

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Far East Holdings International Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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遠東控股國際有限公司
Far East Holdings International Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 36)

**(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED CHANGE IN BOARD LOT SIZE; AND
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE
HELD ON THE RECORD DATE**

Financial Adviser to the Company



Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders

ALTUS CAPITAL LIMITED

Placing Agent to the Rights Issue



A letter from the Board is set out on pages 10 to 42 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 43 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on page 44 to 66 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Wednesday, 18 December 2024. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 3 January 2025 to Friday, 10 January 2025 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Friday, 3 January 2025 to Friday, 10 January 2025 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Unit D, 8/F., Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong on Friday, 13 December 2024 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event so that it is received at least 48 hours before the time appointed (i.e. Wednesday, 11 December 2024 at 11:00 a.m.) for the EGM or any adjournment thereof (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Letter from the Board — Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid Rights Shares together with the ES Unsold Rights Shares will be placed to Independent Places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

22 November 2024

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EXPECTED TIMETABLE

Set out below is the expected timetable for the proposed Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing which is indicative only and has been prepared on the assumption that all the conditions of the Share Consolidation and the Rights Issue will be fulfilled:

| Events | Time and date |
|--|---|
| Latest date and time for lodging transfer documents in order for the transferees to qualify for attending and voting at EGM | 4:30 p.m. on Friday, 6 December 2024 |
| Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive)..... | Monday, 9 December 2024 to Friday, 13 December 2024 |
| Latest date and time for lodging the proxy form for the EGM | 11:00 a.m. on Wednesday, 11 December 2024 |
| Record date for determining entitlements to attend and vote at the EGM | Friday, 13 December 2024 |
| Expected date and time of the EGM to approve the Share Consolidation and the Rights Issue | 11:00 a.m. on Friday, 13 December 2024 |
| Publication of announcement of poll results of the EGM | Friday, 13 December 2024 |
| Re-opening of the register of members of the Company | Monday, 16 December 2024 |
| The following events are conditional upon the results of the EGM and therefore the dates are tentative only. | |
| Effective date of the Share Consolidation..... | Tuesday, 17 December 2024 |
| Commencement of dealings in the Consolidated Shares..... | 9:00 a.m. on Tuesday, 17 December 2024 |
| Original counter for trading in Existing Shares in board lots of 3,000 Existing Shares (in the form of existing share certificates) temporarily closes | 9:00 a.m. on Tuesday, 17 December 2024 |
| Temporary counter for trading in Consolidated Shares in board lots of 300 Consolidated Shares (in the form of existing share certificates) opens | 9:00 a.m. on Tuesday, 17 December 2024 |

EXPECTED TIMETABLE

| Events | Time and date |
|---|---|
| First day for free exchange of existing share certificates into new share certificates for the Consolidated Shares | Tuesday, 17 December 2024 |
| Last day of dealings in Consolidated Shares on a cum-rights basis relating to the Rights Issue | Tuesday, 17 December 2024 |
| First day of dealings in Consolidated Shares on an ex-rights basis relating to the Rights Issue | Wednesday, 18 December 2024 |
| Latest date and time for lodging transfer documents of the Consolidated Shares in order for the transferees to qualify for the Rights Issue..... | 4:30 p.m. on Thursday, 19 December 2024 |
| Closure of register of members to determine the entitlements to the Rights Issue (both dates inclusive) | Friday, 20 December 2024 to Monday, 30 December 2024 |
| Record Date for determining entitlements for the Rights Issue..... | Monday, 30 December 2024 |
| Re-opening of the register of members of the Company | Tuesday, 31 December 2024 |
| Prospectus Documents are made available and/or despatched (as the case may be) to the Qualifying Shareholders (in the case of the Excluded Shareholders, the Prospectus only)..... | Tuesday, 31 December 2024 |
| Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares | 9:00 a.m. on Friday, 3 January 2025 |
| Original counter for trading in Consolidated Shares in board lots of 6,000 Consolidated Shares (in the form of new share certificates) re-opens | 9:00 a.m. on Friday, 3 January 2025 |
| Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates for the Consolidated Shares) commences | 9:00 a.m. on Friday, 3 January 2025 |
| First day of dealings in nil-paid Rights Shares (in the board lot size of 6,000 Rights Shares)..... | Friday, 3 January 2025 |

EXPECTED TIMETABLE

| Events | Time and date |
|---|--|
| Latest time for splitting the PALs | 4:30 p.m. on Tuesday, 7 January 2025 |
| Last day of dealings in nil-paid Rights Shares | Friday, 10 January 2025 |
| Latest time for acceptance of and payment for the Rights Shares | 4:00 p.m. on Wednesday, 15 January 2025 |
| Announcement of the number of the Unsubscribed Rights Shares and ES Unsold Rights Shares subject to the Placing | Wednesday, 22 January 2025 |
| Commencement of the Placing Period (if there are any Unsubscribed Rights Shares and ES Unsold Rights Shares available) | Thursday, 23 January 2025 |
| Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares | 4:00 p.m. on Thursday, 23 January 2025 |
| Temporary counter for trading Consolidated Shares in board lots of 300 Consolidated Shares (in the form of existing share certificates) closes | 4:10 p.m. on Thursday, 23 January 2025 |
| Parallel trading in Consolidated Shares (in the form of both existing share certificates and new share certificates for the Consolidated Shares) ends | 4:10 p.m. on Thursday, 23 January 2025 |
| Latest date and time for free exchange of existing share certificates for the new shares certificate of the Consolidated Shares | 4:00 p.m. on Monday, 27 January 2025 |
| Latest time for placing of Unsubscribed Rights Shares and ES Unsold Rights Shares (if any) | 4:00 p.m. on Monday, 3 February 2025 |
| Latest time for the Rights Issue and placing of Unsubscribed Rights Shares and ES Unsold Rights Shares to become unconditional | 4:00 p.m. on Wednesday, 5 February 2025 |

EXPECTED TIMETABLE

| Events | Time and date |
|--|-----------------------------|
| Announcement of the results of the Rights Issue (including the results of the Placing and the Net Gain) | Tuesday, 11 February 2025 |
| Despatch of share certificates of fully-paid Rights Shares and/or refund cheques, if any, in respect of wholly or partially unsuccessful applications. | Wednesday, 12 February 2025 |
| First day of dealings in fully-paid Rights Shares in the new board lots of 6,000 Rights Shares commence. | Thursday, 13 February 2025 |
| Payment of Net Gain to relevant No Action Shareholders (if any) or Excluded Shareholders (if any) | Thursday, 27 February 2025 |

Note: All times and dates in this timetable refer to Hong Kong local times and dates. In the event that any special circumstances arise, such dates and deadlines may be adjusted by the Board if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) on the website of the Stock Exchange and on the website of the Company as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance will not take place if a tropical cyclone warning signal no. 8 or above, or “extreme conditions” or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 15 January 2025. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 15 January 2025. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place at 4:00 p.m. on Wednesday, 15 January 2025, the dates mentioned in the expected timetable may be affected. The Company will notify the Shareholders by way of announcement on any change to the expected timetable as soon as practicable.

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

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|------------------------------|--|
| “Announcement” | the announcement of the Company dated 11 November 2024 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the Board of Directors |
| “Business Day(s)” | a day (excluding Saturday and Sunday and public holiday) on which licensed banks in Hong Kong are open for general business |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “Change in Board Lot Size” | the proposed change in board lot size of the Shares for trading on the Stock Exchange from 3,000 Existing Shares to 6,000 Consolidated Shares |
| “Company” | Far East Holdings International Limited (遠東控股國際有限公司), a company incorporated in Hong Kong with limited liability whose issued shares are listed on the Stock Exchange (stock code: 36) |
| “Compensatory Arrangements” | the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the section headed “Procedures in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares and the Compensatory Arrangements” in this circular |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consolidated Share(s)” | ordinary shares in the share capital of the Company after the Share Consolidation becoming effective |
| “controlling shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | director(s) of the Company |

DEFINITIONS

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| “EGM” | the extraordinary general meeting of the Company to be convened and held at Unit D, 8/F., Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong on Friday, 13 December 2024 at 11:00 a.m. for the purpose of considering, and, if thought fit, approving, among other things, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder |
| “ES Unsold Rights Share(s)” | the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholders (if any) in nil-paid form that has/have not been sold by the Company |
| “Excluded Shareholder(s)” | those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place |
| “Existing Share(s)” | ordinary share(s) in the share capital of the Company prior to the Share Consolidation becoming effective |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | the independent committee of the Board, comprising all the independent non-executive Directors, which has been established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue and as to voting |
| “Independent Financial Adviser” or “Altus” | Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and as to voting |

DEFINITIONS

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| “Independent Shareholder(s)” | any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules |
| “Independent Third Party(ies)” | third party(ies) independent of and not connected with the Company and any of its connected persons |
| “Independent Placee(s)” | any placee(s) who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and none of the placees shall be a party acting in concert (as defined in the Takeovers Code) with any of them or other placees |
| “Last Trading Day” | Monday, 11 November 2024, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement |
| “Latest Practicable Date” | Tuesday, 19 November 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication |
| “Latest Time for Acceptance” | 4:00 p.m. on Wednesday, 15 January 2025 or such later time or date as may be determined by the Company, being the latest time for acceptance of and payment for the Rights Shares as described in the Prospectus Documents |
| “Latest Time for Termination” | 4:00 p.m. on Wednesday, 5 February 2025, being the latest time to terminate the Placing Agreement |
| “Listing Committee” | has the meaning ascribed to it in the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Net Gain” | the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and ES Unsold Rights Shares placed by the Placing Agent and/or its sub-placing agent(s) under the Placing Agreement) under the Compensatory Arrangements |
| “No Action Shareholders” | Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/or the Excluded Shareholders (if any) |

DEFINITIONS

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| “Overseas Shareholder(s)” | Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong, if any |
| “PAL(s)” | the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue |
| “Placing” | the offer by way of private placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agent(s), to the Independent Placee(s) who and whose ultimate beneficial owners shall not be Shareholder(s) and shall be Independent Third Party(ies), during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement |
| “Placing Agent” | Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO |
| “Placing Agreement” | the placing agreement dated 11 November 2024 and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares |
| “Placing Period” | the period commencing from Thursday, 23 January 2025 and ending at 4:00 p.m. on Monday, 3 February 2025 |
| “PRC” | the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Prospectus” | the prospectus to be despatched to the Shareholders containing details of the Rights Issue |
| “Prospectus Documents” | the Prospectus and PAL |
| “Prospectus Posting Date” | Tuesday, 31 December 2024 or such other date as may be determined by the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders |
| “Public Float Requirement” | the public float requirement under Rule 8.08(1)(a) and Rule 13.32(1) of the Listing Rules |

DEFINITIONS

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| “Qualifying Shareholder(s)” | Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s) |
| “Record Date” | Monday, 30 December 2024 or such other date as may be determined by the Company, being the date for determining entitlements of the Shareholders to participate in the Rights Issue |
| “Registrar” | Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong |
| “Rights Issue” | the proposed issue by way of rights on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents |
| “Rights Share(s)” | up to 217,823,718 Consolidated Shares to be allotted and issued pursuant to the Rights Issue |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | the Existing Share(s) or as the context may require, the Consolidated Share(s) |
| “Share Consolidation” | the proposed consolidation of every ten (10) Existing Shares in issue into one (1) Consolidated Share |
| “Shareholder(s)” | holder(s) of issued Share(s) or the Consolidated Share(s) as the case may be |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | HK\$0.334 per Rights Share |
| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers |
| “Unsubscribed Rights Shares” | the Rights Shares that are not subscribed by the Qualifying Shareholders or holders of nil-paid rights |
| “%” | per cent. |

LETTER FROM THE BOARD



遠東控股國際有限公司
Far East Holdings International Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 36)

Executive Directors:

Mr. Cheung Sze Ming

Non-executive Director:

Mr. Zhu Weiwen

Independent non-executive Directors:

Mr. Mak Ka Wing, Patrick

Mr. Lam Wai Hung

Mr. Lam Cheung Shing, Richard

Registered office:

Unit D1, 8/F.

Kingston International Centre

19 Wang Chiu Road

Kowloon Bay, Hong Kong

22 November 2024

To the Shareholders

Dear Sir or Madam,

**(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED CHANGE IN BOARD LOT SIZE; AND
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE
HELD ON THE RECORD DATE**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing Agreement and the respective transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required under the Listing Rules; and (v) a notice convening the EGM.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) Existing Shares in issue be consolidated into one (1) Consolidated Share.

LETTER FROM THE BOARD

CONDITIONS OF THE SHARE CONSOLIDATION

The Share Consolidation is conditional upon the fulfillment of the following conditions:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under Hong Kong laws (where applicable) and the Listing Rules to effect the Share Consolidation.

Subject to the fulfillment of the conditions of the Share Consolidation, the Share Consolidation is expected to become effective on Tuesday, 17 December 2024, being the second Business Day immediately after the EGM. As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Effects of the Share Consolidation

As at the Latest Practicable Date, 1,089,118,593 Existing Shares have been allotted and issued. Upon the Share Consolidation becoming effective and assuming that no change in the number of Shares in issue from the Latest Practicable Date until the effective date of the Share Consolidation, there will be 108,911,859 Consolidated Shares in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. Other than the relevant expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder. Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

LETTER FROM THE BOARD

Other securities of the Company

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Kingston Securities Limited as a designated broker to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Friday, 3 January 2025 to 4:00 p.m. on Thursday, 23 January 2025. Shareholders who wish to take advantage of this facility should contact Mr. James Lee of Kingston Securities Limited at 72/F., The Center, 99 Queen's Road Central, Central, Hong Kong (telephone number (852) 2298 6378 or by facsimile at (852) 2850 8511) during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Exchange of share certificates for Consolidated Shares

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Tuesday, 17 December 2024 to 4:00 p.m. on Monday, 27 January 2025 (both days inclusive), submit the existing share certificates for the Existing Shares to the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for delivery, trading and settlement purposes.

The colour of the new share certificates for the Consolidated Shares will be in yellow colour in order to distinguish them from the existing share certificates in blue colour.

Listing Application

An application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

LETTER FROM THE BOARD

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” above. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot of 3,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 3,000 Existing Shares to 6,000 Consolidated Shares per board lot upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.0380 per Existing Share (equivalent to the theoretical closing price of HK\$0.3800 per Consolidated Share) as at the Latest Practicable Date, (i) the value of each existing board lot of 3,000 Existing Shares is HK\$114; (ii) the value of each board lot of 3,000 Consolidated Shares would be HK\$1,140 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 6,000 Consolidated Shares would be HK\$2,280 assuming that the Share Consolidation and the Change in Board Lot Size becoming effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

For the avoidance of doubt, if the Share Consolidation and/or the Rights Issue is/are not approved at the EGM, the proposed Change in Board Lot Size will not become effective and the Shares will continue to be traded on the Stock Exchange in board lot of 3,000 Shares.

