



瑞城證券有限公司
Gransing Securities Co., Limited

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4 December 2025

*To: The Independent Board Committee and
the Independent Shareholders of
South China Financial Holdings Limited*

Dear Sirs and Madams,

**CONNECTED TRANSACTION
PROPOSED ALTERATIONS OF THE TERMS OF
HK\$89,840,000 CONVERTIBLE BONDS DUE 2026**

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 proposed alteration of certain terms (the “**Proposed Alterations**”) of the convertible bonds with an principal amount of HK\$89,840,000 (the “**Bonds**”) issued by the Company to Thousand China Investments Limited (“**Thousand China**”), details of which are set out in the letter from the Board contained in the circular dated 4 December 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 13 September 2022, Thousand China (an indirect wholly-owned subsidiary of SCH) as vendor and Power Path Global Limited (“**Power Path**”) (a direct wholly-owned subsidiary of the Company) as purchaser entered into the sale and purchase agreement, pursuant to which Thousand China has conditionally agreed to dispose of the Genius Year Limited (“**Genius Year**”) Share to Power Path; and Power Path has conditionally agreed to purchase the Genius Year Share, at a total consideration of HK\$89,840,000 which is settled by way of the convertible bonds issued by the Company due on the date falling on three (3) years from the date of issue date. The Bonds were issued to Thousand China on 13 January 2023.

On 6 November 2025 (after trading hours), Thousand China (an indirect wholly-owned subsidiary of SCH) and the Company entered into the Supplemental Agreement pursuant to which the parties thereto conditionally agreed to alter, amend or change the terms of the Bonds by execution of the Supplemental Deed as follows:

- (i) the Maturity Date be extended from the date falling on the third (3rd) anniversary of the date of issue of the Bonds to the date falling on the sixth (6th) anniversary of the date of issue of the Bonds, i.e. an extension of three (3) years to 12 January 2029;
- (ii) the interest rate under the Bonds be increased from one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds to (a) one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds and (b) two (2)% per annum during the period from the date immediately following the date falling on the third (3rd) anniversary of the date of issue of the Bonds to the Maturity Date; and
- (iii) the Conversion Price be changed from HK\$0.32 per Conversion Share to HK\$0.28 per Conversion Share subject to adjustments in the manner provided in the Instrument.

(collectively, the “**Proposed Alterations**”).

As at the Latest Practicable Date, Mr. Ng and his associates held approximately 34.96% of the total issued share capital of the Company (Mr. Ng is an executive Director and chairman of the Board) and approximately 68.81% of the total issued share capital of SCH (Mr. Ng is an executive director and chairman of the board of directors of SCH). Therefore, each of the Company and SCH is an associate of Mr. Ng. Accordingly, the Proposed Alterations constitute connected transaction of the Company by virtue of the Listing Rules, which is subject to announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

In addition, pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. Accordingly, an application has been made by the Company to the Stock Exchange for the approval of the Proposed Alterations.

As Mr. Ng, Mr. Paul Ng (an associate of Mr. Ng), Ms. Cheung, Ms. Jessica Ng (another associate of Mr. Ng) are common directors of the Company and SCH, they are required to abstain from voting on the relevant Board resolutions.

Save for Mr. Ng, Mr. Paul Ng, Ms. Cheung, Ms. Jessica Ng and Mr. Richard Howard Gorges and their respective associates, no other Shareholder had a material interest in the Proposed Alterations, and is required to abstain from voting on the resolutions to be proposed at the EGM.

Save for Mr. Ng, Uni-Spark, Ronastar, Parkfield, Fung Shing, Mr. Paul Ng, Ms. Cheung, Ms. Jessica Ng and Mr. Richard Howard Gorges and their respective associates, holding approximately 41.13% of the total number of issued Shares in aggregate as at the Latest Practicable Date, no other Shareholder had a material interest in the Proposed Alterations, and is required to abstain from voting on the resolution to be proposed at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth, Mr. Tung Woon Cheung Eric and Ms. Li Yuen Yu Alice, has been established to give recommendations to the Independent Shareholders on the Supplemental Agreement, the Supplemental Deed and the transactions contemplated thereunder (including the Proposed Alterations). We, Gransing Securities Co., Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any interests or relationships with the Company that could be reasonably regarded as relevant to the independence of us, and hence are independent from the Company pursuant to Rule 13.84 of the Listing Rules. There was no engagement between the Group and us in the last two years and we are not aware of change in any circumstances that would affect our independence. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received or will receive any fees or benefits from the Company or any of its subsidiaries. Accordingly, we consider ourselves eligible to give independent advice in respect of the Supplemental Agreement, the Supplemental Deed and the transactions contemplated thereunder (including the Proposed Alterations).

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company. We have assumed that all information and representations that have been provided by the Company, for which it is solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Company's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Supplemental Agreement, the Supplemental Deed and the transactions contemplated thereunder (including the Proposed Alterations).

