the closing prices of the Shares during the entire Share Review Period (as defined below) and represents deep Agreement Date Discount and 5-day Discount (as defined below)), when aggregated with the subscription of 19,500,000 new Shares at HK\$0.40 announced by the Company on 29 December 2024 and completed on 24 February 2025 (the "**Previous Subscription**"), the maximum theoretical dilution effect is 24.72% (the "**Maximum Theoretical Dilution Effect of the Subscription**"). The Maximum Theoretical Dilution Effect was calculated according to the requirements of Rule 10.44A of the GEM Listing Rules (which required aggregation of the Previous Subscription) and is close to the limitation (i.e. 25%) as stipulated under Rule 10.44A of the GEM Listing Rules.

- (ii) In contrast to rights issue and open offer, the Subscription does not offer other shareholders a fair chance to subscribe for their pro-rata rights/offer shares at the same prices with other participating shareholders (especially when the initial Conversion Price is at deep Agreement Date Discount and 5-day Discount (as defined below)) for the purpose of maintaining their respective existing shareholding interests in the Company.

Having considered the above, we are of the view that the Subscription is not the optimal fund-raising method.

II. PRINCIPAL TERMS OF THE SUBSCRIPTION

Set out below are the key terms of the Subscription, details of which are set out under the section headed “THE BOND SUBSCRIPTION AGREEMENT” and “THE CONVERTIBLE BONDS” of the Board Letter.

The Bond Subscription Agreement

Date

28 January 2026 (after trading hours)

Parties

- (i) The Company (as the issuer); and
- (ii) The Subscriber

Subject matter

The Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of US\$2,450,000 (equivalent to approximately HK\$19.07 million).

Conditions precedent and completion

Completion of the Bond Subscription Agreement will take place on the CB Completion Date subject to the satisfaction (or, if applicable, waiver) of the CB Conditions Precedent as set out under the sub-section headed “Conditions precedent” under the section headed “The Bond Subscription Agreement” of the Board Letter.

Pursuant to the Bond Subscription Agreement, on the CB Completion Date, the Company shall:

- (i) deliver to the Subscriber a certified copy of the relevant board resolutions of the Company approving the Bond Subscription Agreement and the transactions contemplated thereunder and the execution of Directors’ Service Contracts (or letters of appointment);
- (ii) procure entry in the Register of Bondholders of the name of the Subscriber to be the holder of the principal amount of the Convertible Bonds subscribed by the Subscriber;
- (iii) issue to the Subscriber the Convertible Bonds by delivering a Certificate, duly executed, representing the principal amount of the Convertible Bonds subscribed by the Subscriber, in the agreed form in the name of the Subscriber;

- (iv) subject to the requirements under the GEM Listing Rules and the Takeovers Code, the Company shall enter into and deliver the following Directors' Service Contracts in respect of the appointment of the Proposed Directors to the Subscriber: (i) a director's service contract with an individual nominated by the Subscriber (i.e. Mr. Chan), pursuant to which such individual shall be appointed and designated as Chairman, executive Director and Chief Business Development Officer of the Company, and is entitled to a base annual salary of HK\$1 and a performance-based compensation of 3% of the annual increase in the Company's net asset value, calculated year-on-year based on the change in such net asset value for each calendar year, payable in arrears as soon as the audited financial statements for that year are available, and in any event within one (1) month from the date such audited financial statements are published and available; (ii) a director's service contract (or letter of appointment with equivalent terms) with each of the two individuals to be nominated by the Subscriber (i.e. Mr. Lui Wai Leung, Alan and Mr. Lim Sheung Hon Danny) which give the Subscriber numerical majority representation on the Board on the CB Completion Date; and (iii) a director's service contract (or letter of appointment with equivalent terms) with each of the two individuals to be nominated by the Subscriber (i.e. Mr. William Wu and Ms. Joanne Wong Hiu Pan) and subject to the final approval of the Board as independent non-executive Directors; and
- (v) deliver to the Subscriber the resignation letter from each of Mr. Godefriedus Jelte Heijboer and Mr. Roy van Bakel as executive Directors, and Mr. Jeronimus Mattheus Tielman and Ms. Wan Ting Pai as independent non-executive Directors (i.e. the Resigning Directors) with immediate effect and acknowledgement and confirmation that each of them has no outstanding claims or causes of action against the Company.

As the aggregate shareholding and voting rights held by the Subscriber and parties acting in concert with it will increase to approximately 47.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to conversion of the Convertible Bonds in full at the initial Conversion Price) and the Subscriber will become the controlling Shareholder accordingly, we consider the arrangement on changes in the Company's directorship (with the effect that the number of directors to be nominated by the Subscriber (together with Mr. Chan) represent majority of the Board (i.e. five out of eight)) as set out in paragraph (iv) and (v) above to be justifiable.