LETTER FROM THE BOARD

Reasons for the Share Consolidation and the Change in Board Lot Size

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated in September 2024 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

As at the Latest Practicable Date, the closing price per Existing Share is HK\$0.0380, which is considered as trading at extremity as refer to under Rule 13.64 of the Listing Rules. The Board considers that the proposed Share Consolidation and Change in Board Lot Size, resulting in the theoretical closing price of HK\$0.3800 per Consolidated Share (based on the current closing price of HK\$0.0380 per Existing Share as at the Latest Practicable Date) and the expected market value of each board lot of HK\$2,280 (based on board lot size of 6,000 Consolidated Shares and the theoretical closing price of HK\$0.3800 per Consolidated Share), will enable the Company to comply with the trading requirements under the Listing Rules.

It is expected that the Share Consolidation and Change in Board Lot Size will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. The Board believes that it will enhance the corporate image of the Company so as to make investing in the Consolidated Shares more attractive to a broader range of investors and other members of the investing public. In addition, the Share Consolidation is expected to decrease the overall transaction and handling costs of trading in the Shares as a percentage of the market value of each board lot, since most of the banks or securities houses will charge a minimum transaction cost for each securities trade. The Company considers that the Change in Board Lot Size will maintain the trading amount for each board lot at a reasonable level and attract more investors and broaden the shareholder base of the Company.

In view of the above reasons, the Company considers the proposed Share Consolidation and Change in Board Lot Size are justifiable notwithstanding of the potential costs and impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation and Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole and that will not have any material adverse effect on the financial position of the Group nor result in any changes in the relative rights of the Shareholders.

As at the Latest Practicable Date, save for the proposed Rights Issue, the Company has no plan or intention to carry out any equity and/or other corporate actions which may have an effect of undermining or negating the intended purpose of the Share Consolidation and the Change in Board Lot Size in the next twelve (12) months. However, the Board cannot rule out the possibility that the Company may conduct further debt and/or equity fund raising exercises

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when suitable fund-raising opportunities arise in order to support future development of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

PROPOSED RIGHTS ISSUE

The Company proposes subject to, among other things, the Share Consolidation and the Change in Board Lot Size becoming effective, to raise gross proceeds of up to approximately HK\$72.75 million (assuming full subscription under the Rights Issue) by way of a rights issue of up to 217,823,718 Rights Shares at the Subscription Price of HK\$0.334 per Rights Share on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date. Details of the Rights Issue are set out below:

Rights Issue statistics

| | | |
|--|---|--|
| Basis of the Rights Issue | : | two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date |
| Subscription Price | : | HK\$0.334 per Rights Share |
| Number of Existing Shares in issue as at the Latest Practicable Date | : | 1,089,118,593 Existing Shares |
| Number of Consolidated Shares in issue upon the Share Consolidation having become effective | : | 108,911,859 Consolidated Shares |
| Number of Rights Shares | : | up to 217,823,718 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) |
| Number of Consolidated Shares in issue as enlarged by the allotment and issue of the Rights Shares | : | 326,735,577 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) |
| Gross proceeds from the Rights Issue | : | Approximately HK\$72.75 million before expenses (assuming full subscription under the Rights Issue and assuming no change in the number of Consolidated Shares in issue on or before the Record Date) |

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| | | |
|---|---|---|
| Net proceeds from the Rights Issue | : | Approximately HK\$69.55 million after expenses (assuming full subscription under the Rights Issue and assuming no change in the number of Consolidated Shares in issue on or before the Record Date) |
| Net price (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) | : | approximately HK\$0.3193 per Rights Share |
| Rights of excess application and underwriter | : | There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten. |
| Compensatory arrangements | : | Any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to Independent Placees on a best effort basis under the Compensatory Arrangements. Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. |

As at the Latest Practicable Date, the Group has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible into or giving rights to subscribe for, convert or exchange into any Existing Shares or Consolidated Shares, as the case maybe.

Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 217,823,718 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represent (i) 200.00% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) 66.67% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

The Company had approached Kingston Securities Limited (i.e. the Placing Agent) to underwrite the Rights Issue. However, it agreed only to take up the role of Placing Agent to place down the Unsubscribed Rights Shares and ES Unsold Rights Shares, if any, on a best effort basis. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent declined the offer to be an underwriter after considering various factors that, among others, the Placing Agent has recently been more inclined to be a placing agent rather than an underwriter during a period of a weak capital market sentiment.

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In addition, the Company had also approached two other local securities houses but was informed that they had no interest in underwriting the Rights Issue notwithstanding the theoretical dilution effect being close to the maximum of 25% given that the Group is still loss making and has a high gearing ratio.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully-subscribed, any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to Independent Placées on a best effort basis by the Placing Agent under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken-up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

As at the Latest Practicable Date, the Board has not received any information or undertaking from any substantial shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue.

Subscription Price

The Subscription Price is HK\$0.334 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 12.11% to the theoretical closing price of HK\$0.3800 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0380 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) discount of approximately 35.77% to the theoretical closing price of HK\$0.5200 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0520 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

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- (iii) a discount of approximately 35.27% to the theoretical average closing price of approximately HK\$0.5160 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0516 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 37.10% to the theoretical average closing price of approximately HK\$0.5310 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0531 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 15.66% to the theoretical ex-rights price of approximately HK\$0.3960 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the theoretical closing price of HK\$0.5200 per Consolidated Share (after taking into account the effect of the Share Consolidation, based on the closing price of HK\$0.0520 per Existing Share as quoted on the Stock Exchange on the Last Trading Day);
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 23.85%, represented by the theoretical diluted price of approximately HK\$0.3960 per Consolidated Share to the theoretical benchmarked price of HK\$0.5200 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.0520 per Existing Share and the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the Announcement of approximately HK\$0.0518 per Existing Share); and
- (vii) a discount of approximately 80.59% to the consolidated net asset value per Consolidated Share of approximately HK\$1.7204 (based on the consolidated net asset value of the Company as at 30 June 2024 of approximately HK\$187.37 million and the total number of issued Consolidated Shares after the Share Consolidation, which will be 108,911,859 Consolidated Shares).

The Subscription Price was determined by the Company with reference to (i) the prevailing market conditions and weak market sentiment of the capital market in Hong Kong as mentioned below; (ii) the prevailing market price of the Shares; (iii) low liquidity of the Shares for the six months preceding the Last Trading Day with the average daily trading volume of approximately 443,834 Shares, representing approximately 0.04% of the total number of issued Shares as at the Last Trading Day; (iv) the financial position of the Group, in particular, the loss for the year ended 31 December 2023 attributable to owners of the Company of approximately HK\$72.85 million; (v) the high gearing ratio as at 30 June 2024 of approximately 776% (which was calculated by dividing total debts (including the bank borrowing, loan from a non-controlling interest and other loans) over the equity attributable to owners of the Company) as shown in the interim report of the Company for the six months

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ended 30 June 2024; and (vi) the reasons and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” below in this circular.

There is a weak market sentiment of the capital market in Hong Kong recently. The Hang Seng Index, which represents the most widely quoted indicator of the performance of the Hong Kong stock market, stood at 16,788 points on 2 January 2024 and increased to 20,926 points on 8 October 2024, with the liquidity of the capital market shooting up to HK\$11.26 billion. However, as at the Last Trading Day, although the Hang Seng Index remains around 20,426 points, the liquidity of the capital market has significantly decreased to HK\$3.65 billion.

The Board noted the relatively large discount of the Subscription Price as mentioned above. In order to assess the fairness and reasonableness of the terms of the Rights Issue, the Board has identified an exhaustive list of 25 rights issue transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange during the period from 1 July 2024 to the Last Trading Day (the “**Comparable Review Period**”), excluding those rights issue transactions that have been terminated or lapsed. Although the Comparables having rights issue on different bases, engaged in different business or with different financial performance and funding needs, having considered that (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) the analysis is mainly concerned with the principal terms of the rights issues; (iii) an approximately four months period for selection of the Comparables having generated a reasonable sampling size to reflect the market practice regarding rights issue in the recent period; and (iv) the Comparables were sorted out without filtering so the Comparables represent a complete picture of the recent market trends for similar rights issue transactions conducted by other issuers listed on the Stock Exchange, the Board considers the list of Comparables to be representative. In addition, the Board considers that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide the Shareholders with the recent and relevant information in relation to the rights issues to demonstrate the prevailing market practices prior to the Last Trading Day under the prevailing market conditions; and (ii) the Board is able to identify sufficient number of samples of 25 representative Comparables that meet the aforesaid criteria for comparison analysis in such period.

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Set out below is an exhaustive list of the Comparables announced during the Comparable Review Period:

| Company | Stock code | Date of initial announcement | Rights Issue basis | Expected maximum gross proceeds HK\$ million | Premium/(discount) of the subscription price to the closing price per share on the last trading day immediately prior to announcement in relation to the respective rights issue (the "5-Day Discount") % | Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day immediately prior to publication of announcement in relation to the respective rights issue (the "10-Day Discount") % | Premium/(discount) of the subscription price to the average closing price per share for the last ten consecutive trading days immediately up to and including the last trading day immediately prior to publication of announcement in relation to the respective rights issue (the "10-Day Discount") % | Premium/(discount) of the subscription price to the theoretical price per share based on the benchmarked price in relation to the respective rights issue (the "TERP Discount") % | Premium/(discount) of the subscription price to the net assets attributable to owners of the Company in relation to the respective rights issue (the "NAV Discount") % | Theoretical dilution effect (the "Dilution Effect") % | Excess application/Compensatory arrangements | Placing commission |
|---|------------|------------------------------|--------------------|--|---|---|--|---|--|---|--|---|
| Tonking New Energy Group Holdings Limited | 8326 | 2/7/2024 | 1 for 2 | 40.90 | (41.18) | (41.18) | (41.18) | (33.30) | (69.70) | 11.76% | Compensatory arrangements | HK\$100,000 or 1% (whichever is higher) |
| Guan Chao Holdings Limited | 1872 | 12/7/2024 | 4 for 1 | 172.80 | (29.08) | (29.08) | (13.98) | (4.76) | (89.86) | 20.07% | Compensatory arrangements | 0.75% |
| Trendon Holdings Group Limited | 1865 | 19/7/2024 | 4 for 1 | 102.00 | (14.30) | (17.40) | (17.40) | (4.30) | (93.70) | 14.60% | Compensatory arrangements | 1% |
| Roma (Meta) Group Limited | 8072 | 22/7/2024 | 3 for 1 | 25.30 | (23.08) | (24.24) | (Note 6) | (7.41) | (97.23) | 18.18% | Compensatory arrangements | HK\$100,000 + 1.25% |
| Emperor International Holdings Limited | 163 | 31/7/2024 | 1 for 2 | 459.70 | (30.60) | (31.50) | (Note 6) | (23.60) | (96.10) | 10.50% | Excess application | N/A |
| Asia Television Holdings Limited | 707 | 2/8/2024 | 1 for 2 | 71.24 | (46.80) | (46.80) | (45.70) | (37.00) | (Note 3) | 15.60% | Compensatory arrangements | HK\$100,000 + 2% |
| Beijingwest Industries International Limited | 2339 | 22/8/2024 | 1 for 2 | 48.20 | (13.85) | (13.85) | (15.58) | (9.68) | (88.72) | 4.62% | Excess application | N/A |
| Guangdong — Hong Kong Greater Bay Area Holdings Limited | 1396 | 2/9/2024 | 1 for 2 | 62.41 | (22.03) | (21.77) | (26.63) | (15.85) | (90.50) | 8.28% | Excess application | N/A |
| China New Consumption Group Limited | 8275 | 4/9/2024 | 1 for 2 | 24.00 | (5.66) | (7.41) | (9.09) | (4.76) | (61.09) | 2.47% | Compensatory arrangements | HK\$250,000 or 3.5% (whichever is higher) |
| Crown International Corporation Limited | 727 | 9/9/2024 (Note 4) | 1 for 2 | 155.40 | 12.25 | 12.25 | 0.34 | — | 156.52 | (Note 5) | Excess application | N/A |
| Shuang Century Holdings Limited | 103 | 13/9/2024 | 1 for 5 | 129.25 | 10.00 | 8.20 | 7.84 | 8.20 | 62.50 | 6.80% | Excess application | N/A |
| Dragon Rise Group Holdings Limited | 6839 | 13/9/2024 | 1 for 1 | 28.80 | (48.70) | (48.20) | (61.70) | (33.10) | (89.20) | 24.90% | Compensatory arrangements | HK\$100,000 or 1.0% (whichever is higher) |
| Shougang Fushan Resources Group Limited | 639 | 23/9/2024 | 1 for 30 | 427.00 | 1.96 | 2.52 | 2.04 | 1.90 | (21.21) | 0.06% | Excess application | N/A |
| Hatchet Group Limited | 8365 | 23/9/2024 | 3 for 1 | 32.10 | (31.50) | (24.00) | (22.40) | (10.40) | (84.10) | 23.60% | Compensatory arrangements | 0% |
| Innovax Holding Limited | 2680 | 26/9/2024 | 1 for 2 | 12.00 | (67.35) | (68.35) | (70.13) | (59.02) | (83.59) | 22.78% | Compensatory arrangements | 1% |
| China National Culture Group Limited | 745 | 21/10/2024 | 2 for 1 | 15.60 | (31.97) | (31.31) | (25.93) | (13.29) | (Note 6) | 21.31% | Compensatory arrangements | 2% |
| Panda Group Holdings Limited | 8179 | 4/10/2024 | 1 for 2 | 71.70 | (18.70) | (19.42) | (19.83) | (13.29) | (66.10) | 6.23% | Excess application | N/A |
| V & V Technology Holdings Limited | 8113 | 8/10/2024 | 1 for 2 | 24.20 | (31.51) | (26.04) | (18.30) | (23.47) | (32.23) | 10.50% | Excess application | N/A |
| Emmence Enterprise Limited | 616 | 15/10/2024 | 2 for 1 | 62.20 | (8.00) | (24.34) | (25.99) | (2.85) | (98.98) | 21.30% | Excess application | N/A |
| Good Holdings Limited | 1676 | 18/10/2024 | 1 for 2 | 30.80 | 37.90 | 38.90 | 30.30 | 12.10 | (65.50) | — | Compensatory arrangements | 1% |
| Kingsley Financial International (Holdings) Limited | 1468 | 18/10/2024 (Note 7) | 1 for 2 | 417.51 | (2.56) | (6.17) | (2.49) | (Note 6) | 87.58 | 2.06% | Excess application | N/A |
| China 33 Media Group Limited | 8087 | 21/10/2024 | 3 for 2 | 19.40 | (7.41) | (8.54) | (9.64) | (3.23) | (Note 6) | 5.12% | Compensatory arrangements | HK\$100,000 or 1.5% (whichever is higher) |
| IRC Limited | 1029 | 22/10/2024 | 1 for 2 | 362.09 | (15.00) | (17.20) | (20.40) | (10.50) | (67.30) | 4.90% | Excess application | N/A |
| Yuzhou Group Holdings Company Limited | 1628 | 31/10/2024 | 49 for 100 | 112.20 | (73.68) | (72.99) | (73.86) | (65.27) | (Note 3) | 24.23% | Excess application | N/A |
| China Water Industry Group Limited | 1129 | 6/11/2024 | 1 for 1 | 93.68 | (49.85) | (49.54) | (49.54) | (33.20) | (93.95) | 24.92% | Compensatory arrangements | 2% |
| Minimum | | | | 12.00 | (73.68) | (72.99) | (73.86) | (65.27) | (98.98) | 0.00% | | |
| Mean | | | | 62.41 | (20.00) | (24.00) | (18.30) | (10.45) | (88.59) | 11.13% | | |
| Max | | | | 459.70 | 37.90 | 38.90 | 30.30 | 12.10 | 156.52 | 24.92% | | |
| Average | | | | 120.02 | (22.16) | (22.10) | (22.61) | (16.11) | (58.21) | 12.70% | | |
| The Company | | | | 72.75 | (35.77) | (35.27) | (37.10) | (15.66) | (80.59) | 23.85% | Compensatory arrangements | 2.5% |