We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided to us so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, opinion expressed or representations made by the management of the Company, nor have we conducted an independent investigation into the business and affairs or the prospects of the Company or the Group.

This letter is issued as our opinion to the Independent Board Committee and the Independent Shareholders solely for their consideration of whether the Supplemental Agreement, the Supplemental Deed and the transactions contemplated thereunder (including the Proposed Alterations) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Save for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

Our review and analyses were based upon, among others, (i) the information provided by the Group including the Circular, the Supplemental Agreement, and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2024 (the “**Annual Report 2024**”), the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report 2023**”) and the interim report of the Company for the six months ended 30 June 2025 (the “**Interim Report 2025**”); and (ii) our discussion with the Directors and the management of the Group with respect of the terms of and the reasons for entering into the Supplemental Agreement, the Supplemental Deed, and the businesses and future outlook of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons:

(I) Background and financial information of the Group

(i) Background of the Group

The Company is an investment holding company. Its principal subsidiaries are principally engaged in broking, margin financing, corporate advisory and underwriting, asset and wealth management as well as property investment.

(ii) *Financial information of the Group*

Set out below is the financial performance of the Group for each of the two financial years ended 31 December 2023 and 2024 (“FY2023” and “FY2024”, respectively) as extracted from the Annual Report 2023 and the Annual Report 2024, respectively:

Table 1: Consolidated financial performance of the Group

	FY2024 <i>HK\$'000</i> (Audited)	FY2023 <i>HK\$'000</i> (Audited)
Revenue From Continuing Operations	36,799	42,830
— <i>Broking</i>	10,814	11,377
— <i>Trading and investment</i>	(623)	35
— <i>Margin financing and money lending</i>	14,572	12,937
— <i>Asset and wealth management</i>	2,796	11,047
— <i>Corporate advisory and underwriting</i>	1,710	1,441
— <i>Property investment</i>	6,800	5,595
— <i>Other business</i>	730	398
Loss For The Year From Continuing Operations	(292,747)	(78,739)
Loss For The Year From Discontinued Operations	(2,309)	(61,259)
Loss For The Year	(295,056)	(139,998)

As set out in the Table 1, the revenue from continuing operations of the Group for the FY2024 was approximately HK\$36.80 million as compared to approximately HK\$42.83 million for the FY2023. According to the Annual Report 2024, the decrease in revenue was mainly attributable to the drop in revenue of asset and wealth management segment amounted to approximately HK\$2.8 million for the FY2024 versus approximately HK\$11.0 million recorded for the prior year. The increase in revenue from margin financing and money lending, property investment and corporate advisory and underwriting segments was set off with the drop in revenue from brokerage and trading and investment segments.

The loss for the year from continuing operations of the Group for the FY2024 was approximately HK\$292.75 million as compared to approximately HK\$78.74 million for the FY2023. According to the Annual Report 2024, during the FY2024, office leasing momentum remained slow reflecting high economic uncertainty with subdued demand and increased availability which caused by oversupply and higher vacancies on Hong Kong Island, especially in Central and its nearby. As at 31 December 2024, the fair value of the investment properties revalued at approximately HK\$286.0 million as compared to that of approximately HK\$509.4 million as at 31 December 2023. Fair value loss of approximately HK\$223.4 million was reported on the revaluation of the Company's investment properties for the FY2024.

According to the Annual Report 2024, during the FY2024, the Group decided to cease its media publication and financial public relation service business (“**Media Business**”). While in the FY2023, the Group ceased its jewellery business for better allocation of the Group’s resources. The Media Business and jewellery business were classified as discontinued operations for the reporting period. The aggregated consolidated loss from these discontinued operations for the FY2023 and FY2024 amounted to approximately HK\$61.3 million and approximately HK\$2.3 million, respectively.

Set out below is the financial position of the Group as at 31 December 2024 and 30 June 2025 as extracted from the Annual Report 2024 and the Interim Report 2025:

Table 2: Consolidated financial position of the Group

	As at 30 June 2025 HK\$’000 (Unaudited)	As at 31 December 2024 HK\$’000 (Audited)
Non-current assets	360,667	382,073
Current assets	658,990	468,445
Current liabilities	921,635	584,698
Net current liabilities	(262,645)	(116,253)
Non-current liabilities	64,630	189,636
Equity attributable to equity holders of the Company	33,392	76,184

As at 30 June 2025, the Group’s total assets and total liabilities amounted to approximately HK\$1,019.66 million as compared to approximately HK\$850.52 million as at 31 December 2024 and approximately HK\$986.27 million as compared to approximately HK\$774.33 million as at 31 December 2024, respectively. As at 30 June 2025, the Group’s current liabilities exceeded its current assets by approximately HK\$262.65 million as compared to approximately HK\$116.25 million as at 31 December 2024.

The current assets of the Group increased from approximately HK\$468.45 million as at 31 December 2024 to approximately HK\$658.99 million as at 30 June 2025, while the current liabilities of the Group increased from approximately HK\$584.70 million as at 31 December 2024 to approximately HK\$921.64 million as at 30 June 2025. The increase in the current liabilities of the Group was primarily attributable to increases in the client deposits and convertible bonds items.