Pursuant to the Bond Subscription Agreement, on the CB Completion Date, the Subscriber shall:

- (i) make payment of the Subscription Price for the Convertible Bonds in such manner as mutually agreed between the Company and the Subscriber pursuant to the Bond Subscription Agreement;
- (ii) deliver to the Company a certified copy of the relevant board resolutions of the Subscriber approving the Bond Subscription Agreement and the transactions contemplated thereunder; and
- (iii) deliver to the Company the signed Directors' Service Contracts (or acceptance of letter of appointment with equivalent terms).

The Convertible Bonds

Issuer

The Company

Subscriber

The Subscriber

Status

The Convertible Bonds constitute direct, unconditional, unsubordinated, unguaranteed and unsecured obligations of the Company and shall at all times rank *pari passu* with all other present and future unsecured, unguaranteed and unsubordinated obligations of the Company.

Principal amount

US\$2,450,000 (equivalent to approximately HK\$19.07 million)

Subscription

100% of the principal amount of the Convertible Bonds, which shall be issued by the Company, and the Subscriber shall subscribe for the Convertible Bonds on the CB Completion Date.

CB Maturity Date

The Convertible Bonds will mature on the second anniversary of the CB Issue Date.

Coupon

3% per annum, payable in cash on an annual basis in arrears.

Conversion rights

The Subscriber shall have the right to convert their Convertible Bonds at the principal amount into Shares during the Conversion Period at the Conversion Price in effect on the conversion date, provided that:

- (i) any conversion shall be made in amounts of not less than a whole multiple of US\$50,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than US\$50,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted;
- (ii) the conversion will not cause the Company to be, at any time, unable to meet the public float requirement under the GEM Listing Rules or as required by the Stock Exchange, in which case only a portion of the Conversion Rights may be exercised so as to maintain the public float requirement;
- (iii) the conversion will comply with all applicable laws, regulations and rules; and
- (iv) the conversion of the Convertible Bonds does not result in the holders of the Convertible Bonds and/or the parties acting in concert with any of them and/or their respective associates being interested in such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds which exercised the conversion rights unless a whitewash waiver is granted by the Executive for such purpose.

Conversion Period

The Subscriber will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares any time on or after the CB Issue Date up to the close of business on the CB Maturity Date (both days inclusive).

Any part of the Convertible Bonds which is not converted by the Subscriber during the Conversion Period shall be mandatorily and automatically converted into the Conversion Shares upon the CB Maturity Date. Under no circumstances can the Convertible Bonds be redeemed by cash.

Conversion price

The Convertible Bonds shall be converted at the Conversion Price. Upon issue of the Convertible Bonds, the initial Conversion Price is expected to be HK\$0.10 per Conversion Share.

The initial Conversion Price per Conversion Share for the Convertible Bonds is subject to adjustments in each of the cases as set out under the sub-section headed "Conversion Price" under the section headed "The Convertible Bonds" of the Board Letter.

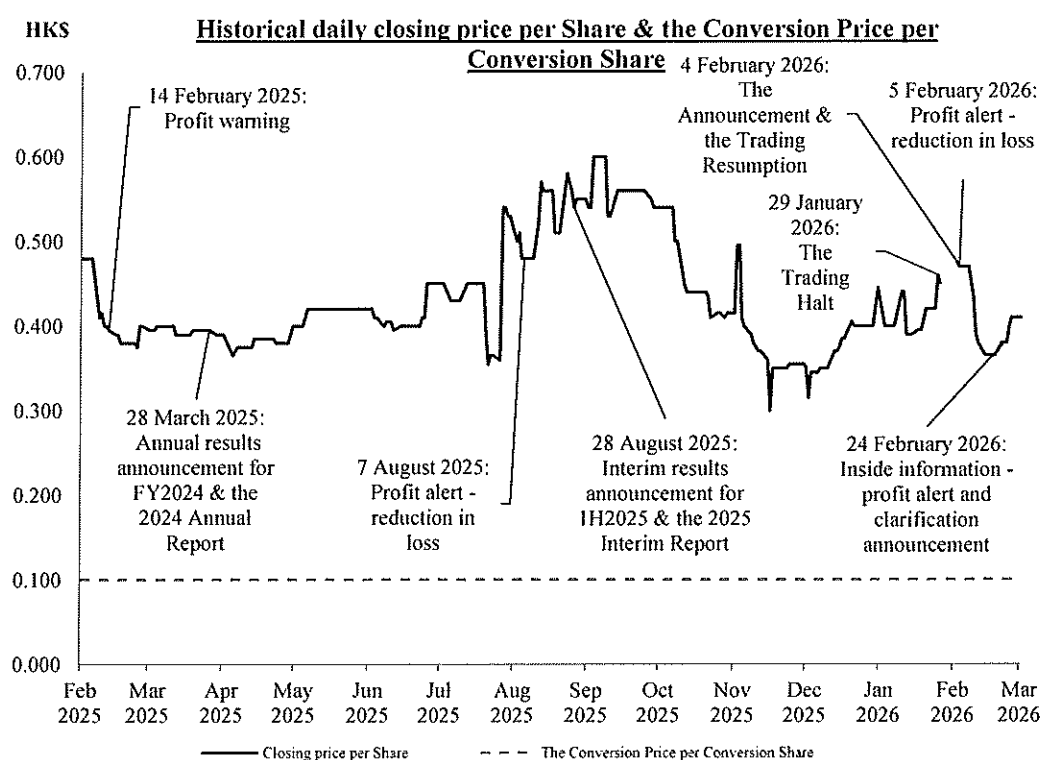
The initial Conversion Price of HK\$0.10 per Conversion Share (subject to adjustments) represents:

- (i) a discount of approximately 75.61% to the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 77.78% over the closing price of HK\$0.45 per Share as quoted on the Stock Exchange on 28 January 2026, being the Agreement Date (the "Agreement Date Discount");
- (iii) a discount of approximately 76.47% over the average of the closing prices of HK\$0.425 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding 28 January 2026, being the Agreement Date (the "5-day Discount");
- (iv) a discount of approximately 8.38% to the latest audited consolidated NAV per Share of approximately HK\$0.109 as at 31 December 2024 (based on the latest published audited consolidated net asset value attributable to Shareholders of approximately HK\$45,785,000 as at 31 December 2024 and 419,500,000 Shares in issue as at the Latest Practicable Date; and
- (v) a premium of approximately 8.42% to the unaudited consolidated NAV per Share of approximately HK\$0.092 as at 30 June 2025 (based on the latest published unaudited consolidated net asset value attributable to Shareholders of approximately HK\$38,691,000 as at 30 June 2025 and 419,500,000 Shares in issue as at the Latest Practicable Date) (the "2025 Interim NAV per Share Premium").

Based on the "Benchmarked Price" (as defined in Rule 10.44A of the GEM Listing Rules) of HK\$0.45 per Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, when aggregated with the subscription of 19,500,000 new Shares at HK\$0.40 announced by the Company on 29 December 2024 but issued on 24 February 2025, the Maximum Theoretical Dilution Effect of the Subscription is 24.72%. The theoretical fully diluted price would therefore be HK\$0.3387.

Analysis against historical closing prices

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 1 February 2025 (being approximately one year prior to the Agreement Date) to the Latest Practicable Date (the “Share Review Period”), which is a commonly adopted period for historical price performance analysis, and the number of trading days during the Share Review Period is sufficient for us to perform a thorough analysis on the historical closing prices of Shares with the initial Conversion Price. Hence, we consider that the duration of the Share Review Period is adequate and appropriate. The comparison of daily closing prices of the Shares and the initial Conversion Price is illustrated as follows:



Source: the Stock Exchange's website

Note: Trading in the Shares was halted with effect from 9:00 a.m. on 29 January 2026 (the “Trading Halt”) and resumed at 9:00 a.m. on 4 February 2026 (the “Trading Resumption”).

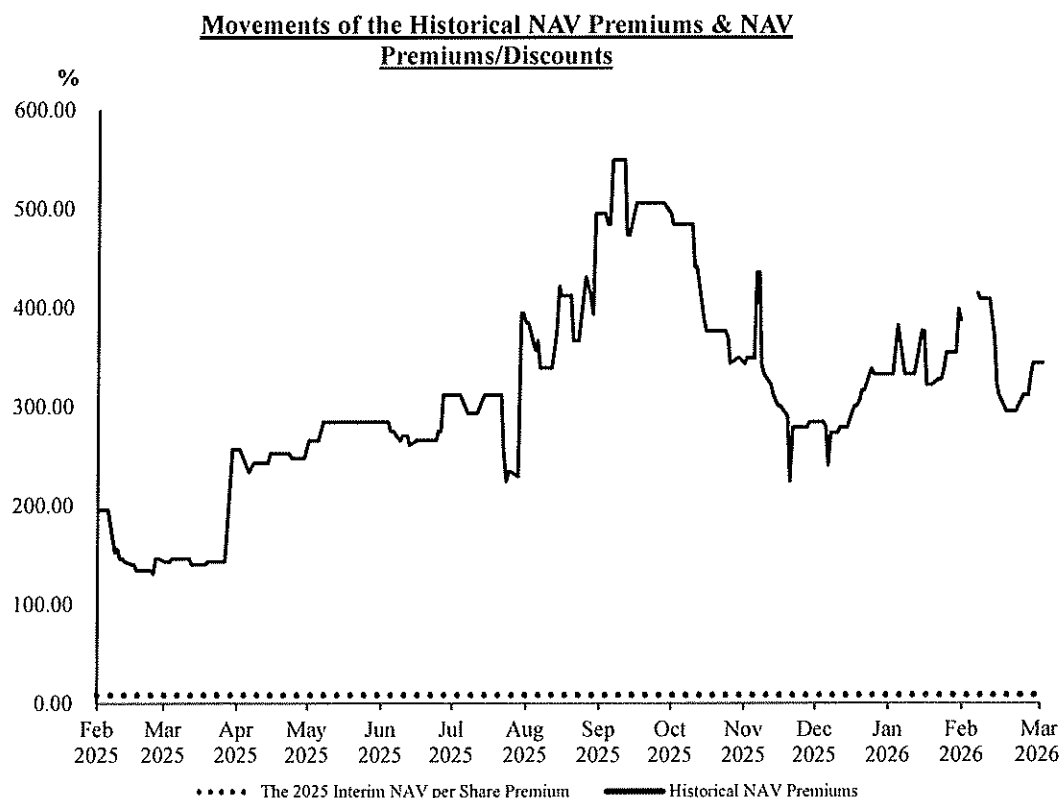
During the Share Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.300 recorded on 18 November 2025 and HK\$0.600 per Share recorded on 5 September 2025, 8 September 2025, 9 September 2025 and 10 September 2025. The initial Conversion Price of HK\$0.1 represents discounts ranging from approximately 66.67% to approximately 83.33% to the closing prices of the Shares as quoted on the Stock Exchange during the Share Review Period.