Source: the website of the Stock Exchange

Notes:

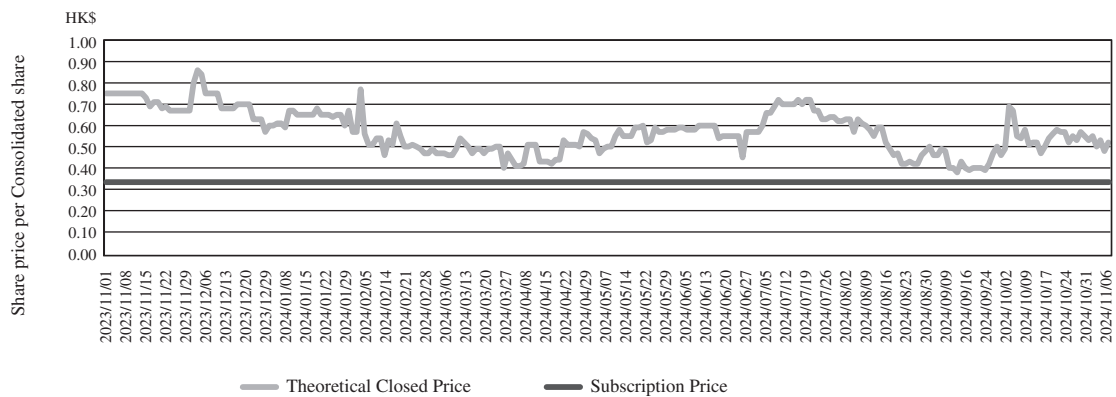
- The dilution effect represented by the theoretical diluted price per share of the respective Comparables to the theoretical benchmarked price per share of the respective Comparables (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the last trading day of per share of the respective Comparables and the average closing prices per share of the respective Comparables as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the publication of the announcement.
- It represented a discount to the theoretical benchmarked price per consolidated share (after taking into account the effect of the share consolidation) based on the benchmarked price per existing share.
- The company was in a net deficit position based on the information disclosed in its announcement.
- The company announced a classification announcement on 10 September 2024 in relation to the classification on the subscription price and the results of such classification.
- Based on the announcement of the Company, the rights issue was in compliance with the theoretical dilution limit under Rule 7.27B of the Listing Rules but no disclosure on the percentage of the theoretical dilution effect.
- No disclosure was made on the announcement.
- The Company announced a supplemental announcement on 4 November 2024 in relation to the revision of the subscription price.

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It is observed that the discounts of the LTD Discount, 5-Day Discount, 10-Day Discount, TERP Discount and the NAV Discount of approximately 35.77%, 35.27%, 37.10%, 15.66% and 80.59%, respectively, are within the market range of the Comparables. The discounts are lower than the minimum of the respective Comparables which are approximately 73.68%, 72.99%, 73.86%, 65.27% and 98.98% and higher than the median of the respective Comparables, which are approximately 20.00%, 24.00%, 18.30%, 10.45% and 88.59%, respectively. The discounts are also higher than most of the average of the respective Comparables of approximately of 22.16%, 22.10%, 22.61%, 16.11% and 58.21%, respectively. The theoretical dilution effect of approximately of 23.85% is similar with the maximum of the Comparables of approximately of 24.92%. The Board believes that it is reasonable to offer discount for the Subscription Price to promote its attractiveness given the generally thin average daily trading volume for the six months preceding the Last Trading Day as mentioned above.

In order to assess the fairness and reasonableness of the Subscription Price, the Board has performed a review on the theoretical closing prices of the Consolidated Share (after taking into account the effect of the Share Consolidation) from 1 November 2023 to the Last Trading Day (the “**Share Price Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. The Board considered that the Share Price Review Period is a reasonably long period covering the annual operating cycle of the Company for analysis purpose to illustrate the general trend and level of movement of the theoretical closing price of the Consolidated Shares and thus the Share Price Review Period is fair and representative to reflect the market assessment on the financial performance of the Group and the general market sentiment.

Chart 1: Historical theoretical closing prices of the Consolidated Shares during the Share Price Review Period



Source: website of the Stock Exchange

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As shown in Chart 1, the theoretical closing price of the Consolidated Shares during the Share Price Review Period showed a decreasing trend in general from the highest theoretical closing price of HK\$0.860 per Consolidated Share on 4 December 2023 to the lowest theoretical closing price of HK\$0.380 on 13 September 2024, which represents a decrease of approximately 55.81%. The average theoretical closing price over the Share Price Review Period is approximately HK\$0.571 per Consolidated Share.

During the Share Price Review Period, there were 253 trading days in total. However, there were 88 trading days with no trading record for the Existing Shares. The percentage of the average daily trading volume of the Existing Shares over total number of Existing Shares in issue were in the range of approximately 0.0033% to approximately 0.1101% with an average of approximately 0.0330%. Given that the theoretical closing price of the Consolidated Shares showed a decreasing trend in general and the trading liquidity of the Shares was relatively thin during the Share Price Review Period as discussed above, the Board considered that it is reasonable for the Subscription Price to be set at an attractive discount to the prevailing closing prices of the Shares in order to raise the fund amount as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” below.

In addition, the Board considers, despite the potential dilution impact of the proposed Rights Issue of approximately 23.85% on the shareholding of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Rights Issue under the non-underwritten basis is in compliance with the Listing Rules; (ii) the Company had used its best endeavors to approach three securities firms to act as underwriters but all of them declined the offers; (iii) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (iv) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; (v) the proceeds from the Rights Issue can fulfil the funding needs of the Group; and (vi) the reasons for and benefits of the of the Rights Issue as mentioned in the section headed “Reasons for and benefits of the Rights Issue and use of Proceeds” below.

Qualifying Shareholders

The Company will make available the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, subject to the results of the enquiries made by the Company from such legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may make available copies of the Prospectus to them for their information only, but no PAL will be sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be an Excluded Shareholder.

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Beneficial owners whose Shares are held by nominee companies (or held in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by nominee companies (or held in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of the Consolidated Share(s) (with the relevant share certificates) for registration with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, by 4:30 p.m. on Thursday, 19 December 2024.

The last day of dealing in the Shares on cum-rights basis is Tuesday, 17 December 2024. The Shares will be dealt with on an ex-rights basis from Wednesday, 18 December 2024.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue. The Company will send the Prospectus (without the PAL) to the Excluded Shareholders for their information only. For the avoidance of doubt, the Overseas Shareholders, if any, are entitled to attend and vote at the EGM.

The Company notes the requirements specified in the notes to Rule 13.36(2)(a) of the Listing Rules, and is in the process of making reasonable enquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders present on the Record Date. If, after such enquiries, the Company is of the opinion that it would be necessary or expedient, on account of the legal restrictions or prohibitions under the laws of the relevant jurisdictions or any requirements of the relevant regulatory body or stock exchange in such jurisdictions, not to offer the Rights Shares to the relevant Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Such Overseas Shareholders will be regarded as Excluded Shareholders and will not qualify for the Rights Issue. The basis of exclusion of Excluded Shareholders, if any, will be disclosed in the Prospectus.

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As at the Latest Practicable Date, there are 24 Overseas Shareholders with the following shareholding structure:

| Jurisdiction | Number of Overseas Shareholder(s) | Aggregated number of Shares held by Overseas Shareholder(s) in the jurisdiction | Approximate % of the issued share capital of the Company (note) |
|--------------------------|--|--|--|
| Australia | 1 | 104 | 0.0000% |
| Canada | 1 | 1,848 | 0.0002% |
| PRC | 1 | 4,400 | 0.0004% |
| United Kingdom | 3 | 184 | 0.0000% |
| Macau | 14 | 32,848 | 0.0030% |
| Philippines | 1 | 1,170 | 0.0001% |
| United States of America | 3 | 1,630 | 0.0001% |
| | 24 | 42,184 | 0.0039% |

Note: The percentage figures have been subject to rounding adjustment. Any discrepancies between totals and sums of amount listed herein are due to rounding adjustment.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to the notes to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) Consolidated Share in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

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Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. There will be no excess application arrangements in relation to the Rights Issue.

No fractional entitlements to the Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date, no fractional entitlements to the Rights Shares shall arise under the Rights Issue. No odd lot matching services in relation to the Rights Issue will be provided.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 12 February 2025. If the Rights Issue does not become unconditional, refund cheques are expected to be posted on or before Wednesday, 12 February 2025 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and ES Unsold Rights Shares to Independent Placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 11 November 2024 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the Independent Placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares during the Placing Period to Independent Placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is capitalized will be paid to those No Action Shareholders on a pro rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 3 February 2025, subscribers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares. Any Unsubscribed Rights

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Shares and the ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefits.

Placing Agreement for the Unsubscribed Rights Shares and the ES Unsold Rights Shares

Principal terms of the Placing Agreement are as follows:

| | | |
|---------------|---|---|
| Date | : | 11 November 2024 (after trading hours of the Stock Exchange) |
| Issuer | : | The Company |
| Placing Agent | : | Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on a best effort basis, Independent Placees to subscribe for the Unsubscribed Rights Shares and ES Unsold Rights Shares during the Placing Period. |

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent is ultimately controlled by Mrs. Chu Yuet Wa, who is a substantial shareholder of a subsidiary of the Company. Therefore, the Placing Agent is an associate (as defined in the Listing Rules) of Mrs. Chu Yuet Wa and is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

- Placing Period : The period commencing from Thursday, 23 January 2025 and ending at 4:00 p.m. on Monday, 3 February 2025.
- Commission and expenses : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong Dollars, of 2.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement. Assuming none of the Qualifying Shareholders has taken up their entitled Rights Shares and all Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placed Agent, the total placing commission will be approximately HK\$1.82 million in cash to be deducted from the gross proceeds of the Rights Issue.
- Placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and the ES Unsold Rights Shares shall be not less than the Subscription Price. The final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and ES Unsold Rights Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and ES Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and none of the placees shall be a party acting in concert (as defined in the Takeovers Code) with any of them or other placees.

The Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing. The Company will continue to comply with the Public Float Requirement upon completion of the Placing and the Rights Issue.

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- Ranking of the placed Unsubscribed Rights Shares and ES Unsold Rights Shares : The placed Unsubscribed Rights Shares and ES Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue as at the date of completion of the Rights Issue.
- Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
 - (ii) the Share Consolidation and Change in Board Lot Size having become effective;
 - (iii) the passing of all necessary resolutions to be proposed at the EGM to be convened to consider and, approve, among others, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder;
 - (iv) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
 - (v) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and

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(vi) the Placing Agreement not having been terminated accordance with the provisions thereof.

Save for condition (v) which may be waived by either party by notice in writing to the other party, none of the above conditions is capable of being waived.

The condition (v) above being waivable may confer flexibility on the parties to proceed with completion of the Placing despite any minor breach of the representations, warranties or undertakings under the Placing Agreement, if any, which would not have any material adverse impact on the Rights Issue and/or the Placing. That said, neither party to the Placing Agreement intended to waive condition (v) above as at the Latest Practicable Date.

In the event that the above condition precedents have not been fulfilled or waived (as the case may be) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the approvals from the Board and the board of directors of the Placing Agent authorising the entering into of the Placing Agreement, there were no consents and approvals as mentioned in condition (iv) above being required to be obtained by the Placing Agent and/or the Company in respect of the Placing Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, save for condition (iv), none of the above conditions has been fulfilled or waived (as the case may be).

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Termination : Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Rights Shares and the ES Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or

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- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
- (v) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (vi) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

Basis of the placing commission

The engagement between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the

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Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

To assess the fairness and reasonableness of the placing commission under the Compensatory Arrangements, the Board identified an exhaustive list of 13 placing comparables (the “**Placing Comparables**”) during the Comparable Review Period (excluding 12 Comparables that were involved in excess application for the rights issue, as opposed to the case where the Company provides compensatory arrangements). Details of the Comparables (including the Placing Comparables) are set out in the paragraph headed “Subscription Price” under the section headed “Proposed Rights Issue”.

Having considered that (i) all of the Placing Comparables and the Company are listed on the Stock Exchange; (ii) the analysis is mainly concerned with the placing commission; (iii) an approximately four months period for the selection of the Comparables has generated a reasonable sampling size to reflect the market practice regarding the compensatory arrangements under rights issues in the recent period; and (iv) the Placing Comparables were directly sorted out in the Comparable Review Period without filtering such that the Placing Comparables represent a complete picture of the recent market practice on the placing commission payable by the company under the compensatory arrangements as compared to the rights issue transactions conducted by other issuers listed on the Stock Exchange, the Board considers the list of Placing Comparables to be representative. In addition, the Board considers that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide the Shareholders with the recent and relevant information in relation to the compensatory arrangements under the rights issues to demonstrate the prevailing market practices prior to the Last Trading Day under the prevailing market conditions; and (ii) the Board is able to identify sufficient number of samples of 13 representative Placing Comparables that meet the aforesaid criteria for comparison analysis in such period.

Based on the 13 Placing Comparables, the expected maximum gross proceeds from the Placing Comparables ranged from HK\$12.00 million to HK\$172.80 million, with an average of approximately HK\$51.43 million, where the size of the fundraising of the Company is within the range of the Placing Comparables. Among the Placing Comparables, the placing agent of the subject companies for the relevant rights issue charged a commission ranging from nil to 3.5%, or with a minimum charge ranging from HK\$100,000 to HK\$250,000. The commission of 2.5% charged by the Placing Agent is within the range of the Placing Comparables. The Board (including the independent non-executive Directors) consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares (including the placing commission) are (i) fair and reasonable; (ii) on normal commercial terms or better; and (iii) in the interests of the Company and its Shareholders as a whole.

