

9 February 2026

*To the Independent Board Committee and  
the Independent Shareholders*

**CCT Fortis Holdings Limited**

Floor 26A, Fortis Tower  
77–79 Gloucester Road  
Wanchai  
Hong Kong

Dear Sirs,

**CONNECTED TRANSACTION IN RELATION TO  
THE AMENDMENTS TO THE 2025 CONVERTIBLE BONDS DUE 2025**

**INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Deed of Amendment and the transactions contemplated thereunder including the Specific Mandate, details of which are contained in the letter from the Board (the “**Board Letter**”) as set out in the circular dated 9 February 2026 (the “**Circular**”). Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those ascribed in the Circular.

Reference is made to the announcements of the Company dated 16 November 2022, 11 January 2023 and 20 January 2023 and the circular of the Company dated 19 December 2022, in relation to, among other things, the issuance of the 2025 Convertible Bonds due on 31 December 2025 in the aggregate principal amount of HK\$220,000,000, the announcement of the Company dated 17 May 2023 in relation to the transfer and conversion of part of the 2025 Convertible Bonds and the announcement of the Company dated 2 January 2026 regarding the Deed of Amendment and the transactions contemplated thereunder including the Specific Mandate.

As at the Latest Practicable Date, the aggregate principal amount of the 2025 Convertible Bonds remaining outstanding was held as to HK\$83,000,000 by Treasure Goal and HK\$4,920,000 by Cheer Fame, respectively.

In addition to the Amendments, the Company proposed to implement the following Capital Reorganisation involving the Share Consolidation and the Capital Reduction as follows: (i) every ten (10) issued and unissued Existing Shares of par value of HK\$0.10 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value of HK\$1.00 each in the share capital of the Company; and (ii) immediately upon the Share Consolidation becoming effective, the Capital Reduction be implemented, pursuant to which, (a) any fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (b) the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.90 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.10. The Deed of Amendment is subject to the fulfilment of the conditions precedent under the Deed of Amendment including but not limited to the Capital Reorganisation and the Change in Board Lot Size having become effective.

Treasure Goal, one of the Bondholders, is beneficially and ultimately owned by Mr. Mak, being the chairman, the chief executive officer, an executive Director and the controlling Shareholder, and Cheer Fame, the other Bondholder, is beneficially and wholly owned by Mr. TK Mak, the chief executive officer of the Blackbird Group, a controlling Shareholder and the son of Mr. Mak, and hence Treasure Goal and Cheer Fame are connected persons of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, (i) Treasure Goal and Cheer Fame do not hold any Shares; (ii) Mr. Mak holds 25,589,652 Shares directly; and (iii) Mr. Mak and Mr. TK Mak are deemed under Part XV of the SFO to be interested in an aggregate of 1,173,953,079 Shares held by Capital Winner, New Capital and Capital Force, representing approximately an aggregate of 74.98% of the issued share capital of the Company. Accordingly, the entering into of the Deed of Amendment constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Chen Li, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan, has been established to make recommendations to the Independent Shareholders regarding the Deed of Amendment and the transactions contemplated thereunder including the Specific Mandate. We, South China Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interests in, the Company that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this engagement, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions that could reasonably be regarded as relevant to our independence. During the past two years, we did not have any engagement with the Company or the Directors, chief executives of the Company and substantial Shareholders or any of their associates. Therefore, we consider that we are independent of the Company pursuant to the Listing Rules.

## BASIS OF OUR OPINION

In arriving at our recommendation, we have reviewed, among other things, the Deed of Amendment, the Company's annual report for the year ended 31 December 2024 (the "**2024 Annual Report**"), the Company's supplemental announcements dated 4 July 2025, 31 July 2025 and 31 October 2025 (the "**Supplemental Announcements**") and the Company's interim report for the six months ended 30 June 2025 (the "**2025 Interim Report**"). We have also discussed with the management of the Group (the "**Management**") regarding the commercial implications of the entering into of the Deed of Amendment. In addition, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the Management. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the Management for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information which forms a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations whose omission would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group. 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 note 1 to Rule 13.80 of the Listing Rules.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

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

### 1. Information of the Group

#### 1.1 Principal business of the Group

The Group is principally engaged in (i) property business; (ii) securities business; (iii) multi-faceted automotive business and investments in valuable collections; and (iv) cultural entertainment business.

#### 1.2 Financial information of the Group

Set out below is a summary of the consolidated financial information of the Company for financial year ended 31 December 2023 (“FY2023”) and 31 December 2024 (“FY2024”) as extracted from the 2024 Annual Report and for the six months ended 30 June 2024 and 2025 as extracted from the 2025 Interim Report:

	For the six months ended 30 June			
	FY2024	FY2023	2025	2024
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Note)			
Revenue	578	765	258	320
Loss for the year/period	(396)	(575)	(210)	(166)
	As at 31 December 2024	2023	As at 30 June 2025	2024
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Note)			
Non-current assets	1,836	1,668	1,803	1,836
Current assets	950	1,173	832	950
Current liabilities	(2,100)	(1,234)	(2,160)	(2,100)
Net current liabilities	(1,150)	(61)	(1,328)	(1,150)
Non-current liabilities	(14)	(876)	(13)	(14)
Net assets	672	731	462	672

*Note:* We note from the 2024 Annual Report that the Company’s auditor has given a “disclaimer of opinion” on the consolidated annual financial statements of the Company for FY2024 on the basis of multiple uncertainties relating to going concern. For further details, please refer to the 2024 Annual Report.

*For FY2024*

The revenue of the Group decreased by about 24.4% from approximately HK\$765 million for FY2023 to HK\$578 million for FY2024. Based on the 2024 Annual Report, such decrease in revenue was attributable to a decline of classic car sales in a slow classic car market and disinvestment in our stage audio and lighting and stage engineering operations.

The Group recognised net loss of approximately HK\$396 million for the FY 2024 (FY2023: approximately HK\$575 million). Based on the 2024 Annual Report, such decrease in net loss was mainly attributable to the decrease in impairment of trade and other receivables by about 99% to approximately HK\$3 million in 2024.

As at 31 December 2024, the Group recorded net current liabilities and net assets of approximately HK\$1,150 million and HK\$672 million, respectively.