(iii) Debt position

According to the Annual Report 2024, the Group incurred a net loss of approximately HK\$295.1 million and recorded a net cash used in operating activities of approximately HK\$46.0 million during the FY2024 and as at 31 December 2024. The Group had net current liabilities of approximately HK\$116.3 million and cash and cash equivalents of approximately HK\$36.7 million while its total interest-bearing bank and other borrowings of approximately HK\$225.4 million, of which approximately HK\$187.4 million was classified as current liabilities.

(II) Background of the Bondholder

Thousand China, a company incorporated in the BVI, which is an indirect wholly-owned subsidiary of SCH. As at the Latest Practicable Date, Mr. Ng, the chairman of the board of directors, an executive director and a substantial shareholder of each of the Company and SCH, had interests in Thousand China. Accordingly, Thousand China is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

(III) Reasons for and benefits of the Proposed Alterations

The Company is an investment holding company. Its principal subsidiaries are principally engaged in broking, margin financing, corporate advisory and underwriting, asset and wealth management as well as property investment.

Given the current unsound financial situation of the Company and subsequent to the discussions with the management of SCH, it is not practicable for the Company to repay the principal of the Bonds upon the original Maturity Date. In addition, the two carbon trading projects indirectly held by Genius Year Limited applying to China Certified Emission Reduction (CCER) scheme must meet the CCER standards and regulatory requirements. Only certain projects are eligible under the CCER scheme, including renewables, forestry and methane capture. The aforesaid projects must undergo validation and verification by accredited agencies under Ministry of Ecology and Environment (“MEE”), and only verified reduction generate CCER credits may be traded in National CCER registry which is managed by MEE. The process of validation and verification by the accredited agency is lengthy, especially for large scale projects. The total areas of the two projects are relatively large covering about 92 million sq. m. which must fulfill such key principles set out by the accredited agency as additionality (reductions must go beyond business-as-usual), measurability (emission must be quantifiable), permanence (reductions must be long term) and verification (subject to independent third-party audit). By extending the Maturity Date pursuant to the Supplemental Agreement and the Supplemental Deed, it would enable the Company to postpone a substantial cash outflow so as to ease the immediate financial burden of the Group to repay the Bonds. It also facilitates the Group in securing alternative financial resources to fulfil its payment obligations under the Bonds and provides the Group with greater financial flexibility in the deployment of its working capital for its current and new business operations and development, such as broking, margin financing, corporate advisory and sponsorship, asset and wealth management, equity capital market, property investment and provision of services to corporations in respect of arranging overseas conventions, exhibitions and travels.

The terms of the Proposed Alterations were arrived at after arm's length negotiations between the Company and Thousand China. The revised interest rate was determined taking into account the prevailing market rate and the current financial and liquidity position of the Group. Despite the interest rate of the Bonds is proposed to be increased from one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds to (a) one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds and (b) two (2)% per annum during the period from the date immediately following the date falling on the third (3rd) anniversary of the date of issue of the Bonds to the Maturity Date, it remains a level substantially lower than the average cost of fund of the Group of approximately 3.8% per annum.

After considering the reasons for and benefits of the Proposed Alterations as discussed above, we consider that the terms and conditions of the Supplemental Agreement, the Supplemental Deed and the transactions contemplated thereunder (including the Proposed Alterations) are acceptable.

(IV) Principal terms of the Supplemental Agreement and the Bonds

(i) Principal terms of the Supplemental Agreement

On 6 November 2025 (after trading hours), Thousand China (an indirect wholly-owned subsidiary of SCH) and the Company entered into the Supplemental Agreement pursuant to which the parties thereto conditionally agreed to alter, amend or change the terms of the Bonds by execution of the Supplemental Deed as follows:

- (i) the Maturity Date be extended from the date falling on the third (3rd) anniversary of the date of issue of the Bonds to the date falling on the sixth (6th) anniversary of the date of issue of the Bonds, i.e. an extension of three (3) years to 12 January 2029;
- (ii) the interest rate under the Bonds be increased from one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds to (a) one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds, and (b) two (2)% per annum during the period from the date immediately following the date falling on the third (3rd) anniversary of the date of issue of the Bonds to the Maturity Date; and
- (iii) the Conversion Price be changed from HK\$0.32 per Conversion Share to HK\$0.28 per Conversion Share subject to adjustments in the manner provided in the Instrument.

(collectively, the “**Proposed Alterations**”).

Save for the Proposed Alterations, all other terms and conditions of the Bonds shall remain unchanged.