As explained above, the Unsubscribed Rights Shares and the ES Unsold Rights Shares will be placed by the Placing Agent and/or its sub-placing agent(s) to Independent Placees on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and ES Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

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The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole:

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and ES Unsold Rights Shares will be first offered to Independent Placées and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by the licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing shares. The terms and the conditions of the Placing Agreement (including the placing commission) are normal commercial terms or better, and in the best interest of the Company and the Shareholders as a whole; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Excluded Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the Company.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges other than the Stock Exchange.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lot size of 6,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

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Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the passing of all the necessary resolution(s) at the EGM to be convened to consider and, approve, among others, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders or the Independent Shareholders (as the case may be);
- (ii) the Share Consolidation and the Change in Board Lot Size having become effective;
- (iii) the delivery to the Stock Exchange for capitalization and the registration with the Registrar of Companies in Hong Kong respectively one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached hereto) in electronic format and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;
- (iv) the Prospectus Documents are made available to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;

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- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms;
- (vi) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events; and
- (vii) compliance with the requirements under the applicable laws and regulations of Hong Kong.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of the conditions of the Rights Issue set forth above. In the event that the Rights Issue is not fully subscribed and provided the Placing Agreement has not been terminated in accordance with the provisions thereof, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid Rights Shares together with the ES Unsold Rights Shares will be placed to Independent Placees on a best effort basis under the Compensatory Arrangements. In the event of any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Compensatory Arrangements, the Rights Issue will continue to proceed but such Unsubscribed Rights Shares or ES Unsold Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Meanwhile, in the event that the Rights Issue is not fully subscribed and the Placing Agreement is terminated for whatever reasons, the Rights Issue will not proceed. For the avoidance of doubt, given the Placing will be proceeded on a best effort basis, there is no guarantee that all the Unsubscribed Rights Shares or ES Unsold Rights Shares could eventually be successfully placed by the Placing Agent.

CLOSURE OF REGISTER OF MEMBERS FOR EGM

The register of members of the Company will be closed from Monday, 9 December 2024 to Friday, 13 December 2024 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

CLOSURE OF REGISTER OF MEMBERS FOR RIGHTS ISSUE

The register of members of the Company will be closed from Friday, 20 December 2024 to Monday, 30 December 2024 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company mainly engaged in property investment. The Company operates its business through two segments, comprising the property investment segment and the securities investment segment. The property investment segment is focus on commercial units located in Hong Kong, while the securities investment segment is involved in short term securities investment.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$72.75 million and the relevant expenses would be approximately HK\$3.20 million. The net subscription price per Rights Share is expected to be approximately HK\$0.3193. Accordingly, the maximum net proceeds (after deducting the estimated expenses) of the Rights Issue are estimated to be approximately HK\$69.55 million.

The Company intends to use approximately HK\$44.00 million (representing approximately 63.26%) of the net proceeds from the Rights Issue for the partial repayment of a loan due to Mrs. Chu Yuet Wah (“**Mrs. Chu**”) (who is a substantial shareholder of a subsidiary of the Company), while the remaining HK\$25.55 million (representing approximately 36.74%) will be used for the Group’s general working capital.

In the event that there is an undersubscription of the Rights Issue, the use of proceeds raised from the Rights Issue will be allocated on a pro-rata basis for the purpose as disclosed above, i.e., (i) approximately 63.26% of the net proceeds from the Rights Issue will be used for the partial repayment of a loan due to Mrs. Chu; and (ii) approximately 36.74% of the net proceeds from the Rights Issue will be used for the Group’s general working capital.

Funding needs of the Group

According to the Company’s interim report for the six months ended 30 June 2024, the Group’s total assets amounted to approximately HK\$867.51 million, which were financed by current liabilities of approximately HK\$680.13 million and capital and reserves of approximately HK\$187.37 million. The gearing ratio, expressed as a percentage of total debts (including the bank borrowing, loan from a non-controlling interest and other loans) to equity attributable to owners of the Company was 776% as at 30 June 2024, representing an increase of approximately 606.9% compared to the gearing ratio of 169.1% as at 31 December 2023. However, the Group’s current assets as at 30 June 2024, which mainly included held-for-trading investment and bank balance and cash, were approximately HK\$4.83 million only.

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As mentioned in the Announcement, there was a loan in the amount of approximately HK\$49.43 million with interest rate of 15% per annum falling due. Such loan has been extended to a maturity date falling on 9 January 2026, on the condition that part of the net proceeds (i.e., approximately HK\$44.00 million if the Rights Issue is fully-subscribed; or approximately 63.26% of the net proceeds if the Rights Issue is undersubscribed) from the Rights Issue will be used to settle the loan upon the completion of the Rights Issue. The loan will be repaid wholly or partly upon completion of Rights Issue on or before 12 February 2025 based on the use of proceeds as mentioned above. In view of the Group's bank balance and cash of approximately HK\$1.98 million as at the Latest Practicable Date, the Directors consider that there is a need for the Group to raise funds to lower its debts and maintain its working capital.

In the event that the Rights Issue is not fully-subscribed, as at the Latest Practicable Date, the Company has no plan or intention to conduct other fundraising activities in the next twelve (12) months. However, the Board cannot rule out the possibility that the Company may conduct further debt and/or equity fund raising exercises when suitable fund-raising opportunities arise in order to support future development of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

Rights Issue as the preferred fund raising activity of the Group

The Board has considered various ways of raising funds and believes that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs.

The Board has considered other fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, given high gearing ratio of the Group, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue and offer Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

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The Board (excluding the Independent non-executive Directors who will give their view after taking into consideration of the advice of the Independent Financial Adviser) considers that the terms of the Rights Issue are fair and reasonable and raising funds through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation; (iii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders; and (iv) immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholders, for illustration purposes only:

| Shareholders | As at the Latest Practicable Date | | Immediately upon completion of the Share Consolidation | | Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders | | Immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders and the Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placing Agent | |
|---------------------|--------------------------------------|---------------|--|---------------|--|---------------|--|---------------|
| | <i>No. of issued shares</i> | % | <i>No. of issued shares</i> | % | <i>No. of issued shares</i> | % | <i>No. of issued shares</i> | % |
| Public shareholders | 1,089,118,593 | 100.00 | 108,911,859 | 100.00 | 326,735,577 | 100.00 | 108,911,859 | 33.33 |
| Independent Places | — | — | — | — | — | — | 217,823,718 | 66.67 |
| | <u>1,089,118,593</u> | <u>100.00</u> | <u>108,911,859</u> | <u>100.00</u> | <u>326,735,577</u> | <u>100.00</u> | <u>326,735,577</u> | <u>100.00</u> |

Note:

- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

The public float requirement under Rule 8.08 of the Listing Rules shall be fulfilled by the Company at all times. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 8.08 of the Listing Rules.

FUND RAISING EXERCISE IN THE PAST 12 MONTHS

The Company had not conducted any other equity fund-raising activities in the past twelve months immediately prior to the Latest Practicable Date.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

In compliance with Rules 7.19A and 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM at which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, there are no controlling shareholders. As such, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM.

As disclosed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” above, approximately HK\$44.00 million (representing approximately 63.26%) of the net proceeds from the Rights Issue is expected to be utilised for the partial repayment of a loan due to Mrs. Chu, and thus, Mrs. Chu is considered to be interested in the Rights Issue. As at the Latest Practicable Date, Mrs. Chu is interested in an aggregate of 54,245,000 Existing Shares, of which (i) 3,861,000 Existing Shares, representing approximately 0.35% of the entire issued share capital of the Company, were held by Kingston Finance Limited, which is wholly and beneficially owned by Mrs. Chu; and (ii) 50,384,000 Existing Shares, representing approximately 4.63% of the entire issued share capital of the Company, were held by Turbo Kingdom International Limited, which is wholly and beneficially owned by Mrs. Chu. As such, Kingston Finance Limited and Turbo Kingdom International Limited, each being an associate of Mrs. Chu, shall abstain from voting on the resolution approving the Rights Issue at the EGM.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, none of the Directors and the chief executive of the Company and their respective associates is interested in any Shares as at the Latest Practicable Date. Save as disclosed above, no Shareholders, Directors, chief executive of the Company and their respective associates are required under the Listing Rules to abstain from voting in favour of the resolution approving the Rights Issue at the EGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Placing Agent is ultimately controlled by Mrs. Chu, who is a substantial shareholder of a subsidiary of the Company. Therefore, the Placing Agent is an associate (as defined in the Listing Rules) of Mrs. Chu and is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Accordingly, the engagement of the Placing Agent in consideration of placing commission under the Placing Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the percentage ratios (as defined in the Listing Rules) (other than the profit ratio) of the Placing Agreement are less than 25% and the total consideration is less than HK\$10,000,000, the Placing Agreement and the transactions contemplated thereunder fall below the de minimus threshold as stipulated under Rule 14A.76(2) of the Listing Rules, and therefore are subject to reporting and announcement requirements but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that although the Placing Agreement was not entered into in the ordinary and usual course of business of the Group and, the terms of the Placing Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company the Shareholders as a whole.

None of the Directors has a material interest in the Placing Agreement and the transaction contemplated thereunder and therefore no Director is required to abstain from voting on the Board resolution(s) of the Company to approve the Placing Agreement and the transactions contemplated thereunder. The Placing Agreement and the transaction contemplated thereunder are approved by the Board.

GENERAL

The EGM will be convened for the Shareholders and the Independent Shareholders (as the case may be) to consider and, if thought fit, approve the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder. The register of members of the Company will be closed from Monday, 9 December 2024 to Friday, 13 December 2024 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

In order to be registered as a member of the Company on the record date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar for registration by no later than 4:30 p.m. (Hong Kong time) on Friday, 6 December 2024.

LETTER FROM THE BOARD

The Company will make available the Prospectus Documents containing, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and PAL(s) to the Qualifying Shareholders on or before Tuesday, 31 December 2024. The Company may, to the extent reasonably practicable and legally permitted and subject to the results of the enquiries made by the Company from such legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, make available the Prospectus to the Excluded Shareholders (if any) for their information only, but the Company will not send the PAL to the Excluded Shareholders (if any).

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 18 December 2024. Dealings in the Rights Shares in nil-paid form in the new board lot of 6,000 Rights Shares are expected to take place from Friday, 3 January 2025 to Friday, 10 January 2025 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed “Conditions of the Rights Issue” in this announcement above.

Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any Shareholder or other person dealings in the Shares and/or the nil-paid Rights Shares up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

RECOMMENDATIONS

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Mak Ka Wing, Patrick, Mr. Lam Wai Hung and Mr. Lam Cheung Shing, Richard has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the advice from the Independent Financial Adviser. Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, in particular, as to whether the terms of the Rights Issue are fair and reasonable. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

LETTER FROM THE BOARD

Your attention is drawn to the letter from the Independent Board Committee set out on page 43 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 44 to 66 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that proposed Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution approving the Share Consolidation to be proposed at the EGM. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution approving the Rights Issue to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

For and on behalf of
Far East Holdings International Limited
Cheung Sze Ming
Executive Director



遠東控股國際有限公司
Far East Holdings International Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 36)

22 November 2024

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE
HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 22 November 2024 (the “**Circular**”) of which this letter forms part. Unless otherwise defined, Capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 44 to 66 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 10 to 42 of the Circular. Having considered the factors and reasons considered by, and the opinion of, the Independent Financial Adviser as set out in its letter of advice to the Independent Shareholders and the Independent Board Committee on pages 44 to 66 of the Circular, we are of the opinion that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Rights Issue.

*Yours faithfully,
For and on behalf of*

The Independent Board Committee

Mr. Mak Ka Wing, Patrick

Mr. Lam Wai Hung

**Mr. Lam Cheung Shing,
Richard**

Independent non-executive Directors
Far East Holdings International Limited

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, which has been prepared for the purposes of incorporation in this circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

22 November 2024

To the Independent Board Committee and the Independent Shareholders

Far East Holdings International Limited
Unit D1, 8/F
Kingston International Centre
19 Wang Chiu Road
Kowloon Bay, Hong Kong

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 22 November 2024 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Company proposes to raise gross proceeds of up to approximately HK\$72.75 million (assuming full subscription under the Rights Issue) by issuing up to 217,823,718 Rights Shares at the Subscription Price of HK\$0.334 per Rights Share (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholder(s) (if any).

There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten. Any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to Independent Placees on a best effort basis under the Compensatory Arrangements. Any of the Rights Shares which remain unsold in the market will not be issued

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

by the Company and the size of the Rights Issue will be reduced accordingly. On 11 November 2024 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to Independent Placees on a best effort basis.

LISTING RULES IMPLICATIONS

In compliance with Rules 7.19A and 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Last Practicable Date, there are no controlling shareholders. As such, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM.

As at the Last Practicable Date, the Placing Agent is ultimately controlled by Mrs. Chu Yuet Wa, who is a substantial shareholder of a subsidiary of the Company. Therefore, the Placing Agent is an associate (as defined in the Listing Rules) of Mrs. Chu Yuet Wa and is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Accordingly, the engagement of the Placing Agent in consideration of placing commission under the Placing Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the percentage ratios (as defined in the Listing Rules) (other than the profit ratio) of the Placing Agreement are less than 25% and the total consideration is less than HK\$10,000,000, the Placing Agreement and the transactions contemplated thereunder fall below the de minimis threshold as stipulated under Rule 14A.76(2) of the Listing Rules, and therefore are subject to reporting and announcement requirements but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Mak Ka Wing, Patrick, Mr. Lam Wai Hung and Mr. Lam Cheung Shing, Richard has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the resolutions at the EGM in relation to the Rights Issue, taking into account the recommendations of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the Rights Issue are

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the resolution at the EGM in relation to the Rights Issue.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Rights Issue is at market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report**”); (ii) the interim report of the company for the six months ended 30 June 2024 (the “**Interim Report**”); and (iii) other information contained or referred to in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any of such statements, information, opinions or representations are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

The Company is an investment holding company mainly engaged in property investment. The Company operates its business through two segments, comprising the property investment segment and the securities investment segment. The property investment segment is focus on commercial units located in Hong Kong, while the securities investment segment is involved in short term securities investment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.1 Financial information of the Group

Set out below is a summary of financial information of the Group extracted from the Annual Report and Interim Report:

Extract of the Group's consolidated statement of profit or loss

| | For the year ended 31 December 2023 ("FY2023") <i>(audited)</i> HK\$'000 | For the year ended 31 December 2022 ("FY2022") <i>(audited)</i> HK\$'000 | For the six months ended 30 June 2024 ("1H2024") <i>(unaudited)</i> HK\$'000 | For the six months ended 30 June 2023 ("1H2023") <i>(unaudited)</i> HK\$'000 |
|-----------------------------|--|--|--|--|
| Revenue | 9,256 | 4,696 | 6,746 | 4,024 |
| Other gains and losses, net | (83,120) | (84,530) | (487,540) | 690 |
| Finance costs | (40,799) | (20,498) | (23,511) | (17,781) |
| Loss for the year/period | (122,582) | (107,980) | (506,910) | (17,564) |

Source: Annual Report and Interim Report

Extract of the Group's consolidated statement of financial position

| | As at 31 December 2022 <i>(audited)</i> HK\$'000 | As at 31 December 2023 <i>(audited)</i> HK\$'000 | As at 30 June 2024 <i>(unaudited)</i> HK\$'000 |
|---|--|--|--|
| Non-current assets | 1,434,764 | 1,348,070 | 862,674 |
| <i>Investment properties</i> | 1,418,100 | 1,331,800 | 846,600 |
| Current assets | 7,001 | 7,812 | 4,834 |
| <i>Bank balances and cash</i> | 762 | 1,670 | 1,014 |
| Current liabilities | (624,899) | (661,598) | (680,134) |
| <i>Bank borrowing</i> | (431,079) | (410,551) | (400,288) |
| <i>Loan from a non-controlling interest</i> | (152,700) | (152,700) | (152,700) |
| <i>Other loans</i> | (4,000) | (27,200) | (38,911) |
| Net current liabilities | (617,898) | (653,786) | (675,300) |
| Net assets | 816,866 | 694,284 | 187,374 |
| Gearing ratio (<i>Note</i>) | 139.3% | 169.1% | 776.0% |

Source: Annual Report and Interim Report

Note: Gearing ratio is calculated on the basis of the Group's total debts (including the bank borrowing, loan from a non-controlling interest and other loans) divided by equity attributable to owners of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2023 compared to FY2022

The Group's revenue is derived from property rental income. The increase in revenue from approximately HK\$4.70 million in FY2022 to approximately HK\$9.26 million in FY2023 was mainly due to new leases by tenants for the Group's property located at Silver Fortune Plaza, 1 Wellington Street, Hong Kong.