*For the six months ended 30 June 2025*

The revenue of the Group decreased by about 19.4% from approximately HK\$320 million for the six months ended 30 June 2024 to HK\$258 million for the six months ended 30 June 2025. As advised by the Management, such decrease in revenue was attributable to the decrease in revenue of Maserati businesses and the continued softness in global market for valuable collections.

The Group recognised net loss of approximately HK\$210 million for the six months ended 30 June 2025 (FY2024: approximately HK\$166 million). Based on the 2025 Interim Report, the widening loss was primarily due to impairment loss of approximately HK\$99.4 million on a property included in assets of disposal groups classified as held for sale for the six months ended 30 June 2025, compared with that of HK\$43.0 million for the six months ended 30 June 2024.

As at 30 June 2025, the Group recorded net current liabilities and net assets of approximately HK\$1,328 million and HK\$462 million, respectively.

*Going concern issue*

According to the 2024 Annual Report, the auditors of the Company have issued a disclaimer of opinion because of the potential interaction of the multiple uncertainties relating to going concern issue of the Company and the possible cumulative effect on the consolidated financial statements of the Company, which cast significant doubt on the Group's ability to continue as a going concern. For further details, please refer to the 2024 Annual Report.

We noted that (i) the Group reported a decrease in revenue and a net loss for FY2024 and the six months ended 30 June 2025; (ii) the Group had a low cash level of approximately HK\$12 million as at 30 June 2025, which would

not be sufficient to fully repay the 2025 Convertible Bonds upon the original maturity date; (iii) the Group was in a net current liability position as at 31 December 2024 and 30 June 2025; and (iv) the auditors of the Company had issued a disclaimer of opinion as disclosed in the 2024 Annual Report. Having considered the above, we consider the Amendments could alleviate the Group's pressure of cash outflow for repayment of the 2025 Convertible Bonds, and allow it to have more financial flexibility in the deployment of its working capital for its businesses operations and development.

## **2. Background of the Bondholders**

Treasure Goal, one of the Bondholders is beneficially and ultimately owned by Mr. Mak, being the chairman, the chief executive officer, an executive Director and the controlling Shareholder of the Company, and Cheer Fame, the other Bondholder, is beneficially and wholly owned by Mr. TK Mak, the chief executive officer of the Blackbird Group, a controlling shareholder of the Company and the son of Mr. Mak, and hence Treasure Goal and Cheer Fame are connected persons of the Company under Chapter 14A of the Listing Rules. Treasure Goal and Cheer Fame are both principally engaged in investment holding. As at the Latest Practicable Date, Mr. Mak held 25,589,652 Shares and is deemed under Part XV of the SFO to be interested in an aggregate of 1,173,953,079 Shares held by Capital Winner, New Capital and Capital Force, representing approximately an aggregate of 74.98% of the issued share capital of the Company.

## **3. Reasons for and benefits of the Deed of Amendment**

With reference to the Board Letter, in order to address part of the going concern disclaimer opinion and the net current liability position of the Group, the Company entered into the Deed of Amendment with the Bondholders to make certain amendments to the 2025 Convertible Bonds. In view of the Group's net current liability position as at 30 June 2025, the Company did not have sufficient financial capacity to meet the redemption obligation upon the original maturity on 31 December 2025. As such, the extension of the maturity date of the 2025 Convertible Bonds and the reduction of interest rate of the 2025 Convertible Bonds pursuant to the Deed of Amendment would mean that the outstanding amount of the 2025 Convertible Bonds will be classified as a non-current liabilities after extension and would enable the Company to postpone its cash outflow and allow the Group to have more financial flexibility in the deployment of its working capital for its businesses operations and development, and thus will allow the Company to retain its financial resources for a longer period of time and represents an opportunity to enhance the working capital of the Company. Also, the reduction of interest rate of the 2025 Convertible Bonds and the conversion of the outstanding interest accrued on the 2025 Convertible Bonds into an interest-free shareholders' loan repayable on demand would reduce the Company's financing costs and near term cash outflows, thereby improving its ability to stabilise operations and recover financial performance. As the outstanding interest accrued on the 2025 Convertible Bonds was overdue, its conversion to an interest-free loan which is repayable on demand and the Bondholders' agreement not to request for repayment of such loan within 12 months after the date of the Amendments

having taken effect will provide the Group with greater flexibility in its cash flow as there is no current imminent repayment date for the interest-free loan despite being classified as current liability, thereby will relieve the Group from its financial burden and improve the Group's financial position and address (i) part of the going concern disclaimer opinion set out in the 2024 Annual Report; and (ii) action plan set out in the Supplemental Announcements.

As at the Latest Practicable Date, the aggregate principal amount of the 2025 Convertible Bonds remaining outstanding was held as to HK\$83,000,000 by Treasure Goal and HK\$4,920,000 by Cheer Fame, respectively.

Based on our independent review of the 2024 Annual Report and 2025 Interim Report, we noted that the Group had cash and cash equivalents of approximately HK\$12 million as at 30 June 2025; the available cash resources would not be sufficient to fully repay the outstanding principal amount of the 2025 Convertible Bonds of HK\$87.92 million upon the original maturity date, i.e. 31 December 2025.

As stated in the Board Letter, the Company has not conducted any equity fund raising exercises in the past twelve months immediately preceding the Latest Practicable Date.

We have discussed with the Management in respect of the consideration of other ways of fund raising such as debt financing and other equity fund raising method to settle the 2025 Convertible Bonds. We set out below the summary of our discussion:

**(a) Debt financing:**

The Directors have considered that (i) further debt financing may not be available given the Group's net current liability position; (ii) the cost of debt financing may increase together with additional requirements with asset pledging or guarantees to be provided by the Group; and (iii) further debt financing will increase the financial costs of the Group and using debt financing to replace the 2025 Convertible Bonds may further weaken the cashflow and financial position of the Group as the interest rate of the 2025 Convertible Bonds will be decreased to nil under the Amendments while the cost of the refinancing may not be more favourable than that of the 2025 Convertible Bonds.