As depicted from the above chart, the closing price of the Shares decreased from HK\$0.480 per Share at the beginning of the Share Review Period to HK\$0.375 per Share on 26 February 2025. Subsequently, the closing price of the Shares fluctuated between HK\$0.365 per Share to HK\$0.450 per Share up to 21 July 2025 and decreased sharply to HK\$0.355 per Share on 23 July 2025. Since then, the closing price of the Shares rebounded and reached HK\$0.600 per Share on 5 September 2025 (i.e. the highest closing price of the Shares during the Share Review Period). Thereafter, the closing price of the Shares formed a downward trend and recorded at HK\$0.300 per Share on 18 November 2025 (i.e. the lowest closing price of the Shares during the Share Review Period). Afterwards, the closing price of the Shares formed a general upward trend and reached HK\$0.450 per Share on 28 January 2026, being the last trading day before the Trading Halt. Upon the Trading Resumption and up to the Latest Practicable Date, the closing price of the Shares fluctuated between HK\$0.365 per Share and HK\$0.475 per Share.

Having considered that the initial Conversion Price of HK\$0.1 represents discounts ranging from approximately 66.67% to approximately 83.33% to the closing prices of the Shares as quoted on the Stock Exchange during the Share Review Period, we are of the view that the initial Conversion Price of HK\$0.1 is substantially lower than the market value of the Share as reflected by the closing prices of the Shares during the Share Review Period.

Analysis against NAV per Share

As mentioned above, the initial Conversion Price represents a premium of approximately 8.42% to the unaudited NAV per Share of approximately HK\$0.092 as at 30 June 2025. In this respect, we reviewed premiums of historical daily closing price per Share over NAV per Share during the Share Review Period (the “Historical NAV Premium(s)”) as set out in the chart below:



Source: the Stock Exchange's website

Notes:

As the Company's interim results announcement for the 1H2024 was published after trading hours on 29 August 2024, the Company's annual results announcement for FY2024 was published after trading hours on 28 March 2025 and the Company's interim results announcement for 1H2025 was published after trading hours on 28 August 2025:

1. The Historical NAV Premiums from 1 February 2025 to 28 March 2025 were calculated based on the daily closing prices per Share and the NAV per Share as at 30 June 2024 (which is the then latest NAV that the market could refer to).
2. The Historical NAV Premiums from 31 March 2025 to 28 August 2025 were calculated based on the daily closing prices per Share and the NAV per Share as at 31 December 2024 (which is the then latest NAV that the market could refer to).
3. The Historical NAV Premiums from 29 August 2024 to the Latest Practicable Date were calculated based on the daily closing prices per Share and the NAV per Share as at 30 June 2025 (which is the then latest NAV that the market could refer to).

As illustrated in the above chart, the Historical NAV Premiums ranged from approximately 131.25% to approximately 550.54% during the Share Review Period. The 2025 Interim NAV per Share Premium (i.e. premium of approximately 8.42%) is significantly lower than the lower limit of such range (i.e. premium of approximately 131.25%), which indicated that the initial Conversion Price is relatively low from a NAV premium perspective.

Given the 2025 Interim NAV per Share Premium (i.e. premium of approximately 8.42%), the initial Conversion Price also represents a price-to-book (P/B) ratio of approximately 1.08 times. In this regard, we attempted to conduct a trading multiple analysis with peers of the Company to assess the initial Conversion Price. As the Company was loss-making for FY2024, we only attempted to conduct P/B ratio analysis.

To identify Hong Kong listed companies comparable to the Company, we adopted the following selection criteria:

1. The subject company derived more than 50% of its revenue from provision of asset management and consultancy services for its latest full financial year (as the Group generated approximately 80% of its revenue from asset management and consultancy services for FY2024).
2. The latest published NAV of the subject company is below HK\$100 million (as the Group's NAV was approximately HK\$39 million as at 30 June 2025).