The Group's other losses amounting to approximately HK\$83.12 million for FY2023 and HK\$84.53 million for FY2022 were primarily derived from fair value losses on the Group's investment properties; the Group's fair value loss on investment properties amounts to approximately HK\$86.30 million and HK\$79.70 million for FY2023 and FY2022 respectively.

The increase in finance cost from approximately HK\$20.50 million in FY2022 to approximately HK\$40.80 million in FY2023 was primarily due to increases in interest rates on the Group's bank borrowing and loan from a non-controlling interest. Interest on bank borrowing amounted to approximately HK\$23.35 million and HK\$10.36 million in FY2023 and FY2022 respectively, while interest on loan from a non-controlling interest amounted to approximately HK\$15.15 million in FY2023 and HK\$8.13 million in FY2022.

As a result of the above, the Group recorded loss for the year of approximately HK\$122.58 million and HK\$107.98 million in FY2023 and FY2022 respectively.

1H2024 vs 1H2023

The Group's revenue continued to be derived from leasing of investment properties. The significant increase in other losses was primarily due to fair value losses on the Group's investment properties; such fair value losses amounted approximately HK\$485.20 million in 1H2024. The portfolio of investment properties, which comprised of commercial units located in Hong Kong, had a carrying amount of approximately HK\$846.60 million as at 30 June 2024 (31 December 2023: approximately HK\$1,331.80 million).

Finance costs represent interest on bank borrowing, loan from a non-controlling interest and other loans. As a result of the above, and mainly due to the substantial fair value loss recorded in 1H2024, the Group's loss for the period increased from approximately HK\$17.56 million in 1H2023 to approximately HK\$506.91 million in 1H2024.

31 December 2022 vs 31 December 2023

Non-current assets of the Group mainly comprise its investment properties, all of which are located in Hong Kong. The decrease in balance from approximately HK\$1.42 billion as at 31 December 2022 to HK\$1.33 billion as at 31 December 2023 was mainly due to decrease in fair values of the properties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Current assets of the Group represent a relatively immaterial balance of the Group's net assets. As at 31 December 2022 and 2023, current assets represent approximately 0.86% and 1.13% of the Group's net assets respectively.

The Group recorded net current liabilities of approximately HK\$617.90 million as at 31 December 2022 and HK\$653.79 million as at 31 December 2023 mainly due to its substantial balances of bank borrowing and loan from a non-controlling interest. As at 31 December 2022 and 2023, the Group's bank borrowing and loan from a non-controlling interest totalled to approximately HK\$583.78 million and HK\$563.25 million respectively. As at 31 December 2023, the Group's other loans balance also increased to HK\$27.20 million from HK\$4.00 million as at 31 December 2022.

In view of the significant amount of debt that the Group has, its gearing ratio remained relatively high at approximately 139.3% and 169.1% as at 31 December 2022 and 2023 respectively.

31 December 2023 vs 30 June 2024

As at 30 June 2024, the fair value of the Group's investment properties decreased substantially as discussed above. Due to the fact that the Group's non-current assets comprise mainly investment properties, the Group's non-current assets decreased from approximately HK\$1.33 billion as at 31 December 2023 to HK\$0.85 billion as at 30 June 2024. As the Group's current assets level remained low, while its level of debt continued to be substantial to its overall asset value, the Group's continued to record a net current liability position of approximately HK\$675.30 million as at 30 June 2024. In addition, due to the operational needs, the Group's other loans balance increased from approximately HK\$27.20 million as at 31 December 2023 to HK\$38.91 million as at 30 June 2024.

In addition, due to the significant fair value loss on the Group's investments properties, the net assets of the Group decreased from approximately HK\$694.28 million to HK\$187.37 million as at 30 June 2024. The Group's gearing ratio also increased substantially to 776.0% as at 30 June 2024.

1.2 Outlook of the Group

Management will continue to review its investment properties and tenants portfolio from time to time with aims to generate stable income to the Group and for capital appreciation. The Group is devoted to increasing the occupancy rate of the properties and looking for potential acquisition/disposal of properties to generate stable income and capital appreciation from the properties. Management will diversify its tenant mix, if necessary, in order to minimise the financial impact to the Group. In addition, the Group will seek to optimise the composition of the property portfolio based on the outlook of the property market and expand the property portfolio with suitable additional investment properties.

2. Reasons for the Rights Issue and proposed use of proceeds

2.1 The funding needs

With reference to the information provided in the paragraph headed “1.1 Financial information of the Group” above, we noted that the Group, as at 30 June 2024, had total assets of approximately HK\$867.51 million, financed by current liabilities of approximately HK\$680.13 million.

The gearing ratio, expressed as a percentage of total debts (including the bank borrowing, loan from a non-controlling interest, and other loans) to equity attributable to owners of the Company, was approximately 776.0% as at 30 June 2024, representing a significant increase from the gearing ratio of approximately 169.1% as at 31 December 2023. Such increase was primarily attributable to the significant fair value loss recorded on the Group’s investment properties during 1H2024, which resulted in the substantial drop in the Group’s equity, causing the gearing ratio to increase to approximately 776.0%.

The Group has a loan in the amount of approximately HK\$49.43 million with interest rate of 15% per annum falling due. Such loan has been extended to a maturity date falling on 9 January 2026 as at the Latest Practicable Date, on the condition that part of the net proceeds (i.e., approximately HK\$44.00 million if the Rights Issue is fully-subscribed; or approximately 63.26% of the net proceeds if the Rights Issue is undersubscribed) from the Rights Issue will be used to settle the loan upon the completion of the Rights Issue. The loan will be repaid wholly or partly upon completion of the Rights Issue on or before 12 February 2025 based on the use of proceeds as discussed below under the paragraph headed “2.3 The proposed use of proceeds”.

As at 30 June 2024, the Group’s current assets, which mainly included held-for-trading investments and bank balance and cash, were approximately HK\$4.83 million only. On the same date, the cash and cash equivalents of the Group amounted to approximately HK\$1.01 million. As at the Latest Practicable Date, the Group’s cash and cash equivalents increased to approximately HK\$1.98 million.

Taking into consideration (i) the total loan amounts of approximately HK\$591.90 million as at 30 June 2024; (ii) the net current liabilities position of the Group of HK\$675.30 million, and (iii) the cash and bank balances of approximately HK\$1.98 million as at the Latest Practicable Date, the Management is of the view, and we concur, that there is a need for the Company to seek opportunities to raise funds to lower its debts and maintain its working capital.

2.2 Alternative fund-raising methods

To alleviate its liquidity pressure, the Company considered various fund-raising methods, including (i) debt financing and (ii) other equity fund-raising methods such as placing new Shares and open offer, and decided to propose the Rights Issue due to the following reasons.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of debt financing, the Directors noted that bank borrowing will result in additional interest burden, increase the gearing ratio of the Group and subject the Group to repayment obligations. Given (i) the Group's total loan amounts of approximately HK\$591.90 million as at 30 June 2024; and (ii) the Group's high gearing ratio of approximately 776.0% as at 30 June 2024, we concur with the Management that debt financing may not be achievable on favourable terms in a timely manner.

In respect of equity financing, as opposed to the Rights Issue, the Management considered that both the placing of new shares under general mandate and open offer do not offer options to the existing Shareholders, including (i) allowing Shareholders to maintain their shareholdings; and (ii) increasing their shareholding interests by acquiring additional rights entitlements or reducing their shareholding interests in the Company by disposing of their rights entitlements in the open market. As rights issues offer shareholders an option of maintaining their shareholdings of a company, while equity financing such as placing does not have such element and instead would immediately dilute existing shareholders' shareholding in a company, we are of the view that the Rights Issue is in the interest of Shareholders, as compared to placing. In addition, while equity financing through an open offer allows qualifying shareholders to participate, it does not allow free trading of rights entitlement in the open market. Therefore, we are also of the view that the Rights Issue is in the interest of Shareholders, as compared to open offers.

In the event that the Rights Issue is not fully-subscribed, as at the Latest Practicable Date, the Company has no plan or intention to conduct other fundraising activities in the next twelve (12) months. However, the Company may consider further debt and/or equity fundraising exercises when suitable opportunities arise to support the future development of the Group.

Considering (i) the feasibility of fund-raising methods, (ii) the Group's outstanding liabilities as well as the available internal resources, and (iii) the additional flexibility provided by the Rights Issue for existing Shareholders, the Directors are of the view, and we concur, that the Rights Issue is the most appropriate fund-raising option under the current circumstances compared to the abovementioned alternative fund-raising methods.

2.3 The proposed use of proceeds

As stated in the "Letter from the Board" in the Circular, assuming that there will be no change to the total issued share capital of the Company on or before the Record Date and full acceptance of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$69.55 million (equivalent to a net subscription price of approximately HK\$0.3193 per Rights Share).

The Company intends to use approximately HK\$44.00 million (representing approximately 63.26%) of the net proceeds from the Rights Issue for the partial repayment of a loan due to Mrs. Chu Yuet Wah ("**Mrs. Chu**") (who is a substantial shareholder of a subsidiary of the Company), while the remaining amount of approximately HK\$25.55 million (representing approximately 36.74%) will be used for

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the general working capital of the Group. In the event that there is an undersubscription of the Rights Issue, the use of proceeds raised from the Rights Issue will be allocated on a pro-rata basis for the purpose of disclosed above, i.e., (i) approximately 63.26% of the net proceeds from the Rights Issue will be used for the partial repayment of a loan due to Mrs. Chu; and (ii) approximately 36.74% of the net proceeds from the Rights Issue will be used for the Group's general working capital.

Considering (i) that the proposed use of proceeds can mitigate cash flow pressure on the Group, and (ii) the potential benefits of repaying a portion of the payable loan interests on the Group's financial position, we are of the view that the proposed use of proceeds is fair, reasonable, and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Rights Issue and the Placing

3.1 Summary of the key terms of the Rights Issue

| | |
|---|--|
| Basis of the Rights Issue: | Two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders as the close of business on the Record Date |
| Subscription Price: | HK\$0.334 per Rights Share |
| Number of Shares in issue as at the Latest Practicable Date: | 1,089,118,593 Existing Shares |
| Number of Consolidated Shares in issue upon the Share Consolidation having become effective: | 108,911,859 Consolidated Shares |
| Number of Rights Shares: | Up to 217,823,718 Rights Shares (assuming no change to the total issued share capital of the Company on or before the Record Date) |
| Number of Consolidated Shares as enlarged by the allotment and issue of the Right Shares: | 326,735,577 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) |

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| | |
|--|--|
| Gross proceeds from the Rights Issue: | Approximately HK\$72.75 million before expenses (assuming full subscription under the Rights Issue and assuming no change in the number of Consolidated Shares in issue on or before the Record Date) |
| Net proceeds from the Rights Issue | Approximately HK\$69.55 million after expenses (assuming full subscription under the Rights Issue and assuming no change in the number of Consolidated Shares in issue on or before the Record Date) |
| Compensatory Arrangements | Any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to Independent Places on a best effort basis under the Compensatory Arrangements. Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. |

As at the Latest Practicable Date, the Group has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible into or giving rights to subscribe for, convert or exchange into any Existing Shares or Consolidated Shares, as the case may be. For further information of the Rights Issue and the Placing, please refer to the “Letter from the Board” in the Circular.

3.2 Subscription Price

As stated in the “Letter from the Board”, the Subscription Price was arrived at after arm’s length negotiation with reference to, among other things, the prevailing market price of the Shares and the financial conditions of the Group. For details of the Directors’ rationale for determining the Subscription Price, please refer to the paragraph headed “Subscription Price” under the “Letter from the Board” in the Circular.

The Subscription Price of HK\$0.334 per Rights Share represents:

- (i) A discount of approximately 12.11% to the theoretical closing price of HK\$0.380 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0380 per Existing Share as quoted on the Stock Exchange on the Last Practicable Date;
- (ii) A discount of approximately 35.77% to the theoretical closing price of HK\$0.5200 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0520 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

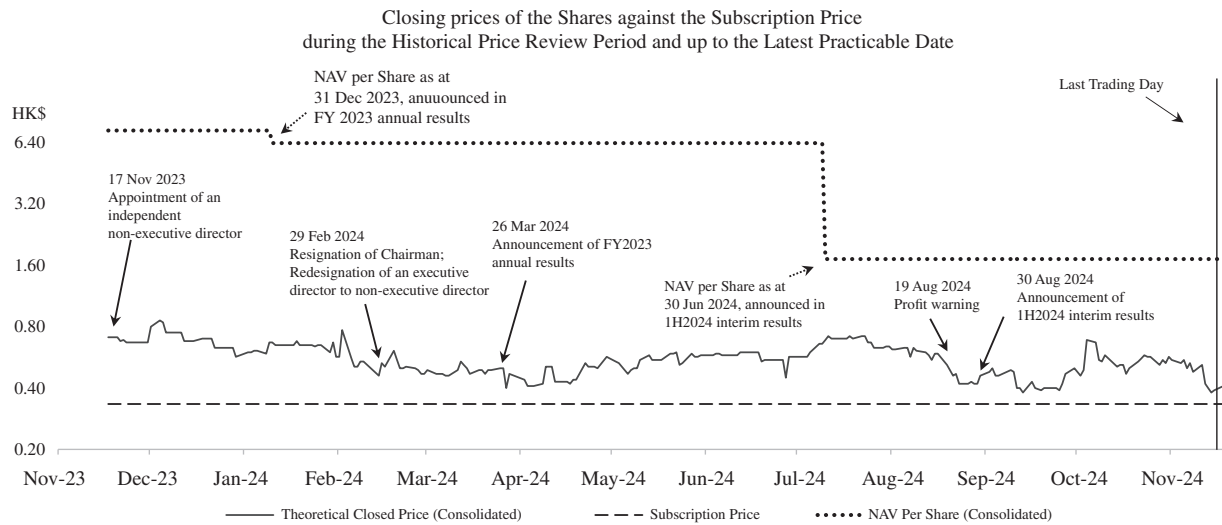
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- (iii) A discount of approximately 35.27% to the theoretical average closing price of HK\$0.5160 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0516 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) A discount of approximately 37.10% to the theoretical average closing price of HK\$0.5310 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0531 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) A discount of approximately 15.66% to the theoretical ex-rights price of HK\$0.3960 per Consolidated Share, based on the theoretical closing price of HK\$0.5200 per Consolidated Share (after taking into account the effect of the Share Consolidation, based on the closing price of HK\$0.0520 per Existing Share as quoted on the Stock Exchange on the Last Trading Day);
- (vi) A theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 23.85%, represented by the theoretical diluted price of HK\$0.3960 per Consolidated Share to the theoretical benchmarked price of HK\$0.5200 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking account the higher of (i) the closing price on the Last Trading Day of HK\$0.0520 per Existing Share and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day of HK\$0.0518 per Existing Share); and
- (vii) a discount of approximately 80.59% to the unaudited consolidated net asset value per Consolidated Share of approximately HK\$1.7204 (based on the consolidated net asset value of the Company as at 30 June 2024 of approximately HK\$187.37 million and the total number of issued Consolidated Shares after the Share Consolidation, which will be 108,911,859).