Based on our independent review on the 2024 Annual Report and the 2025 Interim Report, after considering the Group's net current liability positions as at 31 December 2024 and 30 June 2025, the effective interest rates ranged from 2.75% to 20.88% for banks loans and other loan (excluding leases liabilities), we further note that any new debt financing, if obtainable, would likely fall within or above this range of interest rates given the Group's liquidity constraints. As at the Latest Practicable Date, the outstanding principal amount of the 2025 Convertible Bonds was HK\$87.92 million. Under the Amendments, the interest rate of the 2025 Convertible Bonds will be reduced to nil. Should the Group refinance this amount through new debt financing at market rates, the annual interest burden would range from approximately HK\$2.42 million (at 2.75%) to HK\$18.36 million (at 20.88%).

Such incremental interest expenses would directly and greatly weaken the Group's cashflow and further deteriorate its net current liability position. As advised by the Management, the Company approached three of its existing banks, whose feedback indicated a preference for reducing, rather than increasing, the facility amount. In addition, the Company contacted several other financial institutions to explore potential new credit lines; however, no such facilities have been successfully secured as at the Latest Practicable Date. This further demonstrates the Group's limited access to external debt financing. In view of the above, we concur with the Directors' view that the debt financing from financial institutions is of limited accessibility and will create additional financial burden to the Group. Therefore, such funding methods are not in the interests of the Company and the Shareholders as a whole.

***(b) Placing of new shares***

The Directors have considered that given the Group's net current liability position, placing agent may face difficulties and take time to seek for potential investor(s) and they may require a substantial placing discount to the trading price of the Shares. The Directors also consider that it is higher cost to arrange a placing of new shares, as the placing agent would charge commission with reference to certain percentages of the amount of the fund raising as compared with limited additional cost from the Amendments, and the placing of new shares will cause an immediate dilution to the shareholding of existing Shareholders as compared with that the conversion of the 2025 Convertible Bonds which is subject to the exercise of the conversion rights attached to the 2025 Convertible Bonds.

Based on our independent assessment of the Group's financial position and prevailing market conditions, we consider that the process of identifying investors under such circumstances may be prolonged, thereby creating uncertainty in both timing and execution. In particular, given the Group's financial constraints, potential investors may require extended due diligence periods, impose more stringent investment conditions, or delay commitment until clearer signs of financial improvement emerge. These factors collectively contribute to a fundraising process that is not only lengthy but also highly unpredictable in terms of completion. As advised by the Management, the Company approached more than five investors in the past, yet no concrete progress was achieved, further illustrating the practical challenges in securing investor interest under the current circumstances.

We also note that placing commissions are typically charged as a percentage of the gross proceeds therefrom, representing a higher direct fund-raising cost to the Group when compared with the limited administrative cost associated with the Amendments. Furthermore, any placing of new shares would result in immediate dilution to the shareholding of existing Shareholders, whereas dilution from the 2025 Convertible Bonds would only arise upon exercise of the conversion rights attaching thereto and therefore is contingent rather than immediate.



Therefore, rather than conducting placing of new shares to repay the 2025 Convertible Bonds, we concur with the Directors' view that placing of new shares would involve higher uncertainty and execution risk, higher cost and immediate dilution to the shareholding of the existing Shareholders, and that the Amendments are in the interests of the Company and the Shareholders as a whole.

***(c) Rights issue or open offer***

With regard to the viability of a rights issue or an open offer, the Directors have considered that given the Group's net current liability position, the result of fund raising from a rights issue or an open offer may not be desirable.

Based on our independent assessment of the Group's financial position and prevailing market sentiment, we consider that a rights issue or an open offer would likely face weaker investor appetite, which may adversely affect the subscription level and the overall fund-raising outcome.

In addition, as advised by the Management, the Company has implemented various measures to improve its liquidity position, including the disposal of certain assets and equity interests as disclosed in the announcements of the Company dated 11 July 2025 and 31 December 2025. In addition, the Company has been actively exploring the disposal of certain investment properties. However, these investments properties are currently pledged to bank loan granted to the Group, and given the prevailing property market conditions, it has been challenging to secure buyers at prices that would generate meaningful net proceeds. As a result, the likelihood of realising additional cash after repaying the associated bank loans is limited, and such disposals may not provide sufficient funds to address the repayment obligations of the 2025 Convertible Bonds.

We agree with the Directors' view that, as compared with the Amendments, (i) more documentation is typically required for a rights issue or an open offer, such as the prospectus; (ii) it is more costly to arrange a rights issue or an open offer than the Amendments as it is expected that the Company would incur higher cost to arrange a rights issue or an open offer as more professional parties would need to be engaged therein; and (iii) it generally takes longer time to arrange a rights issue or an open offer than the Amendments. In addition, given the Group's net current liability position, the Company may also need to consider underwriting arrangements to ensure the success of a rights issue or an open offer, which would further increase the cost of fund raising. Furthermore, the Amendments provide a higher degree of certainty as the outcome of a rights issue or an open offer would be subject to the uncertainty of the subscription level, and any shortfall in subscription would reduce the amount of funds raised and may not be sufficient to address the Group's refinancing needs.

Having considered the above, we consider that the terms and conditions of the Deed of Amendment are fair and reasonable, and that the Amendments are in the interests of the Company and the Shareholders as a whole.

#### 4. Principal terms of the Deed of Amendment

On 2 January 2026, after trading hours of the Stock Exchange, the Company entered into the Deed of Amendment with the Bondholders pursuant to which the Company and each of the Bondholders has conditionally agreed to amend the terms and conditions of the 2025 Convertible Bonds as follows:

- (i) the maturity date of the 2025 Convertible Bonds be extended for two (2) years from 31 December 2025 to the Extended Maturity;
- (ii) the conversion price of the 2025 Convertible Bonds be changed from HK\$0.16 per Conversion Share (the “**Existing Conversion Price**”) to HK\$0.45 per New Conversion Share (equivalent to HK\$0.045 per Conversion Share (the “**New Conversion Price**”)) from and including the date of the Amendments under the Deed of Amendment having become effective to and including the Extended Maturity Date; for the avoidance of doubt, no further adjustment to the Conversion Price will be made pursuant to the Capital Reorganisation having becoming effective;
- (iii) the interest rate of the 2025 Convertible Bonds be decreased from 4.5% per annum to 0% per annum for the period from and including 1 January 2026 to and including the Extended Maturity Date;
- (iv) the outstanding interest accrued under the 2025 Convertible Bonds payable by the Company to Treasure Goal from 20 January 2023 to 31 December 2025 in the amount of HK\$13,917,261.66 will be converted into a zero interest loan owed by the Company to Treasure Goal repayable on demand; and
- (v) the outstanding interest accrued under the 2025 Convertible Bonds payable by the Company to Cheer Fame from 5 June 2024 to 31 December 2025 in the amount of HK\$653,375.33 will be converted into a zero interest loan owed by the Company to Cheer Fame repayable on demand.