The Supplemental Agreement is conditional upon and subject to the following conditions:

- (i) the Stock Exchange granting the approval in relation to the Proposed Alterations in accordance with Rule 28.05 of the Listing Rules;
- (ii) the passing by the Independent Shareholders and the SCH Independent Shareholders of all necessary resolution(s) at the EGM and SCH EGM respectively to approve the Proposed Alterations and the transactions contemplated under the Supplemental Agreement;
- (iii) all necessary consents and approvals in respect of the Proposed Alterations and the transactions contemplated under the Supplemental Agreement (including but not limited to the necessary approvals to be obtained under the Listing Rules) required to be obtained on the part of the Company and SCH having been obtained; and
- (iv) the Listing Committee of the Stock Exchange having granted listing of, and permission to, deal in the Conversion Shares to be issued upon the exercise of conversion rights attached to the Bonds.

None of the aforesaid conditions can be waived, and has been fulfilled as at the Latest Practicable Date.

(ii) Principal terms of the Bonds

Subject to the fulfillment of the conditions precedent to the Proposed Alterations, the principal terms of the Bonds before and after the Proposed Alterations are and will be as follows:

	Current (i.e. before the Proposed Alterations)	After the Proposed Alterations
Maturity Date:	the date falling on the third (3 rd) anniversary from the date of issue of the Bonds, i.e. on 12 January 2026 (the Bonds were issued by the Company on 13 January 2023).	the date falling on the sixth (6 th) anniversary from the date of issue of the Bonds, i.e. on 12 January 2029 (the Bonds were issued by the Company on 13 January 2023).

	Current (i.e. before the Proposed Alterations)	After the Proposed Alterations
Interest rate and interest payment date:	one (1)% per annum (from the date of issue of the Bonds to the Maturity Date) to be paid on the Maturity Date.	(a) one (1)% per annum during the period from the date of issue of the Bonds to the third (3 rd) anniversary from the date of issue of the Bonds to be paid on the third (3 rd) anniversary from the date of issue of the Bonds; and (b) two (2)% per annum during the period from the date immediately following the date falling on the third (3 rd) anniversary from the date of issue of the Bonds to the Maturity Date to be paid on the Maturity Date.
Conversion Price:	HK\$0.32 per Conversion Share, which is subject to adjustments for, among other matters, consolidation, reduction or subdivision of the Shares, capitalization of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for the Shares, but no adjustment shall be made for, among other matters, the issue of the Bonds; the issue and allotment of any Conversion Shares upon the exercise of the conversion rights attached to the Bonds; the grant of any options or the issue and allotment of any Shares pursuant to the exercise of any options granted under the share option scheme of the Company; and the issue and allotment of Shares to the public and/or any Shareholder for fund raising purposes.	HK\$0.28 per Conversion Share, which is subject to adjustments for, among other matters, consolidation, reduction or subdivision of the Shares, capitalization of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for the Shares, but no adjustment shall be made for, among other matters, the issue of the Bonds; the issue and allotment of any Conversion Shares upon the exercise of the conversion rights attached to the Bonds; the grant of any options or the issue and allotment of any Shares pursuant to the exercise of any options granted under the share option scheme of the Company; and the issue and allotment of Shares to the public and/or any Shareholder for fund raising purposes.

Other principal terms of the Bonds remain unchanged and are summarized as follows:

- Redemption:** The Company may redeem any Bonds at any time which remain outstanding before 5:00 p.m. (Hong Kong time) on the Maturity Date at its principal amount.
- Conversion Rights:** Subject to the terms and conditions of the Bonds, the bondholder(s) of the Bonds shall have the right to convert the Bonds into the Shares subject to mutual agreement in writing between the bondholder(s) of the Bonds and the Company at any time during the period commencing from the date of issue of the Bonds up to 5:00 p.m. (Hong Kong time) on the fifth (5th) Business Days prior to the Maturity Date by complying with the relevant procedures set out in the terms and conditions of the Bonds.
- Transferability:** The Bonds shall be transferrable to any other person provided that the Bonds are not to be transferred to a connected person of the Company and such transfer shall comply with the requirements under the Listing Rules and/or any other requirements imposed by the Stock Exchange (if any).
- Status:** The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves, and the payment obligations of the Company shall, save for such exceptions as may be provided by mandatory provisions of the applicable law, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Company.
- Voting Rights:** The Bonds do not confer any right to the bondholder(s) of the Bonds to attend or vote at any shareholders' meeting of the Company.