Based on the above selection criteria, we only identified one comparable company, namely BlockFin Holdings Limited (stock code: 888). Based on BlockFin Holdings Limited's latest published NAV and closing price of its shares as at the Latest Practicable Date, its P/B ratio was approximately 38.21 times as at the Latest Practicable Date. As there is only one comparable company identified, there is not sufficient sample for us to form a P/B ratio analysis.

Analysis against comparable transactions

As part of our analysis, we also identified initial announcements of the transactions in relation to placing/subsorption of convertible bonds/notes under specific mandate for cash with underlying conversion shares being shares listed on the Stock Exchange (excluding transactions that involve (i) restructuring of debts; (ii) consideration issue for acquisition of assets/equity interests of target companies; (iii) issue for debt settlement and/or loan capitalisation; and (iv) issuance of perpetual convertible bonds/notes) which were announced by companies listed on the Stock Exchange from 1 August 2025 up to the Latest Practicable Date (the "CB Comparables"), which covers (a) a period of approximately six months prior to and including the Agreement Date; and (b) the period from the Agreement Date to the Latest Practicable Date. Such period allows us to identify sufficient samples of CB Comparables for analysis and the CB Comparables identified during such period demonstrates market practices during a period proximate to the Latest Practicable Date. Accordingly, we consider that the aforesaid period for identifying CB Comparables is fair and sufficient.

As (i) the Conversion Shares will be allotted and issued pursuant to the CB Specific Mandate; and (ii) the purposes and/or deal structure of placing/subsorption of convertible bonds/notes that involve restructuring of debts, consideration issue, issue for debt settlement or loan capitalisation and issuance of perpetual convertible bonds/notes differ from that of the Subscription, we consider that the selection criteria in identifying the CB Comparables as aforementioned is fair and representative.

We found 7 transactions which met the said criteria and the list of the CB Comparables is exhaustive. Shareholders should note that although the businesses, operations and prospects of the Company are not the same as the CB Comparables. Nevertheless, as the objective of this analysis is to compare the Subscription (a fund-raising exercise to raise fund) with the market practices of placing/subsorption of convertible bonds/notes under specific mandate with underlying conversion shares being shares listed on the Stock Exchange as conducted by other Hong Kong listed companies to raise fund, the aforesaid differences between the Company and the CB Comparables are inconsequential to our analysis.

Company name (stock code)	Date of announcement	Principal business	Market Capitalisation as at the Agreement Date (HK\$ million)	Gross proceeds and use of proceeds	Maturity (Years) (Note 4)	Coupon rate per annum (Note 4)	Premium/(discount) of the initial conversion price over to the closing price per share on the date of announcement in relation to the respective placing/ subscription of convertible bonds/notes (%) (Note 4)	Premium/(discount) of the initial conversion price over to the average closing price per share for the last five trading days immediately preceding the date of agreement/initial announcement in relation to the respective placing/ subscription of convertible bonds/notes (%) (Note 4)	Theoretical dilution effect (%) (Notes 2 & 4)
Pengo Holdings Group Limited (1865)	1 August 2025	The company is principally engaged in the provision of infrastructural pipeline construction and related engineering services, mainly for gas, water, telecommunications and power industries services, brokerage, placing and margin financing services, and trading of building materials.	229.56	Gross proceeds: HK\$120 million Use of proceeds: project development and working capital of the group	1	3.00%	(14.51)	(20.15)	(16.99)
China Rongzhong Financial Holdings Company Limited (3963)	3 September 2025	The company is principally engaged in (i) the provision of sale and leaseback and operating lease services as well as operating lease of motor vehicles services; and (ii) the provision of debt collection services and credit investigation services.	77.67	Gross proceeds: HK\$35 million Use of proceeds: the company intends to utilise the proceeds as reserves of capital to acquire additional automobiles to meet customer demand during peak season, and as working capital towards the expansion of the group's business covering utilities expenses and other operating expenses.	3	2.75%	Nil	(0.17)	(0.03)
Karrie International Holdings Limited (1050)	13 October 2025	The company is principally engaged in (i) manufacture and sales of metal and plastic parts and enclosures; (ii) manufacture and sales of magnetic tape data storage, point-of-sale systems and other computer peripherals; and (iii) urban renewal, real estate project investment and property leasing and development businesses.	5,316.45	Gross proceeds: HK\$150 million Use of proceeds: expand the group's production capacity overseas for production of server chassis and related peripheral products.	3	2.00%	(7.26)	(15.57)	(0.49)