Save for the Amendments, all other terms and conditions of the 2025 Convertible Bonds shall remain unchanged and in full force and effect. Please refer to the Board Letter for other principal terms of the 2025 Convertible Bonds.

The Deed of Amendment is conditional upon:

- (i) the Capital Reorganisation and the Change in Board Lot Size having become effective;
- (ii) the passing by the Independent Shareholders at the SGM of the necessary resolutions to approve the Capital Reorganisation, the Deed of Amendment, the transactions contemplated thereunder and the Specific Mandate;
- (iii) the Company having obtained the approval for the Amendments from the Stock Exchange in accordance with Rule 28.05 of the Listing Rules;

- (iv) the Listing Committee of the Stock Exchange having granted listing of, and permission to, deal in the New Conversion Shares to be allotted and issued upon the exercise of conversion rights attached to the 2025 Convertible Bonds; and
- (v) all necessary consents and approvals required to be obtained on the part of the Company and the Bondholders in respect of the Amendments having been obtained and remained in full force and effect.

The Amendments shall take effect on the next Business Day when all the conditions above are fulfilled. None of the above conditions can be waived. If any of the above conditions is not fulfilled on or before Long Stop Date, the Deed of Amendment shall automatically be terminated and be of no further effect and the Company and the Bondholders shall be released from all obligations thereunder.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled.

***Our assessment***

*Comparison of Conversion Price with historical Share prices*

The Conversion Price is HK\$0.45 per New Conversion Share (equivalent to HK\$0.045 per Conversion Share), which represents:

- (i) a discount of about 36.62% to the closing price of HK\$0.071 per Existing Share as quoted on the Stock Exchange on the date of the Deed of Amendment;
- (ii) a discount of about 36.08% to the average closing price of HK\$0.0704 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Deed of Amendment; and
- (iii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of about 20.14%, represented by the theoretical diluted price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.0567 per Existing Share, to the benchmarked price of HK\$0.071 per Existing Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (a) the closing price of HK\$0.071 per Existing Share on the date of the Deed of Amendment and (b) the average closing price of HK\$0.0704 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Deed of Amendment.

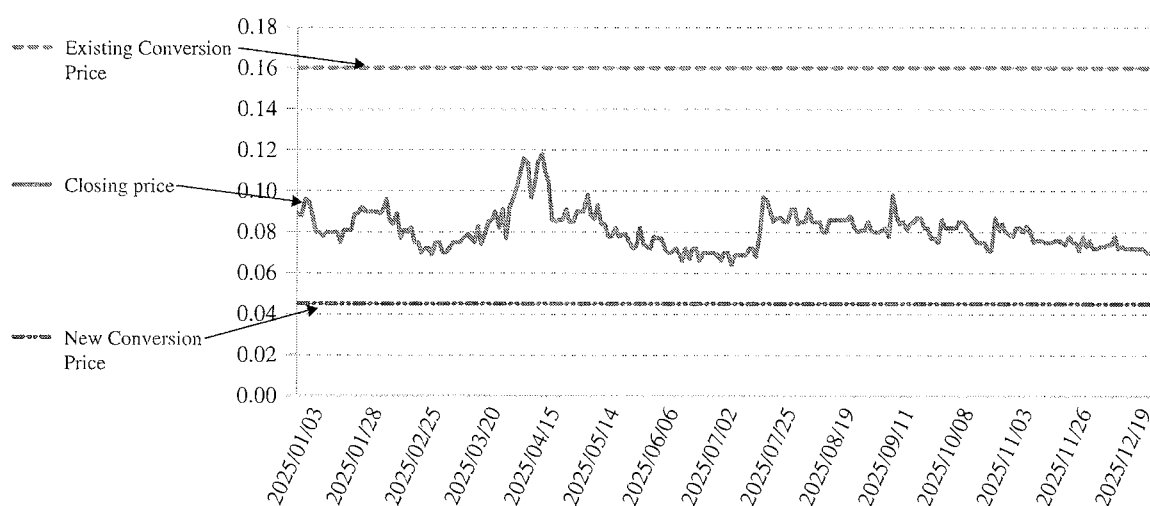
As disclosed in the Board Letter, the basis of determination for the Conversion Price of HK\$0.45 per New Conversion Share (equivalent to HK\$0.045 per Conversion Share) also took into account, amongst others, the following factors:

- (i) The Board considered that the Conversion Price of HK\$0.16 per Conversion Share from and including the date of issue of the 2025 Convertible Bonds to and including the date immediately prior to the date of the Amendments under the Deed of Amendment having become effective was substantially above the prevailing market price of approximately HK\$0.07 per Share as at 31 December 2025, being the original maturity date of the 2025 Convertible Bonds, which had become economically unworkable. In the absence of an adjustment of the Conversion Price, the conversion feature is unlikely to be exercised and the 2025 Convertible Bonds had, in substance, become a cash redemption obligation at maturity.
- (ii) The Company did not have sufficient financial capacity to meet the redemption obligation upon the original maturity on 31 December 2025. As at 30 November 2025, the outstanding principal amount of the 2025 Convertible Bonds of approximately HK\$87.92 million significantly exceeded the Company's cash and bank balances of approximately HK\$13.21 million. The Board considered that preserving liquidity for ongoing operations and avoiding a near term repayment cliff was therefore critical.
- (iii) The Conversion Price of HK\$0.45 per New Conversion Share (equivalent to HK\$0.045 per Conversion Share) was determined with reference to the prevailing market price while also taking into account the extremely limited trading liquidity of the Shares. In the Board's view, such illiquidity materially increased execution risk for a conversion of meaningful size, and a deeper discount to the benchmark price was therefore commercially necessary to arrive at a conversion price that could realistically induce conversion and facilitate the restructuring of the 2025 Convertible Bonds.
- (iv) The adjustment to the Conversion Price formed part of an overall amendment package under which the Bondholders provided material concessions to the Company, including (a) a reduction of the interest rate of the 2025 Convertible Bonds from 4.5% per annum to 0% per annum from 1 January 2026 to the Extended Maturity Date, resulting in estimated interest savings of approximately HK\$7.9 million; (b) a two year extension of the original maturity date; and (c) the conversion of the outstanding interest accrued on the 2025 Convertible Bonds as at 31 December 2025 into interest-free loan repayable on demand.