(iii) Comparison of Conversion Price with historical Share prices

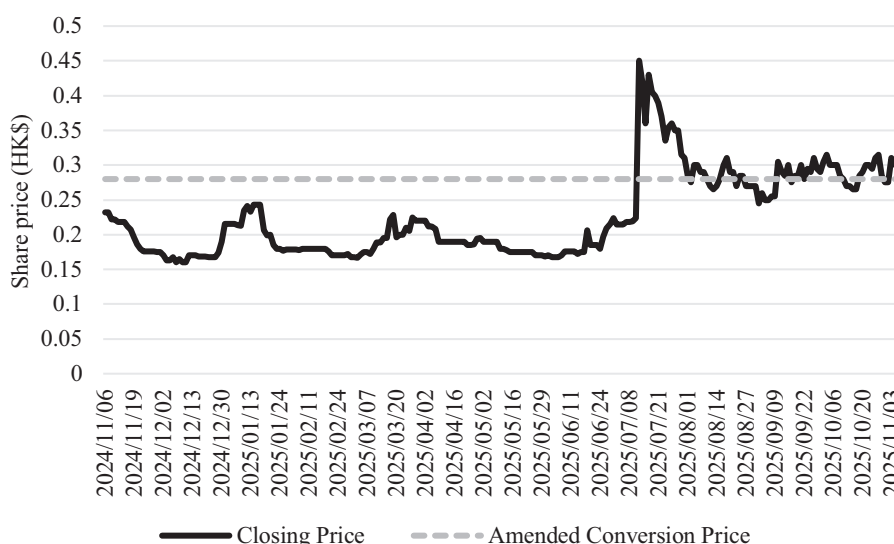
The amended Conversion Price is HK\$0.28 per Conversion Share (subject to adjustments). This represents:

- (i) a discount of approximately 3.45% over the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on 6 November 2025, i.e. being the Last Trading Day;

- (ii) a discount of approximately 3.45% over the average closing price of approximately HK\$0.29 per Share as quoted on the Stock Exchange for the last five (5) consecutive Trading Days immediately prior to and including the Last Trading Day;

In order to assess the fairness and reasonableness of the amended Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 6 November 2024 up to and including 6 November 2025 (i.e. the Last Trading Day) (the “**Review Period**”), being a period of approximately one year prior to and including the Last Trading Day, which we consider such period allows the Independent Shareholders to have a general understanding of recent share price performance of the Shares. The comparison of daily closing prices of the Shares and the amended Conversion Price is illustrated as follows:

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



Source: The Stock Exchange's website

As shown in the Chart 1, daily closing prices of the Shares remained largely stable between 6 November 2024 and 10 July 2025, fluctuating within the range of HK\$0.15 to HK\$0.25. The daily closing price of the Shares experienced a significant increase on 11 July 2025, reaching the highest value of HK\$0.45 during the Review Period. Subsequently, the daily closing price of the Shares gradually fluctuated downward. From 1 August 2025 to the Last Trading Day, daily closing prices of the Shares remained within the range of HK\$0.245 to HK\$0.315.

The amended Conversion Price of HK\$0.28 is within the range of daily closing prices of the Shares as quoted on the Stock Exchange during the entire Review Period.

(iv) Comparison with convertible bonds with extension of maturity date

We have reviewed the announcements on extension of convertible bonds for their respective maturity for one year prior to and including 6 November 2025, being the date of the Last Trading Day, by companies listed on the Stock Exchange. We consider such period represented recent structure of the extension of convertible bonds in the capital market in Hong Kong and allows the Independent Shareholders to have a general understanding of recent extension of convertible bonds being conducted. We identified a list of 6 comparable convertible bonds (the “**Extension Comparables**”) and it is exhaustive as far as we are aware of. Summary of the Extension Comparables is set out as below:

Table 3: Extension Comparables

No.	Company name (stock code)	Date of announcement	Outstanding principal amount (HK\$ million)	Interest rate (% per annum)	Months of extension for the term of maturity
1	Hospital Corporation of China Limited (3869)	12 June 2025	468.00	—	24
2	Hospital Corporation of China Limited (3869)	12 June 2025	773.88	—	24
3	Best Food Holding Company Limited (1488)	3 April 2025	610.68	3.00	25
4	China Aluminum Cans Holdings Limited (6898)	21 February 2025	139.83	—	60
5	Mobvista Inc. (1860)	21 January 2025	233.70	3.50	12
6	Oriental Payment Group Holdings Limited (8613)	30 December 2024	11.85	12.00	24
			Maximum:	12.00	60
			Minimum:	—	12
			Average:	3.08	28
South China Financial Holdings Limited (619)				2.00	36

Source: The Stock Exchange’s website

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

For the Extension Comparables, the extension of maturity date ranged from 12 months up to 60 months. The proposed extension of the Maturity Date of the Bonds of 36 months is within the range of the Extension Comparables.

(v) *Comparison with convertible bonds issued recently*

We have reviewed issues of new convertible bonds announced by companies listed on the Stock Exchange with market capitalization below HK\$5,000 million for six months prior to and including 6 November 2025 (the “**Review Period**”), being the Last Trading Day. We consider such period represented the general structure of the convertible bonds issued recently in the capital market in Hong Kong, and allows the Independent Shareholders to have a general understanding of recent issues of convertible bonds being conducted. We identified a list of 23 comparables (the “**Comparables**”) which met the said criteria and it is exhaustive as far as we are aware of. Independent Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables.