Company name (stock code)	Date of announcement	Principal business	Market Capitalisation as at the Agreement Date (HK\$ million)	Gross proceeds and use of proceeds	Maturity (Years) (Note 4)	Coupon rate per annum (Note 4)	Premium/(discount) of the initial conversion price over/to the closing price per share on the date of announcement/initial agreement/initial announcement in relation to the respective placing/ subscription of convertible bonds/notes (%) (Note 4)	Premium/(discount) of the initial conversion price over/to the average closing price per share for the last five trading days immediately preceding the date of agreement/initial announcement in relation to the respective placing/ subscription of convertible bonds/notes (%) (Note 4)	Theoretical dilution effect (%) (Notes 2 & 4)
DTXS Silk Road Investment Holdings Company Limited (620)	17 October 2025	The company is principally engaged in (i) auction business and sale of antiques, art financing business and business; (ii) operation of vineyard, production and sales of wines, trading of merchandises including electronic devices, cosmetics and other consumer products; and (iii) property investment and property development businesses.	392.50	Gross proceeds: HK\$323 million Use of proceeds: project renovation of the shopping mall, development of the properties and working capital of the group	3	3.85%	5.56 (Note 4)	6.03 (Note 4)	N/A (Note 3)
Zoomlion Heavy Industry Science and Technology Co., Ltd. (1157 & SZ000157)	30 October 2025	The company is principally engaged in (i) the development, manufacturing and sales of concrete machinery, lifting machinery, earthwork construction machinery, aerial work machinery, pile-driving machinery, emergency rescue equipment, forklifts and others; (ii) the research, development, manufacturing, sales and leasing of various types of agricultural machinery, including tractors, harvesters and drivers, and rice transplanters; and (iii) providing financial services for customers who purchase machinery products from the company and other suppliers.	82,500.81	Gross proceeds: RMB6,000 million (equivalent to approximately HK\$6,679.84 million) Use of proceeds: support the implementation of the company's global development strategies and support the implementation of the company's innovation-driven and high-quality product development strategies	5	1.80%	32.29 (Note 4)	31.33 (Note 4)	N/A (Note 3)

Company name (stock code)	Date of announcement	Principal business	Market Capitalisation as at the Agreement Date (HK\$* million)	Gross proceeds and use of proceeds	Maturity (Years) (Note 4)	Coupon rate per annum (Note 4)	Premium/(discount) of the initial conversion price over/to the closing price per share on the date of announcement in relation to the respective placing/ subscription of convertible bonds/notes (%) (Note 4)	Premium/(discount) of the initial conversion price over/to the average closing price per share for the last five trading days immediately preceding the date of agreement/initial announcement in relation to the respective placing/ subscription of convertible bonds/notes (%) (Note 4)	Theoretical dilution effect (%) (Notes 2 & 4)
China Biotech Services Holdings Limited (8037)	29 December 2025	The company is principally engaged in (i) provision of medical laboratory testing services and health check services; (ii) provision of brokerage services; (iii) provision of tumor immune cell therapy, immune cell storage and health management services; (iv) manufacture, research and development, sale and distribution of health related and pharmaceutical products; (v) trading of securities; and (vi) money lending business and provision of logistic services.	712.28	Gross proceeds: US\$35 million (equivalent to approximately HK\$273 million based on the exchange rate of US\$1:HK\$7.8) Use of proceeds: repayment of principals and interests of bank and other borrowings, developing and building a network of therapy center, research and development costs and general working capital purposes	4	10.00% & 12.00%	(16.46)	(24.49)	(7.28)
China Water Industry Group Limited (1129)	16 February 2026	The company is principally engaged in (i) the sale of electricity and compressed natural gas from biogas power plants; (ii) provision of water supply and sewage treatment operations and related construction services; and (iii) the sale of commercial and residential units.	186.50	Gross proceeds: HK\$278.25 million Use of proceeds: repayment of certain indebtedness and other liabilities of the company.	2	10%	(31.56)	Nil	(18.56)
Maximum (Note 1)			82,500.81	Gross proceeds: HK\$6,679.84 million	5	12%	32.29	31.33	(0.03)
Minimum (Note 1)			77.67	Gross proceeds: HK\$35.00 million	1	1.80%	(31.56)	(24.49)	(18.56)
Average (Note 1)			12,773.68	Gross proceeds: HK\$1,122.73 million	3	5.68%	(4.56)	(3.29)	(8.67)
Median (Note 1)			392.50	Gross proceeds: HK\$273.00 million	3	3.45%	(7.26)	(0.17)	(7.28)
The Company	4 February 2026		188.78	Gross proceeds: US\$2,450,000 (equivalent to approximately HK\$19.07 million)	2	3%	(77.78)	(76.47)	(24.72)

Source: the Stock Exchange's website

Notes:

1. The convertible bonds issued by China Biotech Services Holdings Limited (Stock code: 8037) shall bear interest (i) from and including the date of issue of the convertible bonds to and including the date falling on the second (2nd) anniversary of the date of issue of the convertible bonds at the rate of 10% per annum on the outstanding principal amount thereof; and (ii) from and including the date immediately after the second (2nd) anniversary of the date of issue of the convertible bonds to and including the maturity date of the convertible bonds at the rate of 12% per annum on the outstanding principal amount thereof. We applied the interest rate of both 10% and 12% in the calculation of the maximum, minimum and average of interest rate per annum of the CB Comparables.
2. As defined under Rule 7.27B of the rules governing the listing of securities on the Main Board on the Stock Exchange or Rule 10.44A of the GEM Listing Rules (as the case may be).
3. There is no theoretical dilution effect for such transaction given that the theoretical diluted price per share is higher than the benchmarked price per share (as defined under Rule 7.27B of the rules governing the listing of securities on the Main Board on the Stock Exchange).
4. Based on the mean and standard deviation outlier detection method, no outlier was identified as none of the relevant data of CB Comparables was more than two standard deviations away from the respective mean.