- (v) The Company approached three of its existing banks which indicated their preference for reducing, rather than increasing, the facility amount. In addition, the Company contacted several other financial institutions to explore potential new credit lines; however, no such facilities have been successfully secured as at the Latest Practicable Date. The Group's was in net current liability positions as at 31 December 2024 and 30 June 2025 and the effective interest rates of the bank loans and other loan (excluding leases liabilities) of the Group ranged from 2.75% to 20.88% for the year ended 31 December 2024 and the six months ended 30 June 2025. Under the Amendments, the interest rate of the 2025 Convertible Bonds will be reduced to nil. Even if the Company could obtain debt financing to repay the 2025 Convertible Bonds and the accrued interest, its current financial position suggests that such borrowing would likely carry a relatively high interest rate which will significantly weaken the Group's cashflow and further deteriorate its net current liability position.

In order to assess the fairness and reasonableness of the Conversion Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 3 January 2025 up to and including 2 January 2026 (i.e. the “**Last Trading Day**”) (the “**Review Period**”), being a period of approximately one year prior to and including the Last Trading Day, which we consider such period allows the Independent Shareholders to have a general understanding of recent share price performance of the Shares. The comparison of daily closing prices of the Shares and the amended Conversion Price is illustrated as follows:

*Chart 1: Daily closing prices of the Shares and the Conversion Price*



Source: The Stock Exchange's website

As advised by the Management, the New Conversion Price was determined after arm's length negotiations between the Company and the Bondholders with reference to the prevailing market price of the Shares. As advised by the Management, setting the New Conversion Price has also considered: (i) the prevailing market price of the Shares during one year prior to entering into the Deed of Amendment; (ii) the financial position of the Group, including the net losses recorded over the past five consecutive years; (iii) the Group's net current liabilities of approximately HK\$1,328 million as at 30 June 2025; (iv) the Group's cash and cash equivalents of only approximately HK\$12 million as at 30 June 2025; and (v) the reasons for and benefits of the Deed of Amendment as stated in the Board Letter.

The 2025 Convertible Bonds, with an aggregate outstanding principal amount of HK\$87.92 million, have been due on 31 December 2025. The Bondholders are entitled to request repayment from the Company if the 2025 Convertible Bonds are not extended. Based on the information provided by the Management, following more than four rounds of negotiations between the Company and the Bondholders, the Bondholders did not agree to extend the maturity date for two (2) years from 31 December 2025 to 31 December 2027 unless the Company accepted their proposal to amend the Conversion Price to HK\$0.45 per New Conversion Share (equivalent to HK\$0.045 per Conversion Share). As represented by the Management, the Existing Conversion Price is higher than the prevailing market price of the Shares, and the New Conversion Price will serve as an incentive for the Bondholders to extend the maturity date given the Group does not have sufficient cash resources to repay the 2025 Convertible Bonds. The Directors have further considered that further debt financing may not be readily available in light of the Group's net current liability position.

As shown in Chart 1 above, during the Review Period, the daily closing prices of the Shares ranged from a low of HK\$0.064 per Existing Share to a high of HK\$0.118 per Existing Share, with an average closing price of approximately HK\$0.081 per Existing Share. Although the New Conversion Price of HK\$0.045 per Conversion Share is below the lowest closing price of the Existing Shares during the Review Period, the Existing Share price has experienced substantial downward pressure, declining from HK\$0.118 per Existing Share on 16 April 2025 to HK\$0.071 per Existing Share on the Last Trading Day.

Despite the Conversion Price being outside the range of closing prices during the Review Period, we note that: (i) the financial position of the Group, as discussed in the section headed “1.2 Financial information of the Group” above, remains weak; (ii) further debt or equity financing may not be readily available in light of the Group’s net current liability position; and (iii) a higher discount to the closing price is required to serve as an incentive for the Bondholders to agree to extend the maturity date, given the Group does not have sufficient cash resources to repay the 2025 Convertible Bonds. Furthermore, during the Review Period, the closing price of the Existing Shares remained below the Existing Conversion Price. As such, the Existing Conversion Price does not provide any incentive for the Bondholders to convert the 2025 Convertible Bonds. Given the Group’s financial difficulties in repaying the 2025 Convertible Bonds, particularly its limited cash resources relative to the aggregate outstanding principal amount of the 2025 Convertible Bonds, the downward adjustment to the Conversion Price may provide an opportunity to improve the Group’s financial position if the Bondholders exercise the conversion rights attached to the 2025 Convertible Bonds. Based on these factors, we consider the New Conversion Price to be acceptable.

In addition, we have discussed with the Management and the Management has confirmed that the Bondholders may not be able to convert the 2025 Convertible Bonds in full in view of the restriction on conversion if the Company encounters insufficient public float resulting from exercise of conversion rights attaching thereto. As such, either Treasure Goal or Cheer Fame may theoretically convert up to approximately 21,385 New Conversion Shares in order to comply with the minimum public float requirement under the Listing Rules, which will dilute the shareholding of the Independent Shareholders from about 25.02% to 25.00%. Therefore, the immediate dilution effect to the shareholding of the Independent Shareholders is limited and restricted. As such, we consider that the actual dilution effect (i.e. from 25.02% to 25.00%) is very minimal, and therefore the theoretical dilution effect is acceptable.