Table 4: List of Comparables

No.	Company name (stock code)	Date of announcement	Principal amount (HK\$ million)	Market Capitalization on the respective announcement date (HK\$ million)	Conversion Price premium over/ (discount to) the closing price on the last trading day prior to the date of the respective announcement/ agreement	Conversion Price premium over/ (discount to) the average closing price for five trading days prior to/including the date of the respective announcement/ agreement	Interest rate (per annum)	Month(s) of the term to maturity
1	China Carbon Neutral Development Group Limited (1372)	30 May 2025	57.66	1,092.96	(83.53)%	(80.14)%	5.000%	24
2	CROSSTEC Group Holdings Limited (3893)	2 June 2025	57.10	20.16	1.85%	1.85%	2.000%	36
3	CROSSTEC Group Holdings Limited (3893)	2 June 2025	38.40	20.15	1.85%	1.85%	2.000%	36
4	Icon Culture Global Company Limited (8500)	5 June 2025	12.96	129.60	0.00%	1.35%	6.000%	36
5	Celestial Asia Securities Holdings Limited (1049)	10 June 2025	20.00	84.76	19.05%	19.05%	5.000%	36
6	Celestial Asia Securities Holdings Limited (1049)	10 June 2025	20.00	84.76	19.05%	19.05%	5.000%	36
7	Value Convergence Holdings Limited (821)	13 June 2025	5.00	89.11	11.11%	37.93%	1.000%	24
8	Sky Light Holdings Limited (3882)	16 June 2025	70.00	1,017.87	54.46%	54.76%	8.000%	18
9	Zhi Sheng Group Holdings Limited (8370)	19 June 2025	20.00	894.40	10.15%	12.28%	0.000%	7
10	Polyfair Holdings Limited (8532)	30 June 2025	1.27	20.37	0.00%	6.19%	0.000%	36
11	Elate Holdings Limited (76)	17 July 2025	24.34	105.59	25.00%	(20.08)%	0.000%	72
12	USPACE Technology Group Limited (1725)	22 July 2025	109.62	393.16	(19.23)%	(20.25)%	0.000%	12
13	JL MAG RARE-EARTH CO., LTD. (6680)	24 July 2025	915.33	4,425.69	10.00%	7.50%	1.750%	60
14	Dingyi Group Investment Limited (508)	31 July 2025	980.00	263.71	5.81%	2.82%	2.000%	36
15	Pengo Holdings Group Limited (1865)	1 August 2025	120.00	187.86	(14.50)%	(19.30)%	3.000%	12
16	Millennium Pacific Group Holdings Limited (8147)	1 August 2025	8.63	42.31	2.04%	2.04%	5.000%	24

No.	Company name (stock code)	Date of announcement	Principal amount (HK\$ million)	Market Capitalization on the respective announcement date (HK\$ million)	Conversion Price	Conversion Price	Interest rate (per annum)	Month(s) of the term to maturity
					premium over/ (discount to) the closing price on the last trading day prior to the date of the respective announcement/ agreement	premium over/ (discount to) the average closing price for five trading days prior to/including the date of the respective announcement/ agreement		
17	CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED (3963)	3 September 2025	35.00	145.89	0.00%	(0.17)%	2.750%	36
18	Tibet Water Resources Ltd. (1115)	17 September 2025	297.00	2,537.86	1.85%	5.77%	5.000%	12
19	Hatcher Group Limited (8365)	29 September 2025	12.00	251.82	2.04%	(0.53)%	0.000%	36
20	Moiselle International Holdings Limited (130)	3 October 2025	25.00	71.99	20.00%	97.10%	2.500%	36
21	Eminence Enterprise Limited (616)	10 October 2025	268.40	164.29	4.32%	(16.34)%	5.000%	60
22	DTXS Silk Road Investment Holdings Company Limited (620)	17 October 2025	323.00	720.85	5.56%	6.03%	3.850%	36
23	Mindtell Technology Limited (8611)	27 October 2025	28.60	313.59	(17.90)%	(11.30)%	0.000%	24
				Maximum:	54.46%	97.10%	8.000%	72
				Minimum:	(83.53)%	(80.14)%	0.000%	7
				Average:	2.56%	4.67%	2.820%	32
	South China Financial Holdings Limited (619)				(3.45)%	(3.45)%	2.000%	36

Source: The Stock Exchange's website

Notes:

1. The amount was stated in US\$ and was converted into HK\$ using the exchange rate of US\$1.00 = HK\$7.79
2. The amount was stated in Renminbi and was converted into HK\$ using the exchange rate of Renminbi 1.00 = HK\$1.08
3. Under a normal distribution, approximately 95% of the values would fall within the range of two standard deviations from the average. The premium of relevant transaction was exceptionally high which exceed two standard deviations from the average would be treated as outlier and would be excluded from our analysis in order to avoid the distortion of our analysis results and considered to be an outlier.

(i) Conversion Price

During the Review Period, the conversion prices of the Comparables represent a range of a discount of approximately 83.53% to a premium of approximately 54.46%, with an average of premium of approximately 2.56% over the respective closing price per share on the last trading day prior to the date of the respective announcement/agreement in relation to the respective issue of Comparables. The amended Conversion Price of HK\$0.28 per Conversion Share, which represents a discount of approximately 3.45% to the closing price of HK\$0.29 per share as quoted on the Stock Exchange on the Last Trading Day, is within the conversion price discount range of the Comparables.