Historical price performance of the Shares

Set out below is a chart illustrating the historical closing price of the Shares during the period from 11 November 2024, being 12 months immediately preceding the Last Trading Day, to the Last Trading Day (the “**Historical Price Review Period**”) and up to the Latest Practicable Date. We consider that a period of 12 months, which reflects historical and prevailing market sentiment, is adequate to illustrate the recent price movement of the Shares for the purpose of conducting a reasonable comparison.

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Source: Website of the Stock Exchange

As shown in the chart above, the Company's trading prices during the Historical Price Review Period had been consistently and substantially below the net asset value per share of the Company. As such, the reasonableness of the Subscription Price shall be primarily assessed against the historical trading prices of the Company, which represent the market's perceived value of the Group.

We also noted that the closing price of the Shares on consolidated basis was above the Subscription Price at all times during the Historical Price Review Period, ranging from HK\$0.380 recorded on 13 September 2024 to HK\$0.860 recorded on 4 December 2023. The Subscription Price of HK\$0.334 represents a discount ranging from approximately 12.11% to 61.16% compared to the closing prices of the Shares during the Historical Price Review Period. Furthermore, the Subscription Price also represented a discount of approximately 40.41% to the average daily closing price per Share on consolidated basis during the Historical Price Review Period, which was HK\$0.561. As it is a normal market practice for companies to set subscription prices at discounts to trading prices to enhance the attractiveness of a rights issue and encourage qualifying shareholders to take part in the rights issue, we are of the view that the Subscription Price, being set at a discount to the historical trading prices, is on normal commercial terms. Furthermore, taking into consideration of the financial position of the Group where it had been recording net current liabilities in its latest financial statements as discussed under the paragraph headed "1.1. Financial information of the Group", we are of the view that the aforementioned discounts (i.e. 12.11% to 61.16%) of the Subscription Price as compared to the historical trading prices are acceptable and fair and reasonable.

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During the Historical Price Review Period, except for the surges observed (i) from early December 2023, (ii) early February 2024, (iii) early July 2024, and (iv) early October 2024, the closing price of the Shares generally showed a downward trend. The reasons for these surges remain unclear, aside from possible market reactions to announcements by the Company during that time. Despite the observed movements, the overall trend indicates a consistent decrease in the closing prices throughout the Historical Price Review Period.

Trading liquidity of the Shares

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares during the Historical Price Review Period compared to (i) the total number of issued Shares as of the end of each month/period and (ii) the total number of issued Shares held by public Shareholders as of the end of each month/period.

| Month | Trading days | Average daily trading volume of Shares | Average daily trading volume as a percentage to the total number of issued Shares as at the end of each month/period (%) | Average daily trading volume as a percentage to the total number of issued Shares held by public Shareholders as at the end of each month/period (%) |
|---------------------------------------|--------------|--|--|--|
| 2023 | | | | |
| November (from 11 November 2023) | 13 | 139,923 | 0.013% | 0.013% |
| December | 19 | 101,784 | 0.009% | 0.009% |
| 2024 | | | | |
| January | 22 | 56,815 | 0.005% | 0.005% |
| February | 19 | 826,194 | 0.076% | 0.076% |
| March | 20 | 633,450 | 0.058% | 0.058% |
| April | 20 | 230,850 | 0.021% | 0.021% |
| May | 21 | 150,067 | 0.014% | 0.014% |
| June | 19 | 35,779 | 0.003% | 0.003% |
| July | 22 | 539,255 | 0.050% | 0.050% |
| August | 22 | 351,955 | 0.032% | 0.032% |
| September | 19 | 285,158 | 0.026% | 0.026% |
| October | 21 | 1,198,714 | 0.110% | 0.110% |
| November (up to the Last Trading Day) | 13 | 2,525,769 | 0.232% | 0.232% |
| Max | | 2,525,769 | 0.232% | 0.232% |
| Min | | 35,779 | 0.003% | 0.003% |
| Average | | 499,401 | 0.050% | 0.050% |

Source: Website of the Stock Exchange

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We noted from the above table that the liquidity of the Shares was generally thin during the Historical Price Review Period, with an average daily trading volume of 499,401 Shares, representing about 0.050% of the total issued Shares. Given the low trading volume, the Company would likely face difficulty in raising equity funds from third parties without offering a substantial discount to the prevailing Share price. Considering the low trading liquidity and the prevailing weak market sentiment in Hong Kong, as well as the Company's high gearing ratio, we are of the view that the Rights Issue is an appropriate equity financing method for the Group, and the Subscription Price is fair and reasonable.

Comparison with other rights issues

In order to assess the fairness and reasonableness of the Subscription Price, we have identified 31 companies (the “**Comparables**”) based on the following criteria: (i) companies listed on the Stock Exchange; and (ii) companies that conducted rights issue since 11 May 2024 up to the Last Trading Day (being a six-month period immediately prior to and including the Last Trading Day) (the “**Review Period**”).

Shareholders should note that the subject companies in the Comparables may have different principal business activities, market capitalisations, profitability and financial positions as compared to those of the Company. Although the circumstances surrounding such Comparables may be different from those relating to the Company, we consider that the Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issues.

The Comparables listed below have been identified through our research using public information. We believe that it is an exhaustive list based on our selection criteria.

The major terms of the rights issue conducted by the Comparables are summarised below.

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| Prospectus date | Company name | Stock code | Basis for entitlement | Market Capitalisation as at the prospectus date | Expected maximum gross proceeds | Fundraising scale (Gross Proceeds/Market Capitalisation) | Premium/(Discount) of the subscription price over/ to the theoretical ex-right price based on the closing price on the last trading day | Theoretical dilution effect ^{note} | Excess application or compensatory arrangements | Placing commission | Underwritten |
|-----------------|---|------------|-----------------------|---|---------------------------------|--|---|---|---|--------------------|--------------|
| | | | | | | | | | | | |
| 05 Nov 24 | Innovax Holdings Limited | 2680 | 1 for 2 | 61.32 | 12.00 | 0.20 | (67.39) | (59.02) | 22.78 Compensatory arrangement | 1.00% | No |
| 25 Oct 24 | V&V Technology Holdings Limited | 8113 | 2 for 1 | 55.24 | 24.20 | 0.44 | (31.51) | (23.47) | 10.50 Excess application | N/A — No placing | No |
| 24 Oct 24 | China New Consumption Group Limited | 8275 | 1 for 2 | 49.92 | 24.00 | 0.48 | (5.66) | (4.76) | 2.47 Compensatory arrangement | 3.50% | No |
| 22 Oct 24 | Shougang Fushan Resources Group Limited | 639 | 1 for 30 | 14,041.49 | 425.40 | 0.03 | 1.96 | 0.06 | 0.00 Excess application | N/A — No placing | No |
| 04 Oct 24 | Guangdong — Hong Kong Greater Bay Area Holdings Limited | 1396 | 1 for 2 | 217.09 | 62.41 | 0.29 | (22.03) | (15.85) | 8.28 Excess application | N/A — No placing | No |
| 02 Oct 24 | Shougang Century Holdings Limited | 103 | 1 for 5 | 616.89 | 129.30 | 0.21 | 8.20 | 1.37 | 0.00 Excess application | N/A — No placing | No |
| 29 Sep 24 | Ev Dynamics (Holdings) Limited | 476 | 3 for 2 | 80.73 | 132.20 | 1.64 | (3.06) | (1.04) | 1.84 Compensatory arrangement | N/A — No placing | No |
| 25 Sep 24 | BeijingWest Industries International Limited | 2339 | 1 for 2 | 95.34 | 48.20 | 0.51 | (13.85) | (9.68) | 4.62 Excess application | 1.00% | Yes |
| 23 Sep 24 | Trenzon Holdings Group Limited | 1865 | 4 for 1 | 27.34 | 102.00 | 3.73 | (14.30) | (3.23) | 14.60 Compensatory arrangement | N/A — No placing | Yes |
| 17 Sep 24 | Ziyunyan Holdings Group Limited | 8223 | 1 for 5 | 799.80 | 86.00 | 0.11 | (66.44) | (62.26) | 11.09 Excess application | 1.25% | Yes |
| 10 Sep 24 | ROMA (Meta) Group Limited | 8072 | 3 for 1 | 8.59 | 25.30 | 2.94 | (23.08) | (7.41) | 18.18 Compensatory arrangement | N/A — No placing | No |
| 30 Aug 24 | Emperor International Holdings Limited | 163 | 1 for 2 | 904.68 | 459.70 | 0.51 | (30.06) | (23.60) | 10.50 Excess application | 1.50% | Yes |
| 28 Aug 24 | Guoen Holdings Limited | 8121 | 2 for 1 | 24.17 | 17.30 | 0.72 | (64.20) | (14.30) | 23.50 Excess application | N/A — No placing | No |

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| Prospectus date | Company name | Stock code | Basis for entitlement | Market Capitalisation as at the prospectus date | Expected maximum gross proceeds | Fundraising size (Gross Proceeds/Market Capitalisation) | Premium/(Discount) of the subscription price over/ to the theoretical ex-right price based on the closing price on the last trading day (%) | Theoretical dilution effect ^{note} (%) | Excess application or compensatory arrangements | Placing commission | Underwritten | |
|-----------------|--|------------|-----------------------|---|---------------------------------|---|---|---|---|--------------------------|------------------|--------------|
| | | | | | | | | | | | | HK\$ million |
| 23 Aug 24 | Jiading International Group Holdings Limited | 8153 | 3 for 1 | 9.81 | 26.00 | 0.44 | (16.67) | (4.76) | 12.50 | Compensatory arrangement | 3.00% | No |
| 23 Aug 24 | Asia Television Holdings Limited | 707 | 1 for 2 | 159.95 | 71.09 | 2.65 | (46.80) | (37.00) | 15.60 | Compensatory arrangement | 2.00% | No |
| 21 Aug 24 | Chong Fai Jewellery Group Holdings Company Limited | 8537 | 3 for 1 | 11.03 | 27.00 | 2.45 | (32.20) | (10.40) | 24.72 | Excess application | 1.00% | No |
| 16 Aug 24 | Bomy International Holding Limited | 1906 | 1 for 4 | 312.00 | 73.50 | 0.24 | (43.02) | (37.66) | 8.71 | Excess application | N/A — No placing | No |
| 29 Jul 24 | Harvey Group Holdings Limited | 8219 | 1 for 2 | 30.53 | 8.25 | 0.38 | (59.30) | (49.20) | 19.80 | Compensatory arrangement | 3.50% | No |
| 29 Jul 24 | Tonking New Energy Group Holdings Limited | 8326 | 1 for 2 | 106.34 | 40.90 | 0.27 | (41.18) | (33.33) | 11.76 | Compensatory arrangement | N/A — No placing | No |
| 24 Jun 24 | Wuxi Life International Holdings Group Limited | 8148 | 2 for 1 | 17.18 | 30.54 | 1.78 | (20.00) | (10.45) | 17.28 | Excess application | Not disclosed | No |
| 15 Jul 24 | Icon Culture Global Company Limited | 8500 | 1 for 1 | 142.56 | 54.00 | 0.38 | (36.71) | (22.84) | 18.59 | Compensatory arrangement | 0.50% | No |
| 28 Jun 24 | Goldway Education Group Limited | 8160 | 3 for 1 | 5.63 | 15.80 | 4.00 | (27.50) | (8.66) | 20.90 | Compensatory arrangement | 1.00% | No |
| 28 Jun 24 | Flying Financial Service Holdings Limited | 8030 | 3 for 1 | 25.44 | 63.60 | 2.50 | (24.20) | (9.40) | 23.79 | Compensatory arrangement | 3.00% | No |
| 28 Jun 24 | Zijing International Financial Holdings Limited | 8340 | 5 for 1 | 13.44 | 53.80 | 2.81 | (20.53) | (4.00) | 20.25 | Compensatory arrangement | 0.70% | Yes |
| 27 Jun 24 | Shin Hwa World Limited | 582 | 2 for 1 | 139.47 | 263.70 | 1.89 | (33.33) | (22.31) | 22.22 | Excess application | N/A — No placing | No |

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| Prospectus date | Company name | Stock code | Basis for entitlement | Market Capitalisation as at the prospectus date | Expected maximum gross proceeds | Fundraising size (Gross Proceeds/Market Capitalisation) | Premium/(Discount) of the subscription price over/ to the theoretical ex-right price based on the closing price on the last trading day | Theoretical dilution effect ^{note} | Excess application or compensatory arrangements | Placing commission | Underwritten |
|-----------------|------------------------------------|------------|-----------------------|---|---------------------------------|---|---|---|---|--------------------|--------------|
| | | | | <i>HK\$ million</i> | <i>HK\$ million</i> | | (%) | (%) | | | |
| 21 Jun 24 | China Uptown Group Company Limited | 2330 | 2 for 1 | 76.34 | 91.61 | 1.20 | (31.80) | (22.70) | 21.20 Excess application | 2.50% | Yes |
| 20 Jun 24 | MMG Limited | 1208 | 2 for 5 | 26,822.45 | 8,986.00 | 0.34 | (31.41) | (24.65) | 10.17 Excess application | N/A — No placing | No |
| 13 Jun 24 | Fujian Holdings Limited | 8196 | 1 for 2 | 76.50 | 45.00 | 0.59 | 0.00 | 0.00 | 4.60 Excess application | N/A — No placing | No |
| 05 Jun 24 | Basestrophy Group Holdings Limited | 8460 | 3 for 1 | 16.56 | 41.40 | 2.50 | (31.82) | (10.45) | 23.86 Compensatory arrangement | 3.50% | No |
| 04 Jun 24 | SingAsia Holdings Limited | 8293 | 2 for 1 | 7.99 | 14.40 | 1.80 | (11.50) | (3.85) | 14.17 Compensatory arrangement | 1.50% | No |
| 20 May 24 | Space Group Holdings Limited | 2448 | 4 for 1 | 40.04 | 157.80 | 3.94 | (19.05) | (4.49) | 15.24 Compensatory arrangement | 0.50% | No |
| | Maximum | | | | | 4.00 | (3.06) | (1.04) | 1.84 | 3.50% | |
| | Minimum | | | | | 0.20 | (67.39) | (62.26) | 24.72 | 0.50% | |
| | Average | | | | | 1.93 | (31.02) | (18.31) | 14.96 | 1.82% | |
| | Median | | | | | 1.80 | (30.74) | (10.45) | 15.24 | 1.50% | |
| | The Company | 36 | 2 for 1 | 41.39 | 72.75 | 1.76 | (35.77) | (15.66) | 23.85 | 2.50% | No |

Source: Website of the Stock Exchange

Note: Theoretical dilution effect as referred to Rule 7.27B of the Listing Rules

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To assess the reasonableness of the fundraising scale of the Group pursuant to the Rights Issue, we have (i) further identified a selection of 19 companies from the Comparables based on a market capitalisation of up to HK\$82.77 million (being up to two times of the Group's market capitalisation as at the Last Practicable Date) (the "**Fundraising Comparables**"), and (ii) noted that the fundraising scale of the Fundraising Comparables ranged from 0.20 and 4.00 times, a median value of 1.80 times and a mean of 1.93 times (calculated on the basis of the Fundraising Comparables' maximum expected gross proceeds received from the rights issue divided by the Fundraising Comparables' market capitalisation at the respective prospectus date). Considering the Group's fundraising scale of 1.76 times, which falls within the range of the Fundraising Comparables and approximates to the mean and median, we are of the view that the fundraising scale of the Group is acceptable and fair and reasonable.