***Comparison with convertible bonds with extension of maturity date***

We have reviewed the announcements on extension of convertible bonds for their respective maturity by companies listed on the Main Board of the Stock Exchange for one year prior to and including the date of the Last Trading Day. We consider such period represented recent structure of the extension of convertible bonds in the capital market in Hong Kong and allows the Independent Shareholders to have a general understanding of recent extension of convertible bonds being conducted. We identified a list of 9 comparable convertible bonds (the “**Extension Comparables**”) and it is exhaustive as far as we are aware of. Summary of the Extension Comparables is set out as below:

*Table 1: Extension Comparables*

No.	Company name (stock code)	Date of announcement	Outstanding principal amount (HK\$ million)	Interest rate (% per annum)	Months of extension for the term of maturity
1.	Mobvista Inc. (1860)	21 January 2025	233.70	3.50	12
2.	China Aluminum Cans Holdings Limited (6898)	21 February 2025	139.83	—	60
3.	Best Food Holding Company Limited (1488)	3 April 2025	610.68	3.00	25
4.	Hospital Corporation of China Limited (3869)	12 June 2025	773.88	—	24
5.	Hospital Corporation of China Limited (3869)	12 June 2025	468.00	—	24
6.	South China Financial Holdings Limited (619)	6 November 2025	50.00	—	36
7.	South China Financial Holdings Limited (619)	6 November 2025	89.84	2.00	36
8.	South China Holdings Company Limited (413)	6 November 2025	89.84	2.00	36
9.	Starcoin Group Limited (399)	2 December 2025	1,000.03	0.10	60
			<b>Maximum:</b>	<b>3.50</b>	<b>60</b>
			<b>Minimum:</b>	<b>—</b>	<b>12</b>
			<b>Average:</b>	<b>1.18</b>	<b>35</b>
	<b>The Company</b>	2 January 2026		<b>Nil</b>	<b>24</b>

*Source: The Stock Exchange’s website*

*Note:* The amount was stated in United States dollars (“US\$”) and was translated into HK\$ using the exchange rate of US\$1.00 = HK\$7.79



For the Extension Comparables, the extension of maturity date ranged from 12 months up to 60 months. The Extended Maturity Date (i.e. the extension of 24 months) is within the range, and below the average, of the Extension Comparables. Therefore, we consider the Extended Maturity Date is fair and reasonable.

***Comparison with convertible bonds issued recently***

We have further independently reviewed issues of new convertible bonds, which are not for the settlement for acquisition or restructuring, announced by companies listed on the Main Board of the Stock Exchange with market capitalization below HK\$2,000 million as at the date of respective announcement, for one year prior to and including the date of the Last Trading Day. We consider such period represented the general structure of the convertible bonds issued recently in the capital market in Hong Kong, and allows the Independent Shareholders to have a general understanding of recent issues of convertible bonds being conducted. We identified a list of 26 comparables (the “**Comparables**”) which met the said criteria and it is exhaustive as far as we are aware of. Independent Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables.

Table 2: List of Comparables

No.	Company name (stock code)	Date of announcement	Principal amount (HK\$ million)	Market Capitalization on the respective announcement date (HK\$ million)	Conversion premium over/(discount to) the closing price on the last trading day prior to the date of the respective announcement/ agreement	Conversion premium over/(discount to) the average closing price for five trading days prior to including the date of the respective announcement/ agreement	Interest rate (per annum)	Month(s) of the term to maturity	Net assets/ (liabilities) (HK\$ million) <i>note 5</i>	Status	Connected transaction (Yes/No)
1	Zhidao International (Holdings) Limited (1220)	13 January 2025	11.00	178.20	22.20%	0.40%	0.00%	8	188.44	Completed	No
2	HK Asia Holdings Limited (1723)	14 January 2025	33.75	190.00	(5.26)%	(4.26)%	0.00%	24	105.23	Completed	Yes
3	Tibet Water Resources Ltd. (1115)	13 February 2025	138.00	1,556.92	1.47%	0.88%	8.00%	11	3,225.88	Completed	No
4	Standard Development Group Limited (1867)	26 February 2025	37.00	231.57	61.29%	59.03%	4.50%	24	135.15	Lapsed	No
5	Mongolia Energy Corporation Limited (276)	6 March 2025	3,977.79	97.83	25.00%	22.20%	3.00%	36	3,121.17	Completed	Yes
6	Cloudr Group Limited (9955)	10 March 2025	35.06	916.92	48.12%	47.29%	10.00%	24	1,879.93	Completed	No
7	Venus Meditech (Hangzhou) Inc (2500)	20 March 2025	216.00	1,464.16	35.54%	137.59%	10.00%	12	2,967.09	Ongoing	No
8	Eternity Investment Limited (764)	2 April 2025	9.00	206.26	3.33%	1.09%	5.00%	24	1,362.69	Completed	No
9	Wai Chun Group Holdings Limited (1013)	11 April 2025	45.00	25.40	(5.26)%	(16.36)%	2.00%	36	(257.30)	Completed	Yes
10	Wai Chun Bio-Technology Limited (660)	14 April 2025	15.00	14.10	(7.89)%	(13.37)%	2.00%	36	(68.80)	Completed	Yes
11	Daido Group Limited (544)	21 April 2025	45.00	139.28	(19.98)%	(18.90)%	6.00%	36	(22.88)	Completed	No
12	HK Asia Holdings Limited (1723)	23 April 2025	52.38	2,000.00	(19.80)%	(2.91)%	0.00%	36	105.23	Completed	No
13	Sky Light Holdings Limited (3882)	23 May 2025	70.00	1,573.40	41.82%	39.29%	5.00%	12	57.49	Terminated	No
14	Celestial Asia Securities Holdings Limited (1049)	10 June 2025	20.00	84.76	19.05%	19.05%	5.00%	36	57.49	Completed	No
15	Celestial Asia Securities Holdings Limited (1049)	10 June 2025	20.00	84.76	19.05%	19.05%	5.00%	36	3,352.89	N/A <i>note 6</i>	No