In addition, during the Review Period, the conversion price of the Comparables represent a range of a discount of approximately 80.14% to a premium of approximately 97.10%, with an average of premium of approximately 4.67% over the respective average closing price per share for five trading days prior to/including the date of the respective announcement/agreement in relation to the respective issue of convertible bonds. The amended Conversion Price of HK\$0.28 per Conversion Share, which represents a discount of approximately 3.45% to the average closing price of HK\$0.29 per share as quoted on the Stock Exchange for five trading days immediately prior to/including the Last Trading Day, is within the conversion price discount range of the Comparables.

Given the Conversion Price is within the range of the conversion price of the Comparables over the Last Trading Day and the average for five trading days immediately prior to/including the Last Trading Day, we are of the view that the Conversion Price is favourable to the Company when compared to the prevailing market sentiment. Furthermore, it should be noted that, the above analysis may not be useful as a direct reference to the fairness and reasonableness of the terms of the Bonds and we have considered the results of the above analysis together with all other factors stated in this letter as a whole in forming our opinion.

(ii) Interest rate

As shown in the table 4, the interest rates of the Comparables range from 0.0% to approximately 8.0%, with an average of approximately 2.82%. The interest rate of the Bonds of 2.0% per annum falls below the average of the interest rates of the Comparables. Despite the interest rate of the Bonds is proposed to be increased to two (2)% per annum during the extended period of the Maturity Date, we note from the Circular that average cost of fund of the Group was approximately 3.8% per annum, which is higher than the interest rate of the Bonds. Therefore, we consider that the interest rate of the Bonds is acceptable.

(iii) Term to maturity

The terms to maturity of the Comparables range from 7 months to 72 months, with an average of approximately 32 months. According to the Proposed Alterations, the Maturity Date is proposed to be extended for 36 months, which is within the range of maturity of the Comparables.

Taking into account the principal terms of the Bonds as highlighted above, we are of the view that the terms and conditions of the Supplemental Agreement, the Supplemental Deed and the transactions contemplated thereunder (including the Proposed Alterations) are acceptable.

(V) Financial effects of the Proposed Alterations

(i) Effects on liquidity

According to the Interim Report 2025, the cash and bank balances of the Group were approximately HK\$49.57 million as at 30 June 2025, and the net current liabilities of the Group was approximately HK\$262.65 million as at 30 June 2025. The Proposed Alterations would allow the Group to delay cash outflow of HK\$89.84 million as a result of redemption of the Bonds. Having considered (i) the cash and bank balances of the Group were approximately HK\$49.57 million as at 30 June 2025, and the principal amount of the Bonds was HK\$89.84 million; and (ii) the Bonds in the principal amount of HK\$89.84 million will become mature in January 2026. We are of the view that the Proposed Alterations would alleviate the liquidity and working capital pressure of the Group triggered by the redemption of the Bonds due on 12 January 2026.

(ii) Effects on earnings

The interest rate of the Bonds changes from one (1)% per annum to two (2)% per annum under the Proposed Alterations, therefore future earnings will be reduced correspondingly by the amount of interest expenses incurred for the Bonds before the Maturity Date. According to applicable accounting standards, a non-cash imputed finance cost and fair value changes on derivative components of the Bonds may be recorded in the consolidated statement of profit or loss and other comprehensive income during the extended period depending on the result of re-measurement of the fair values of the Bonds as at 31 December 2025, as well as each subsequent reporting date by independent valuer.

(iii) Effects on net assets

There may be changes in the fair values of the Bonds as a result of the Proposed Alterations. The possible changes will be subject to the valuation from the independent valuer and the review of the Company's independent auditors in the Group's subsequent financial statements.

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

(VI) Shareholding structure and possible dilution effect of the Bonds

As extracted from the Letter from the Board, the following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediate upon full conversion of the whole principal of HK\$89,840,000 convertible bonds at the conversion price of HK\$0.28 per conversion share; (iii) immediate upon full conversion of the whole principal of HK\$50,000,000 convertible bonds at the conversion price of HK\$0.22 per conversion share; and (iv) immediate upon (a) full conversion of the whole principal of HK\$89,840,000 convertible bonds at the conversion price of HK\$0.28; and (b) full conversion of the whole principal of HK\$50,000,000 convertible bonds at the conversion price of HK\$0.22 per conversion share (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date and up to the full conversion of the Bonds).