We noted from the above table that the initial conversion prices of the CB Comparables (i) ranged from a discount of approximately 31.56% to a premium of approximately 32.29% with average discount of approximately 4.56% to/over the respective closing prices of the shares on the date of agreement/initial announcement (the “**Agreement/Announcement Date Discount/Premium Market Range**”); and (ii) ranged from a discount of approximately 24.49% to a premium of approximately 31.33% with average discount of approximately 3.29% to/over the respective average closing price per share for the last five trading days immediately preceding the date of agreement/initial announcement (the “**5-day Discount/Premium Market Range**”). In addition, the theoretical dilution effect of the CB Comparables ranged from approximately 0.03% to approximately 18.56% with average theoretical dilution effect of approximately 8.67% (the “**Theoretical Dilution Effect Market Range**”).

The Agreement Date Discount of approximately 77.78% is far below the lower limit of the Agreement/Announcement Date Discount /Premium Market Range (i.e. discount of approximately 31.56%) and the 5-day Discount of approximately 76.47% is far below the lower limit of the 5-day Discount/Premium Market Range (i.e. discount of approximately 24.49%). In addition, the Maximum Theoretical Dilution Effect of the Subscription (i.e. discount of approximately 24.72%) is greater than the upper limit of the Theoretical Dilution Effect Market Range (i.e. approximately 18.56%).

Conclusion on the Conversion Price

We are of the view that the initial Conversion Price is not fair and reasonable after taking into account the following factors as aforementioned:

- (i) The initial Conversion Price of HK\$0.1 represents discounts ranging from approximately 66.67% to approximately 83.33% to the closing prices of the Shares as quoted on the Stock Exchange during the Share Review Period. The initial Conversion Price of HK\$0.1 is substantially lower than the market value of the Share as reflected by the closing prices of the Shares during the Share Review Period.

- (ii) The Historical NAV Premiums ranged from approximately 131.25% to approximately 550.54% during the Share Review Period. The 2025 Interim NAV per Share Premium (i.e. premium of approximately 8.42%) is significantly lower than the lower limit of such range (i.e. premium of approximately 131.25%), which indicated that the initial Conversion Price is relatively low from a NAV premium perspective.
- (iii) The Agreement Date Discount of approximately 77.78% is far below the lower limit of the Agreement/Announcement Date Discount/Premium Market Range (i.e. discount of approximately 31.56%) and the 5-day Discount of approximately 76.47% is far below the lower limit of the 5-day Discount/Premium Market Range (i.e. discount of approximately 24.49%).
- (iv) The Maximum Theoretical Dilution Effect of the Subscription (i.e. discount of approximately 24.72%) is greater than the upper limit of the Theoretical Dilution Effect Market Range (i.e. approximately 18.56%).

Analysis on the coupon rate

As presented by the table above, the CB Comparables had annual interest rate from 1.80% to 12% (the “CB Coupon Market Range”) and the Convertible Bonds will bear 3% coupon rate. The coupon rate of the Convertible Bonds (i) falls within the CB Coupon Market Range; and (ii) is lower than the average and median of the CB Comparables. Hence, the coupon rate of the Convertible Bonds is in-line with the market practices as reflected by the CB Coupon Market Range.

Possible dilution effect on the shareholding interests of the public Shareholders

As illustrated by the shareholding table contained under the section headed “Effects on Shareholding Structure of the Company” of the Board Letter, the shareholding interests of the public Shareholders would be diluted by approximately 9.07 percentage points as a result of full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.10 assuming there will be no change to the total number of Shares in issue from the Latest Practicable Date and up to conversion of the Convertible Bonds.

As aforementioned, the Company expects the Group’s NAV to increase by the Net Proceeds amount of approximately US\$2,250,000 (equivalent to approximately HK\$17.51 million) upon full conversion of the Convertible Bonds.

In addition, the Maximum Theoretical Dilution Effect of the Subscription is 24.72% as aforementioned. The theoretical fully diluted price would therefore be HK\$0.3387.

III. OUR ANALYSIS AND CONCLUSION

In conclusion, we noticed the following benefits of the Subscription:

- (i) In light of the Group's cash positions as at 30 June 2025 and the Group's net cash used in operating activities for FY2023, FY2024 and 1H2025, the Net Proceeds will provide additional funding for the Group and the intended uses of the Net Proceeds will facilitate the Group's business operation and future development.
- (ii) The Company expects the Group's net asset value to increase by the Net Proceeds amount of approximately US\$2,250,000 (equivalent to approximately HK\$17.51 million) upon full conversion of the Convertible Bonds.
- (iii) Upon completion of the Bond Subscription Agreement and the Subscriber becoming the controlling Shareholder upon full conversion of the Convertible Bonds, Mr. Chan will be incentivized to apply his experience and expertise on the Group's business development.