No.	Company name (stock code)	Date of announcement	Principal amount (HK\$ million)	Market Capitalization on the respective announcement date (HK\$ million)	Conversion premium over/(discount to) the closing price on the last trading day prior to the date of the respective announcement/ agreement	Conversion premium over/(discount to) the average closing price for five trading days prior to/ including the date of the respective announcement/ agreement	Interest rate to maturity (per annum)	Month(s) of the term to maturity	Net assets/ (liabilities) (HK\$ million) <i>note 5</i>	Status	Connected transaction (Yes/No)
16	Value Convergence Holdings Limited (821)	13 June 2025	5.00	89.11	11.11%	37.93%	1.00%	24	1,063.91	Completed	Yes
17	Sky Light Holdings Limited (3882)	16 June 2025	70.00	1,017.87	54.46%	54.76%	8.00%	18	501.09	Completed	No
18	Elate Holdings Limited (76)	17 July 2025	24.34	105.59	25.00%	(20.08)%	0.00%	72	17.96	Ongoing	Yes
19	Dingyi Group Investment Limited (508)	31 July 2025	980.00	263.71	5.81%	2.82%	2.00%	36	317.47	Ongoing	Yes
20	Pengo Holdings Group Limited (1865)	1 August 2025	120.00	187.86	(14.50)%	(19.30)%	3.00%	12	928.09	Ongoing	No
21	CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED (3963)	3 September 2025	35.00	145.89	0.00%	(0.17)%	2.75%	36	271.90	Ongoing	No
22	Moiselle International Holdings Limited (130)	3 October 2025	25.00	71.99	20.00%	97.10%	2.50%	36	125.21	Completed	Yes
23	DTXS Silk Road Investment Holdings Company Limited (620)	17 October 2025	323.00	720.85	5.56%	6.03%	3.85%	36	785.64	Completed	Yes
24	Synagistics Limited (2562)	29 October 2025	272.65	272.65	7.65%	0.02%	4.50%	12	188.44	Completed	No
25	Sunshine Oilsands Ltd. (2012)	16 November 2025	238.00	215.40	12.54%	0.00%	8.00%	24	105.23	Completed	Yes
26	BeijingWest Industries International Limited (2339)	17 November 2025	409.39	861.51	(34.21)%	(20.00)%	0.00%	12	3,225.88	Completed	No
				Maximum:	61.29%	137.59%	10.00%	72			
				Minimum:	(34.21)%	(20.08)%	0.00%	8			
				Average:	12.00%	16.51%	3.89%	27			
The Company				(36.62)%	(36.08)%	0.00%	0.00%	24	462.00	Ongoing	Yes

Source: The Stock Exchange's website

*Notes:*

1. The amount was stated in US\$ and was translated into HK\$ using the exchange rate of US\$1.00 = HK\$7.79.
2. The amount was stated in Renminbi and was translated into HK\$ using the exchange rate of Renminbi 1.00 = HK\$1.09.
3. The amount was stated in Canadian Dollars and was translated into HK\$ using the exchange rate of Canadian Dollars 1.00 = HK\$5.64.
4. The amount was stated in Singapore Dollars and was translated into HK\$ using the exchange rate of Singapore Dollars 1.00 = HK\$6.08.
5. The respective net assets/(liabilities) of the Comparables as shown in the respective latest annual report or interim report prior to the respective announcement.
6. The progress of the respective convertible bonds cannot be found in the Stock Exchange's website.

***Conversion Price***

During the Review Period, the conversion prices of the Comparables represent a range of a discount of about 34.21% to a premium of 61.29% over the respective closing price per share on the last trading day prior to the date of the respective announcement/agreement in relation to the respective issue of Comparables. The Conversion Price of HK\$0.45 per New Conversion Share (equivalent to HK\$0.045 per Conversion Share, i.e. the New Conversion Price), which represents a discount of about 36.62% to the closing price of HK\$0.071 per Existing Share as quoted on the Stock Exchange on the Last Trading Day, fell out of the range of the Comparables.

In addition, during the Review Period, the conversion price of the Comparables represents a range of a discount of about 20.08% to a premium of 137.59% over the respective average closing price per share for five trading days prior to/including the date of the respective announcement/agreement in relation to the respective issue of convertible bonds. The Conversion Price of HK\$0.45 per New Conversion Share (equivalent to HK\$0.045 per Conversion Share, i.e. the New Conversion Price), which represents a discount of about 36.08% to the average closing price of HK\$0.0704 per Existing Share as quoted on the Stock Exchange for five trading days immediately prior to the date of the Deed of Amendment, fell out of the range of the Comparables.

Despite the discount as calculated by the Conversion Price being outside the range of the Comparables as mentioned above, we note that: (i) the financial position of the Group, as discussed in the section headed “1.2 Financial information of the Group” above, remains weak; (ii) further debt or equity financing may not be readily available in light of the Group’s net current liability position; and (iii) a higher discount to the closing price is required to serve as an incentive for the Bondholders agreeing to the extension of the maturity date, given the Group does not have sufficient cash resources to repay the 2025 Convertible Bonds. Based on the above, we are of the view that the discount of (i) about 36.62% to the closing price of HK\$0.071 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) about 36.08% to the average closing price of HK\$0.0704 per Existing Share as quoted on the Stock Exchange for five trading days immediately prior to the date of the Deed of Amendment are acceptable for the Company and the Shareholders as a whole, including the Independent Shareholders. Furthermore, it should be noted that, the above analysis alone may not be useful as a direct reference to the fairness and reasonableness of the terms of the 2025 Convertible Bonds and we have considered the results of the analysis together with all other factors stated in this letter as a whole in forming our opinion.

#### ***Interest rate***

As shown in the table 2, the interest rates of the Comparables range from 0.0% to 10.0%, with an average of 3.89%. No interest would be charged under the 2025 Convertible Bonds from 1 January 2026 to and including the Extended Maturity Date. Therefore, we consider that the Amendments regarding the interest rate is fair and reasonable, or even favourable to the Company and the Shareholders as a whole.

#### ***Term to maturity***

The terms to maturity of the Comparables range from 8 months to 72 months, with an average of approximately 27 months. According to the Amendments, the maturity date of the 2025 Convertible Bonds is proposed to be extended for 24 months, which is within the range of maturity of the Comparables. Therefore, we consider that the extension is fair and reasonable to the Company and the Shareholders as a whole.

### ***Conversion of outstanding accrued interest***

The proposed conversion allows the Group to avoid an immediate cash outflow at a time when it only had approximately HK\$12 million in cash and cash equivalents and was facing significant net current liabilities of about HK\$1,328 million as at 30 June 2025. The proposed conversion does not increase the Group's financial burden, given that the loan will be interest-free, and is consistent with the overall intention of the Amendments to ease the Group's repayment pressure and reduce its financing costs. As advised by the Company, the Bondholders have agreed not to request for repayment of such loan within 12 months after the date of the Amendments having taken effect. Based on the above, we are of the view that the proposed conversion is expected to help alleviate the Group's short-term liquidity pressure and is therefore considered fair and reasonable.

Taking into account the principal terms of the 2025 Convertible Bonds as discussed above, we are of the view that the terms and conditions of the Deed of Amendment are fair and reasonable to the Company and the Shareholders as a whole.