In addition, the theoretical dilution effect of the rights issue conducted by these 19 comparables ranged from approximately 1.84% to 24.72%, with mean and median of approximately 16.43% and 18.18% respectively. The theoretical dilution effect of the Rights Issue, approximately 23.85%, falls within the range of those of the Fundraising Comparables. While the theoretical dilution effect of the Subscription Price is higher than the mean and median of the Fundraising Comparables, considering the financial situation of the Group, which includes (i) the net current liabilities position, with a high gearing ratio of 776.0%, as detailed in sections "1.1 Financial information of the Group" and "2.1 The funding needs,"; as well as (ii) the generally thin average daily trading volume for the six months preceding the Last Trading Day as mentioned above, we are of the view that the theoretical dilution effect is acceptable.

We noted from the above table that all Comparables had set the subscription price of their rights issues at a discount to (i) the prevailing market closing price (the "**LTD Price**") of the relevant shares on the last trading day related to the respective rights issue (except for two Comparables); and (ii) the theoretical ex-rights prices (the "**Ex-right Price**") based on the LTD Price. Therefore, we consider it normal market practice for listed companies to set the subscription price of rights issues at a discount to the LTD Price and Ex-right Price to encourage shareholder participation.

We also noted that (i) 15 out of the 31 Comparables had adopted excess application arrangements in relation to their rights issues; and (ii) 16 out of the 31 Comparables had adopted compensatory arrangements. As such, we are of the view that the decision of the Company to not adopt excess application arrangements and to instead adopt the Compensatory Arrangements is on normal commercial terms and is in line with market practice.

The discount of the subscription prices to the LTD Price of the Comparables ranged from approximately 3.06% to 67.39%, with mean and median of approximately 31.02% and 30.74% respectively. The discount of approximately 35.77% of the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the range of those of the Comparables. Although the

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discount of the Subscription Price is above the mean and median of the Comparables, considering the financial situation of the Group as discussed under the paragraphs headed “1.1 Financial information of the Group” and “2.1 The funding needs,” we are of the view that a discount relatively higher than the Comparables is reasonable.

The discount of the subscription prices to the Ex-right Price of the Comparables ranged from approximately 1.04% to 62.26%, with mean and median of approximately 18.31% and 10.45% respectively. The discount of approximately 15.66% of the Subscription Price to the Ex-right Price falls within the range of those of the Comparables and below the mean and above the median. Hence, we are of the view that a discount to the Ex-right Price is reasonable.

Furthermore, the theoretical dilution effect of the rights issue conducted by the Comparables ranged from approximately 1.84% to 24.72%, with mean and median of approximately 14.96% and 15.24% respectively. The theoretical dilution effect of the Rights Issue, approximately 23.85%, falls within the range of those of the Comparables. Although the theoretical dilution effect of the Subscription Price is higher than the mean and median of the Comparables, considering the (i) financial situation of the Group, being the net current liabilities position, with a high gearing ratio of 776.0% as discussed under the paragraphs headed “1.1 Financial information of the Group” and “2.1 The funding needs,”; and (ii) the generally thin average daily trading volume for the six months preceding the Last Trading Day as mentioned above, we are of the view that the theoretical dilution effect is acceptable.

Taking into account that (i) it is a normal market practice to set a subscription price at a discount to the LTD Price and Ex-right Price to enhance the attractiveness of a rights issue and encourage qualifying shareholders to take part in the rights issue, as demonstrated by the majority of the Comparables; (ii) the discounts of the Subscription Price to the LTD Price and to the Ex-right Price reflect market norms and fall within the discount ranges observed in the Comparables; (iii) the theoretical dilution effect of the Rights Issue falls within the range of dilution effects observed in the Comparables; (iv) the Subscription Price was determined with reference to the prevailing market price of the Shares, the low liquidity of the Shares, the financial conditions of the Group (in particular, with the high gearing ratio as at 30 June 2024); and (v) the Subscription Price will be the base price of the placing and the terms of the engagement between the Company and the Placing Agent were determined after arm’s length negotiation, we consider the Subscription Price to be fair and reasonable.

3.3 Other terms

Non-underwritten basis of the Rights Issue

The Rights Issue is proceeded on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares, subject to the fulfilment of the conditions of the Rights Issue. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will

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be placed to Independent Places under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares that remain not placed under the Compensatory Arrangements will not be issued by the Company, and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. It is noted that 25 of the 31 Comparables were conducted on a non-underwritten basis. As such, we are of the view that the Rights Issue being conducted on a non-underwritten basis is a normal commercial term.

The Placing

The Company has entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights and ES Unsold Rights Shares to Independent Places on a best effort basis. The Placing will proceed only if the Rights Shares are not fully subscribed by the Qualifying Shareholders.

Considering the funding needs of the Company and the difficulties in conducting alternative fund-raising methods as discussed under the paragraphs headed “2.1 The funding needs” and “2.2 Alternative fund-raising methods” above in this letter, as the Placing offers additional means to facilitate the subscription of the untaken portion of the Rights Issue to the maximum extent, we consider that adopting the Placing is in the interests of the Company and the Shareholders.

The Placing Price

The placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares shall not be less than the Subscription Price, and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process. As we consider that the Subscription Price is fair and reasonable as discussed in the paragraph headed “3.2 Subscription Price” above in this letter, we also consider the arrangement of setting the placing price at or above the Subscription Price to be fair and reasonable.

The Placing Commission

According to the Placing Agreement, the Company will pay the Placing Agent a placing commission (the “**Placing Commission**”) of 2.5% of the amount equal to the Placing Price multiplied by the total number of Unsubscribed Rights Shares and ES Unsold Rights Shares successfully placed by the Placing Agent. To assess the fairness and reasonableness of the Placing Commission, we have considered the commission charged by placing agents of the Comparables, where applicable. We noted that the placing commission paid by these companies ranged from 0.5% to 3.5%. The Placing Commission of 2.5% falls within the range of the Comparables. Hence, we consider that the Placing Commission pursuant to the Placing Agreement is fair and reasonable.

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Taking into consideration (i) the Subscription Price and the Placing Price are fair and reasonable; (ii) the Placing offers additional means to raise funds for the Company; (iii) the competitive nature of the Placing Commission relative to market norms, we concur with the Management that the terms of the Rights Issue and the Placing are fair and reasonable.

4. Financial impact

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue and the Placing.

4.1 Net tangible assets

With reference to “Unaudited pro forma financial information of the Group” as set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 amounted to approximately HK\$76.3 million and the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2024 before the Share Consolidation and the completion of the Rights Issue amounted to approximately HK\$0.07, calculated based on the aforesaid unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 divided by 1,089,118,693 Existing Shares which represents Shares in issue as at 30 June 2024.

Assuming (i) the total number of issued Shares of 108,911,859 Consolidated Shares after the Share Consolidation; and (ii) completion of the Rights Issue, resulting in the issuance of an additional 217,823,718 Rights Shares, the unaudited proforma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 would be approximately HK\$145.8 million and the unaudited proforma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2024 immediately after the Share Consolidation and the completion of the Rights Issue would be approximately HK\$0.45. For details, please refer to the notes under the paragraph headed “A. Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group” under Appendix II to the Circular.

4.2 Gearing

As at 30 June 2024, the Group’s gearing ratio, which is measured on the basis of the Group’s total debts divided by equity attributable to owners of the Company, was approximately 776.0%. Upon the completion of the Rights Issue, a portion of the net proceeds from the Rights Issue will be used for the repayment of the Group’s current liabilities. Therefore, the gearing ratio would be reduced after completion of the Rights Issue and the Placing.

Hence, the Directors consider that the Rights Issue and the Placing will enable the Group to improve the financial position and future fundraising opportunities of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Considering that (i) the financial position would be improved; (ii) the gearing ratio of the Group would be enhanced; and (iii) the Group's negotiation power for future fundraising opportunities will be strengthened, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue and the Placing is in the interests of the Company and the Shareholders.

5. Possible dilution effect

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not take up the Rights Issue can, subject to the then-prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and the Placing.

For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue and the Placing will be diluted by up to a maximum of approximately 66.7%.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; and (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable and justifiable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Rights Issue and the Placing are fair and reasonable; and (ii) the Rights Issue and the Placing are in the interests of the Company and the Shareholders. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour on the resolution at the EGM in relation to the Rights Issue and the Placing.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

Leo Tam
Responsible Officer

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over ten years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2021, 2022 and 2023 are disclosed in the annual reports of the Company for the years ended 31 December 2021, 2022 and 2023 and the financial information of the Group for the six months ended 30 June 2024 is disclosed in the interim report of the Company for the six months ended 30 June 2024. The said annual reports and interim report of the Company are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<https://www.0036.com.hk/>):

- annual report of the Company for the year ended 31 December 2021 from pages 46 to 104 published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042901396.pdf>);
- annual report of the Company for the year ended 31 December 2022 from pages 48 to 104 published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0420/2023042001789.pdf>);
- annual report of the Company for the year ended 31 December 2023 from pages 68 to 134 published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0418/2024041800855.pdf>);
- interim report of the Company for the six months ended 30 June 2024 from pages 14 to 36 published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0925/2024092500922.pdf>)

B. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2024, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Circular, the details of the Group's indebtedness are as follows:

Bank borrowing

As at 30 September 2024, the Group had outstanding bank borrowing of approximately HK\$395,156,000. The bank borrowing was secured by an investment property of the Group.

Amount due to a non-controlling interest and loan from a non-controlling interest

As at 30 September 2024, the Group had outstanding amount of due to a non-controlling interest of approximately HK\$56,621,000 and loan from a non-controlling interest of approximately HK\$152,700,000, which were unguaranteed and unsecured.

Other loans

As at 30 September 2024, the Group had outstanding other loans of approximately HK\$44,934,000, which were unguaranteed and unsecured.

Leases liabilities

As at 30 September 2024, the Group had total lease liabilities of approximately HK\$634,000 of which current portion was approximately HK\$206,000 and non-current portion was approximately HK\$428,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and other payables and accruals in the ordinary course of business, at the close of business on 30 September 2024, the Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or material contingent liabilities.

C. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that, taking into account the financial resources available to the Group, the currently available facilities, and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this Circular.

D. MATERIAL ADVERSE CHANGE

As disclosed in note 4 of the notes to the condensed consolidated financial statements set out in the interim report of the Company for the six months ended 30 June 2024, the Group's fair value loss on investment properties amounted to approximately HK\$485.20 million.

Save as disclosed above, as at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Company since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company mainly engaged in property investment. The Company operates its business through two segments, comprising the property investment segment and the securities investment segment. The property investment segment is focus on commercial units located in Hong Kong, while the securities investment segment is involved in short term securities investment.

For the year ended 31 December 2023, the Group recorded revenue of approximately HK\$9.3 million, representing an increase of approximately 97.9% as compared to the same period of last year of approximately HK\$4.7 million due to a higher number of vacant units being rented. The Group's loss attributable to owners of the Company was approximately HK\$72.9 million (2022: HK\$68.8 million). The loss and total comprehensive income of the

Group for the year ended 31 December 2023 was approximately HK\$122.6 million (2022: HK\$108.0 million), which was mainly attributable to the increase in finance costs during the year.

Property investment

The portfolio of investment properties comprised of commercial units located in Hong Kong with a carrying amount of approximately HK\$846.6 million as at 30 June 2024. The Group recorded rental income of approximately HK\$9.3 million for the year ended 31 December 2023.

Management of the Company reviews its investment properties and tenants portfolio from time to time with aims to generate stable income to the Group and for capital appreciation. Management will diversify its tenant mix, if necessary, in order to minimise the financial impact to the Group. In addition, the Group will seek to optimise the composition of the property portfolio based on the outlook of the property market and expand the property portfolio with suitable additional investment properties. The Group will also investigate with reference to the rate of returns and market price to identify for any potential disposals.

Securities investment

During the year ended 31 December 2023, the Group recorded fair value gain on held-for-trading investments of approximately HK\$3.2 million.

Prospects

Looking ahead, with the full reopening of the economies of the nearby areas, the resumption of the economic activity and the growth in consumer confidence, demand for rental properties is expected to rise, resulting in quicker occupancy rates for the vacant units. As such, it will have a positive impact to the Group's property investment. It was also expected that the Group's rental income will be increased in the coming future as well as the fair value of investment properties and held-for-trading investments.

The Group is devoted to increasing the occupancy rate of the properties and looking for potential acquisition/disposal of properties to generate stable income and capital appreciation from the properties. In view of the above, management will closely monitor the investment portfolio and capture opportunities in a prudent manner and balance investment risks of the Group.

The demand for office space, particularly from retail business, entertainment enterprises, financial institutions and professional services companies, should increase and may lead to a better performance of the Group's financial results in future.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial positions at the relevant time.

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 as if the Rights Issue had been completed on that date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2024, as extracted from the unaudited condensed consolidated financial statements for the six months ended 30 June 2024 set out in the published interim report of the Company, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company had the Rights Issue been completed as at 30 June 2024 or at any future date.

| | Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 <i>HK\$'000</i> <i>(Note 1)</i> | Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 3)</i> | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 <i>HK\$'000</i> | Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2024 before the Share Consolidation and the completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i> | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2024 immediately after the Share Consolidation and the completion of the Rights Issue <i>HK\$</i> <i>(Note 5)</i> |
|--|--|---|--|---|--|
| Based on 217,823,718 Rights Shares to be issued at the Subscription Price of HK\$0.334 per Rights Share | <u>76,273</u> | <u>69,551</u> | <u>145,824</u> | <u>0.07</u> | <u>0.45</u> |

Notes:

- The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024 set out in the published interim report of the Company, which is based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2024.
- The Board proposes to implement the Share Consolidation on the basis that every ten issued Existing Shares in the share capital of the Company will be consolidated into one Consolidated Share. As at 30 June 2024, there were 1,089,118,593 Existing Shares in issue. The number of Consolidated Shares in issue upon the Share Consolidation becoming effective will be 108,911,859 Consolidated Shares in issue assuming that no change in the number of Existing Shares in issue from 30 June 2024 until the effective date of Share Consolidation.
- The estimated net proceeds from the Rights Issue are based on the issuance of 217,823,718 Rights Shares (according to the number of Consolidated Shares disclosed in Note 2) at HK\$0.334 each, after deducting the estimated cost directly attributable to the Rights Issue of approximately HK\$3,202,000 to be incurred by the Group assuming full subscription under the Rights Issue or placed by the Placing Agent.
- The unaudited consolidated net tangible assets of Group attributable to the owners of the Company per Share as at 30 June 2024 before the Share Consolidation and the completion of the Rights Issue is calculated based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 of approximately HK\$76,273,000 divided by 1,089,118,593 Shares (according to the number of Existing Shares disclosed in Note 2) which represents Shares in issue as at 30 June 2024.