Table 5: Shareholding structure and possible dilution effect of the Bonds

	As at the Latest Practicable Date		Immediate upon full conversion of the whole principal of HK\$89,840,000 convertible bonds at the conversion price of HK\$0.28 per conversion share		Immediate upon full conversion of the whole principal of HK\$50,000,000 convertible bonds at the conversion price of HK\$0.22 per conversion share		Immediate upon (a) full conversion of the whole principal of HK\$89,840,000 convertible bonds at the conversion price of HK\$0.28 per conversion share and (b) full conversion of the whole principal of HK\$50,000,000 convertible bonds at the conversion price of HK\$0.22 per conversion share	
	No. of Shares	Approximately %	No. of Shares	Approximately %	No. of Shares	Approximately %	No. of Shares	Approximately %
Uni-Spark	7,178,761	2.38	7,178,761	1.15	7,178,761	1.36	7,178,761	0.85
Fung Shing	23,526,030	7.81	23,526,030	3.78	23,526,030	4.45	23,526,030	2.77
Parkfield	44,623,680	14.81	44,623,680	7.17	44,623,680	8.44	44,623,680	5.25
Ronastar	1,999,872	0.66	1,999,872	0.32	1,999,872	0.38	1,999,872	0.24
Mr. Ng	13,005,264	4.32	13,005,264	2.09	13,005,264	2.46	13,005,264	1.53
Total Grace	—	0.00	—	0.00	227,272,727	43.00	227,272,727	26.76
Thousand China	—	0.00	320,857,142	51.57	—	0.00	320,857,142	37.77
Mr. Ng and his close associates	90,333,607	29.98	411,190,749	66.09	317,606,334	60.09	638,463,476	75.17
Mr. Paul Ng	14,988,000	4.97	14,988,000	2.41	14,988,000	2.84	14,988,000	1.76
Ms. Cheung	13,598,311	4.51	13,598,311	2.19	13,598,311	2.57	13,598,311	1.60
Mr. Richard Howard Gorges	5,000,000	1.66	5,000,000	0.80	5,000,000	0.95	5,000,000	0.59
Parties acting in concert (Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Richard Howard Gorges)	123,919,918	41.13	444,777,060	71.49	351,192,645	66.44	672,049,787	79.12
Public Shareholders	177,357,152	58.87	177,357,152	28.51	177,357,152	33.56	177,357,152	20.88
TOTAL	301,277,070	100.00	622,134,212	100.00	528,549,797	100.00	849,406,939	100.00

Upon full conversion of the Bonds at the Conversion Price, the Bonds will be convertible into 320,857,142 new Shares, representing approximately 106.50% of the total number of issued Shares (excluding treasury shares) and approximately 51.57% of the total number of issued Shares (excluding treasury shares) as enlarged by the allotment and issue of the Conversion Shares as at the Latest Practicable Date.

The theoretical dilution effect of the issue of the Conversion Shares at the revised Conversion Price calculated based on the benchmarked price of approximately HK\$0.29 is approximately 1.8% and thus the issue of the Conversion Shares at the revised Conversion Price will not result in a theoretical dilution effect of 25% or more on its own as referred to under Rule 7.27B of the Listing Rules. The cumulative theoretical dilution effect in aggregation with the conversion shares to be issued in relation to the HK\$50,000,000 convertible bonds, as disclosed in the announcement of the Company dated of 6 November 2025, calculated based on the benchmark price of approximately HK\$0.29 is approximately 7.8%.

Assuming no outstanding Share Options being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the date when the Conversion Rights are exercised in full, the existing shareholding of the Independent Shareholders will be diluted from approximately 58.87% before full conversion of the Bonds to approximately 28.51% immediately after full conversion of the Bonds.

Despite the potential dilution to the shareholding of the Independent Shareholders, after taking into account that (i) the aforementioned reasons for and benefits of the Proposed Alterations; (ii) the terms of the Proposed Alterations being acceptable; (iii) the redemption of the Bonds due on 12 January 2026 would impose pressure on the liquidity and working capital of the Group; and (iv) the theoretical dilution effect would not result in a dilution effect of 25% or more and result in an immediate dilution effect on the shareholding of the existing Shareholders, we are of the view that the extent of dilution to the shareholding interests of the Independent Shareholders as a result of the full conversion of the Bonds is acceptable.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (i) the terms and conditions of the Supplemental Agreement, the Supplemental Deed and the transactions contemplated thereunder (including the Proposed Alterations) are on normal commercial terms and are acceptable;
- (ii) the potential dilution effect to the shareholding interest of the Independent Shareholders arising from the full conversion of the Bonds is acceptable; and
- (iii) the cash and bank balances of the Group were approximately HK\$49.57 million as at 30 June 2025, and the principal amount of the Bonds was HK\$89.84 million.

We are of the view that the Supplemental Agreement, the Supplemental Deed and the transactions contemplated thereunder (including the Proposed Alterations) are not conducted in the ordinary and usual course of business of the Group, but the terms and conditions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Supplemental Agreement, the Supplemental Deed and the transactions contemplated thereunder (including the Proposed Alterations), and we also recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gransing Securities Co., Limited



Beverly Seeto
Managing Director

Ms. Beverly Seeto is a licensed person registered with the SFC and a responsible officer of Gransing Securities Co., Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 10 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.