## **5. Financial effects of the Amendments**

### ***(a) Effects on liquidity***

According to the 2025 Interim Report, the cash and cash equivalents of the Group were approximately HK\$12 million as at 30 June 2025, and the net current liabilities of the Group were approximately HK\$1,328 million as at 30 June 2025. The Amendments would allow the Group to defer cash outflow of HK\$87.92 million that would otherwise be required for repayment.

Having considered the above, we are of the view that the Amendments would help alleviate the liquidity and working capital pressure of the Group upon the maturity of the 2025 Convertible Bonds.

### ***(b) Effects of earnings***

The interest rate of the 2025 Convertible Bonds will be reduced from 4.5% per annum to nil under the Amendments. Accordingly, the Group's future earnings are expected to improve as a result of the corresponding decrease in interest expenses arising from the 2025 Convertible Bonds, which is amounted to approximately HK\$4.0 million per year.

Independent Shareholders should note that the aforementioned analysis is for illustrative purpose only and does not purport to represent how the financial performance and financial position of the Group would be after the Amendments.

## **6. Shareholding structure and possible dilution effect of the 2025 Convertible Bonds**

For details of the shareholding structure of the Company, please refer to the Board Letter.

Upon full conversion of the 2025 Convertible Bonds at the Conversion Price, the 2025 Convertible Bonds will be convertible into 195,377,777 New Conversion Shares (equivalent to 1,953,777,777 Conversion Shares) at the initial conversion price of HK\$0.45 per New Conversion Share (equivalent to HK\$0.045 per Conversion Shares), of which 184,444,444 and 10,933,333 New Conversion Shares may be granted to Treasure Goal and Cheer Fame, respectively, upon exercise of the conversion rights attaching thereto, representing about 122.14% of the total number of issued share capital of the Company as at the Latest Practicable Date and about 54.98% of the total number of issued share capital of the Company as enlarged by the allotment and issue of the New Conversion Shares upon exercise in full of the conversion rights attaching to the 2025 Convertible Bonds and after the Capital Reorganisation becoming effective.

The theoretical dilution effect of the issue of the New Conversion Shares (equivalent to 1,953,777,777 Conversion Shares) calculated based on the benchmarked price of approximately HK\$0.071 is approximately 20.14% and thus the issue of the New Conversion Shares (equivalent to 1,953,777,777 Conversion Shares) will not result in a theoretical dilution effect of 25% or more on its own as referred to under Rule 7.27B of the Listing Rules.

Assuming no outstanding Share Options being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the conversion rights under the 2025 Convertible Bonds are exercised in full, the existing shareholding of the Independent Shareholders will be diluted from about 25.02% as at the Latest Practicable Date to about 11.26% immediately after full conversion of the 2025 Convertible Bonds. The Independent Shareholders should note that there is no right for the Bondholders to convert any principal amount of the 2025 Convertible Bonds and the Company shall not issue any Conversion Shares or New Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares or New Conversion Shares, the Company will not be able to comply with the minimum public float requirement under the Listing Rules.

Despite the potential dilution to the shareholding of the Independent Shareholders, after taking into account that (i) the aforementioned reasons for and benefits of the Deed of Amendment; (ii) the terms of the Deed of Amendment being acceptable; and (iii) the theoretical dilution effect would not result in a dilution effect of 25% or more and result in an immediate dilution effect on the shareholding of the existing Shareholders, we are of the view that the extent of dilution to the shareholding interests of the Independent Shareholders as a result of the full conversion of the 2025 Convertible Bonds is acceptable.

## RECOMMENDATION

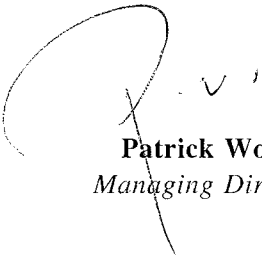
Having taken into account the above principal factors and reasons including but not limited to the followings:

- (i) the Group's financial position, in particular its net current liabilities of approximately HK\$1,328 million and cash and cash equivalents of approximately HK\$12 million as at 30 June 2025, which indicate that the Group did not have sufficient financial capacity to meet the redemption obligation of the 2025 Convertible Bonds upon the original maturity date;
- (ii) the disclaimer of opinion issued by the auditor of the Company regarding the going concern issue as disclosed in the 2024 Annual Report, and the fact that the Amendments would help address part of the going concern disclaimer opinion by postponing cash outflow, reducing financing costs and improving the Group's financial flexibility;
- (iii) the possibility and financial impact of other ways of fund raising method, including debt financing, placing of new shares, and rights issue or open offer, which (a) are not feasible to the Company based on the Group's net current liability position, liquidity constraints, limited accessibility to external financing, higher execution risk, higher cost, and potential immediate dilution; and (b) are not in the interests of the Company and the Shareholders as a whole;
- (iv) the comparison of Conversion price with historical Share prices, noting that the Existing Conversion Price was substantially above the prevailing market price, and that the New Conversion Price was determined with reference to prevailing market conditions, the Group's financial position, the limited trading liquidity of the Shares, and the commercial need to incentivise conversion and facilitate the restructuring of the 2025 Convertible Bonds;
- (v) the comparison with convertible bonds with extension of maturity date, where the 24 month extension under the Deed of Amendment falls within the range and below the average of the Extension Comparables, and is therefore considered fair and reasonable;
- (vi) the comparison with convertible bonds issued recently, where the terms and conditions of the Deed of Amendments are considered acceptable, fair and reasonable;
- (vii) the financial effects of the Amendments, including the extension of the 2025 Convertible Bonds and the reduction of interest rate to 0% per annum, all of which would allow the Group to defer cash outflow; and
- (viii) the possible dilution effect of the 2025 Convertible Bonds, noting that due to public float restrictions, the Bondholders may not be able to convert in full, and that the actual dilution effect (from approximately 25.02% to 25.00%) is very minimal and therefore acceptable,



we are of the view that although the Deed of Amendment and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, they are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution(s) to be proposed at the SGM to approve the Deed of Amendment and the transactions contemplated thereunder including the Specific Mandate.

Yours faithfully,  
For and on behalf of  
**South China Capital Limited**



**Patrick Wong**  
*Managing Director*

Note:

Mr. Patrick Wong is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in advising corporate finance transactions.