5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2024 immediately after the Share Consolidation and the completion of the Rights issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 of approximately HK\$145,824,000 divided by 326,735,577 Shares in issue upon completion of the Share Consolidation and Rights Issue as at 30 June 2024, which comprises 108,911,859 Consolidated Shares in issue as at 30 June 2024 according to the number of Shares before the Rights Issue and 217,823,718 Rights Shares to be issued under the Rights Issue.
6. Save as disclosed in the above notes, no adjustments have been made to reflect any trading or other transactions of the Group entered into subsequent to 30 June 2024.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.

To the directors of Far East Holdings International Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Far East Holdings International Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 and related notes as set out on pages 2 to 3 of Appendix II of the Company’s circular dated 22 November 2024 (the “**Circular**”) in connection with the proposed rights issue of the Company on the basis of two rights shares for every one consolidated share held on the record date (the “**Proposed Rights Issue**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Rights Issue on the Group’s consolidated financial position as at 30 June 2024 as if the Proposed Rights Issue had taken place at 30 June 2024. As part of this process, information about the Group’s consolidated financial position has been extracted by the directors of the Company from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2024, on which an interim report (with no audit or review report) has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Rights Issue at 22 November 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

22 November 2024

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company or its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executive of the Company and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers in Appendix C3 of the Listing Rules.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, none of the Director was a Director or employee of a company which had an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, the Directors are not aware of any person (other than Directors or chief executive of the Company) who, as at the Latest Practicable Date, had any interest, directly or indirectly, or short position in the Shares and underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. DIRECTORS' INTERESTS IN CONTRACT AND ASSET OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, the date to which the latest published audited accounts of the Group were made up.

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACT(S)

The following contract(s) (not being contract(s) entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and is/are or may be material:

- (i) the Placing Agreement entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Independent Placees at the placing price of not less than the Subscription Price (i.e., HK\$0.334) on a best effort basis during the Placing Period, pursuant to which the Company shall pay to the Placing Agent a placing commission in Hong Kong Dollar, of 2.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement.

8. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular (collectively, the “**Experts**”):

| Name | Qualification |
|-----------------------|--|
| Altus Capital Limited | a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |
| BDO Limited | Certified Public Accountants |

As at the Latest Practicable Date, each of the above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited accounts of the Company were made up.

9. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming the Rights Issue is not fully-subscribed and any Unsubscribed Rights Shares and the ES Unsold Rights Shares are placed by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$3.20 million, which are payable by the Company.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

| | |
|---|---|
| Board of Directors | <i>Executive Directors</i> |
| | Mr. Cheung Sze Ming |
| | <i>Non-executive Director</i> |
| | Mr. Zhu Weiwen |
| | <i>Independent non-executive Directors</i> |
| | Mr. Mak Ka Wing, Patrick |
| | Mr. Lam Wai Hung |
| | Mr. Lam Cheung Shing, Richard |
| Audit committee | Mr. Lam Wai Hung (<i>Chairman</i>) |
| | Mr. Mak Ka Wing, Patrick |
| | Mr. Lam Cheung Shing, Richard |
| Remuneration committee | Mr. Lam Cheung Shing, Richard (<i>Chairman</i>) |
| | Mr. Mak Ka Wing, Patrick |
| | Mr. Lam Wai Hung |
| Nomination committee | Mr. Mak Ka Wing, Patrick (<i>Chairman</i>) |
| | Mr. Lam Wai Hung |
| | Mr. Lam Cheung Shing, Richard |
| Investment committee | Mr. Cheung Sze Ming (<i>Chairman</i>) |
| | Mr. Lam Wai Hung |
| Registered office | Unit D1, 8/F. Kingston International Centre 19 Wing Chiu Road Kowloon Bay, Hong Kong |
| Authorised representatives | Mr. Cheung Sze Ming Mr. Zhu Weiwen |
| Business address of all Directors and authorised representatives | Unit D1, 8/F. Kingston International Centre 19 Wing Chiu Road Kowloon Bay, Hong Kong |
| Company secretary | Mr. Cheung Sze Ming (HKICPA, FCCA) |

| | |
|--|--|
| Share registrar and transfer office | Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong |
| Principal banker | Hang Seng Bank Limited The Bank of East Asia, Limited |
| Auditor | BDO Limited 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong |
| Legal adviser to the Company as to Hong Kong laws | Michael Li & Co. Rooms 1901A, 1902 & 1902A, 19/F New World Tower I 16–18 Queen’s Road Central Central, Hong Kong |
| Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders | Altus Capital Limited 21 Wing Wo Street Central, Hong Kong |
| Placing Agent | Kingston Securities Limited 72/F., The Center 99 Queen’s Road Central Central, Hong Kong |

11. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheung Sze Ming (“Mr. Cheung”)

Mr. Cheung, aged 55, joined the Group in February 2023 as an executive Director, the chief financial officer, the company secretary and was appointed as the chairman of the investment committee of the Company. Mr. Cheung has over 30 years of working experience from an international audit firm and public listed companies. Mr. Cheung is currently an executive director, the company secretary and the chief financial officer of Affluent Partners Holdings Limited (stock code: 1466) since April 2018, a company listed on the Stock Exchange, an independent non-executive director of Ocean Line Port Development Limited (stock code: 8502) since November 2020, a company listed on the GEM of the Stock Exchange and an independent non-executive director of Great Wall

Terroir Holdings Limited (stock code: 524) since March 2021 and Yuk Wing Group Holdings Limited (stock code: 1536) since January 2024, which are both listed on the Stock Exchange.

Mr. Cheung holds a bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is also a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He had spent about 8 years in an international audit firm and was an audit manager before he left the firm. Thereafter, Mr. Cheung has held different senior positions in various public listed companies. He was an executive director and chief financial officer of Dingyi Group Investment Limited (stock code: 508), from October 2011 to March 2018, a company listed on the Stock Exchange.

Non-executive Director

Mr. Zhu Weiwen (“Mr. Zhu”)

Mr. Zhu, aged 46, joined the Group in March 2023 as an executive Director and was re-designated as non-executive director in February 2024. Mr. Zhu has over 10 years of working experience in managerial positions from companies in the Mainland China and Australia in the areas of technology, dairy production and mining. Mr. Zhu is currently an executive director and a general manager of Ganzhou Shifeng Mining Company Limited* (贛州市鑫豐礦業有限責任公司) since July 2011 and an executive director and a general manager of Xiamen Zhengrong Investment Company Limited* (廈門正嶸投資有限公司) since August 2012. He also had been the chairman of Australia Deloraine Dairy Pty Ltd from January 2016 to April 2019 and was an executive director and a general manager of Xiamen Oriental Hong Yu Technology Company Limited* (廈門東方虹宇科技有限公司) from May 2004 to May 2024. (*The English translation of the Chinese names are for identification purpose only.)

Independent non-executive Directors

Mr. Mak Ka Wing, Patrick (“Mr. Mak”)

Mr. Mak, aged 60, joined the Group in July 2017 and was appointed as an independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company. Mr. Mak is a registered solicitor of the High Court of Hong Kong and Managing Partner of Patrick Mak & Tse, Solicitors. Mr. Mak has over 20 years' legal experience in the legal field. He was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998.

Mr. Mak is currently an independent non-executive director of Macau Legend Development Limited (stock code: 1680), the securities of this company are listed on the Main Board of the Stock Exchange.

Mr. Mak was an independent non-executive director of Fresh Express Delivery Holdings Group Co., Limited (stock code: 1175) (“**Fresh Express**”) from July 2013 to December 2021, the securities of Fresh Express were listed on the Main Board of the Stock Exchange and delisted on 9 February 2023.

Mr. Lam Wai Hung (“Mr. Lam”)

Mr. Lam, aged 44, joined the Group in September 2022 and was appointed as an independent non-executive Director, the chairman of audit committee and a member of each of the nomination committee and the remuneration committee of the Company. Mr. Lam holds a Bachelor of Accounting and Finance Degree from Leeds Metropolitan University and is a member of the Association of Chartered Certified Accountants. He had been working in various companies listed on the Stock Exchange, and was responsible for works related to financial management, corporate finance, merger and acquisition, investor relationship and corporate governance.

Mr. Lam is currently an executive director of NOVA Group Holdings Limited (stock code: 1360) whose securities are listed on the Main Board of the Stock Exchange. Mr. Lam is currently an independent non-executive director of Kin Shing Holdings Limited (stock code: 1630) whose securities are listed on the Main Board of the Stock Exchange. Mr. Lam is currently an independent non-executive director of Smart City Development Holdings Limited (formerly known as Deson Construction International Holdings Limited) (stock code: 8268) whose securities are listed on GEM of the Stock Exchange. Mr. Lam was an independent non-executive director of Jimu Group Limited (stock code: 8187) for the period from 25 May 2021 to 14 January 2022 whose securities are listed on GEM of the Stock Exchange.

Mr. Lam Cheung Shing, Richard (“Mr. Lam”)

Mr. Lam, aged 66, joined the Group in November 2023 and was appointed as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company. Mr. Lam is a fellow member of Hong Kong Institute of Certified Public Accountants and was admitted to the Master Degree of Business Administration in the Chinese University of Hong Kong in 2006. Mr. Lam spent over ten years in PricewaterhouseCoopers, an international accounting firm and promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance.

Mr. Lam was the deputy chairman and chief executive officer of EverChina Int’l Holdings Company Limited (stock code: 202), whose shares are listed on the Main Board of the Stock Exchange from the period from June 2009 to October 2023 and is now a senior consultant of EverChina Int’l Holdings Company Limited. Mr. Lam is currently an independent non-executive director of Lajin Entertainment Network Group Limited (stock code: 8172), whose shares are listed on the GEM of the Stock Exchange. He is also an independent non-executive director of China Water Industry Group Limited (stock code: 1129) and Legend Strategy International Holdings Group Company Limited (stock code: 1355), whose shares are listed on the Main Board of the Stock Exchange.

Mr. Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited. Besides, Mr. Lam was appointed as either an independent non-executive director or an executive director in various companies whose shares are listed on the Main Board of the Stock Exchange during the period from 2001 to 2014, including Eagle Legend Asia Limited, Kai Yuan Holdings Limited and China Pipe Group Limited.

12. AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control system, and financial reporting matters including the review of the consolidated financial statements. As at the Latest Practicable Date, the Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam Wai Hung (chairman of the Audit Committee), Mr. Mak Ka Wing, Patrick and Mr. Lam Cheung Shing, Richard. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “12. Particulars of the Directors and senior management” in this appendix.

13. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk/>) and the Company (<https://www.0036.com.hk/>) from the date of this circular up to and including the date of the EGM (being not less than 14 days):

- (i) the Placing Agreement;
- (ii) the letter from the Board, the text of which is set out on pages 10 to 42 of this circular;
- (iii) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 43 of this circular;
- (iv) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 44 to 66 of this circular;
- (v) the accountant’s report on the unaudited pro forma financial information of the Group issued by BDO Limited, the text of which is set out in Appendix II to this circular;
- (vi) the material contract(s) referred to in the paragraph headed “7. Material contract(s)” of this appendix;
- (vii) the written consents referred to in paragraph headed “8. Experts and consents” of this appendix; and
- (viii) this circular.

14. MISCELLANEOUS

- (i) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, there was no contract for the hire or hire purchase of plant to or by any member of the Group for a period of over one year which are substantial in relation to the Group's business.
- (iii) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (iv) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

NOTICE OF EGM



遠東控股國際有限公司
Far East Holdings International Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 36)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Far East Holdings International Limited (the “**Company**”) will be held at Unit D, 8/F., Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong on Friday, 13 December 2024 at 11:00 a.m., to consider and, if thought fit, pass, with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Share Consolidation” in the circular (the “**Circular**”) of the Company dated 22 November 2024, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on The Stock Exchange of Hong Kong Limited:
 - (a) every ten (10) Existing Shares in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share (the “**Consolidated Share(s)**”);
 - (b) Consolidated Share(s) shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company;
 - (c) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the “**Director(s)**”) of the Company may think fit; and
 - (d) any one Director or more Directors be and is hereby authorised to approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement this resolution.”

NOTICE OF EGM

2. “**THAT** conditional upon the passing of the resolution numbered 1 as set out above and subject to the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue” in the Circular:
 - (a) the allotment and issue of 217,823,718 new Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date (as defined below) and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) (the “**Rights Shares**”) pursuant to an offer by way of rights to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.334 per Rights Share (the “**Subscription Price**”) on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Shareholders (“**Qualifying Shareholders**”) whose names appear on the register of members of the Company on Monday, 30 December 2024 or such other date as may be determined by the Company for determining entitlements of Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), as described in further details in the Circular (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (“**Excluded Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), be and is hereby approved, confirmed and ratified;
 - (b) the placing agreement dated 11 November 2024 (the “**Placing Agreement**”) and entered into between the Company and Kingston Securities Limited (a copy of which has been produced to the EGM marked “B” and signed by the chairman of the EGM for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (c) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Excluded Shareholders, and to do all such acts and things or make such arrangements as it considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and

NOTICE OF EGM

- (d) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.”

By the order of the Board
Far East Holdings International Limited
Cheung Sze Ming
Executive Director

Hong Kong, 22 November 2024

Registered office:

Unit D1, 8/F.
Kingston International Centre
19 Wing Chiu Road
Kowloon Bay, Hong Kong

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and, on a poll, vote in his stead. A member holding two or more Shares may appoint more than one proxy. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the offices of the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM (i.e. no later than Wednesday, 11 December 2024 at 11:00 a.m.) or any adjournment thereof.
3. In the case of joint holders of a share (the “**Share(s)**”) of the Company, any one of such persons may vote at the meeting either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. The register of members of the Company will be closed from Monday, 9 December 2024 to Friday, 13 December 2024 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period. In order to qualify for entitlement to attend and vote at the EGM, all completed transfer forms, accompanied by the relevant share certificates, have to be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716 at 17th Floor, Hopewell Centre, 183 Queen's Road East Wan Chai, Hong Kong for registration, not later than 4:30 p.m. on Friday, 6 December 2024.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning or extreme conditions caused by super typhoon is in effect in Hong Kong any time after 6:30 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.0036.com.hk/ and on the website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the date, time and venue of the rescheduled meeting.
7. As at the date of this notice, the Board comprises Mr. Cheung Sze Ming, being an executive Director, Mr. Zhu Weiwen, being a non-executive Director and Mr. Mak Ka Wing, Patrick, Mr. Lam Wai Hung and Mr. Lam Cheung Shing, Richard, all being independent non-executive Directors.