We also noted that the coupon rate of the Convertible Bonds (a) falls within the CB Coupon Market Range; and (b) is lower than the average and median of the CB Comparables out of total six CB Comparables. Hence, the coupon rate of the Convertible Bonds is in-line with the market practices as reflected by the CB Coupon Market Range.

Nevertheless, we considered the following disadvantages of the Subscription:

- (i) The initial Conversion Price is not fair and reasonable after taking into account:
 - (a) the initial Conversion Price of HK\$0.1 represents discounts ranging from approximately 66.67% to approximately 83.33% to the closing prices of the Shares as quoted on the Stock Exchange during the Share Review Period. The initial Conversion Price of HK\$0.1 is substantially lower than the market value of the Share as reflected by the closing prices of the Shares during the Share Review Period;
 - (b) the Historical NAV Premiums ranged from approximately 131.25% to approximately 550.54% during the Share Review Period. The 2025 Interim NAV per Share Premium (i.e. premium of approximately 8.42%) is significantly lower than the lower limit of such range (i.e. premium of approximately 131.25%), which indicated that the initial Conversion Price is relatively low from a NAV premium perspective;
 - (c) the Agreement Date Discount of approximately 77.78% is far below the lower limit of the Agreement/Announcement Date Discount/Premium Market Range (i.e. discount of approximately 16.46%) and the 5-day Discount of approximately 76.47% is far below the lower limit of the 5-day Discount/Premium Market Range (i.e. discount of approximately 24.49%); and

- (d) The mandatory conversion feature of the Convertible Bonds will cause inevitable dilution on the shareholding interest of the existing Shareholders. The Maximum Theoretical Dilution Effect of the Subscription of 24.72% is (i) close to the limitation (i.e. 25%) as stipulated under Rule 10.44A of the GEM Listing Rules; and (ii) greater than the upper limit of the Theoretical Dilution Effect Market Range (i.e. discount of approximately 18.56%).
- (ii) The Subscription is not the optimal fund-raising method after taking into account:
 - (a) The mandatory conversion feature of the Convertible Bonds will cause inevitable dilution on the shareholding interest of the existing Shareholders.
 - (b) The analysis on the Maximum Theoretical Dilution Effect of the Subscription as mentioned above.
 - (c) In contrast to rights issue and open offer, the Subscription does not offer other shareholders a fair chance to subscribe for their pro-rata rights/offer shares at the same prices with other participating shareholders (especially when the initial Conversion Price is at deep Agreement Date Discount and 5-day Discount) for the purpose of maintaining their respective existing shareholding interests in the Company.

Having considered the above, we are of the view that (a) the terms of the Subscription are not fair and reasonable; and (b) the Subscription is not conducted under the Group's ordinary and usual course of business and not in the interests of the Company and the Independent Shareholders as a whole.

Note: Our opinion was formed after considering the factors as concluded above, which would not be impacted by the industrial outlook of the Group. Accordingly, we did not include the industrial outlook of the Group in our analysis.

RECOMMENDATION ON THE SUBSCRIPTION

As stated above, we are of the view that (a) the Subscription are not fair and reasonable so far as the Independent Shareholders are concerned; and (b) the Subscription is not conducted under the Group's ordinary and usual course of business and not in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to vote in favour of the resolution to be proposed at the EGM to approve the Subscription and we recommend the Independent Shareholders not to vote in favour of the resolution in this regard.

IV. WHITEWASH WAIVER

With reference to the Board Letter, increase of voting rights of the Company held by the Subscriber as a result of full conversion of the Convertible Bonds would trigger an obligation of the Subscriber and the parties acting in concert with it to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Subscriber and the parties acting in concert with it under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive. An application has been made by the Subscriber to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be conditional upon, among other matters, the conditions that the respective resolutions relating to the Subscription on the one hand, and the Whitewash Waiver on the other hand, being approved by more than 50% and at least 75% respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll.

It is one of the CB Conditions Precedent that “The Executive having granted the Whitewash Waiver to the Subscriber and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted, and such approval remains valid and effective on the CB Completion Date.” and such condition is incapable of being waived.

In view of that we consider (a) the Subscription are not fair and reasonable; and (b) the Subscription is not conducted under the Group’s ordinary and usual course of business and not in the interests of the Company and the Independent Shareholders as a whole, we are also of the opinion that the Whitewash Waiver (which is one of the CB Conditions Precedent that is incapable of being waived) is not in the interest of the Company and the Independent Shareholders as a whole and is not fair and reasonable so far as the Independent Shareholders are concerned for proceeding with the Subscription.

RECOMMENDATION ON THE WHITEWASH WAIVER

As stated above, we are of the opinion that the Whitewash Waiver is not in the interest of the Company and the Independent Shareholders as a whole and is not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to vote in favour of the resolution to be proposed at the EGM to approve the Whitewash Waiver and we recommend the Independent Shareholders not to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited



Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.