
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zhongzheng International Company Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

ZHONGZHENG INTERNATIONAL COMPANY LIMITED

中證國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

- (1) PROPOSED SHARE CONSOLIDATION, SHARE PREMIUM REDUCTION
AND CHANGE IN BOARD LOT SIZE;**
**(2) CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE FOR DEBT CAPITALISATION;**
(3) APPLICATION FOR WHITEWASH WAIVER;
**(4) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE;**
**(5) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT;**
AND
(6) NOTICE OF SGM

Financial adviser to the Company



**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



Placing Agent



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 13 to 52 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 53 to 54 of this circular. A letter from Merdeka Corporate Finance containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 55 to 98 of this circular.

A notice convening the SGM to be held at Unit 5, 10/F, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wanchai, Hong Kong on Thursday, 10 July 2025 at 11:00 a.m. is set out on pages SGM-1 to SGM-6 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 18 July 2025. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 31 July 2025 to Thursday, 7 August 2025 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Thursday, 31 July 2025 to Thursday, 7 August 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.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	8
TERMINATION OF THE UNDERWRITING AGREEMENT	12
LETTER FROM THE BOARD	13
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	53
LETTER FROM MERDEKA CORPORATE FINANCE	55
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III – GENERAL INFORMATION	III-1
NOTICE OF SGM	SGM-1

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 15 May 2025 in relation to, among other things, the Share Consolidation, the Share Premium Reduction, the Change in Board Lot Size, the Debt Capitalisation, the Whitewash Waiver and the Rights Issue
“associates”	has the meaning ascribed to it under the Takeovers Code or the Listing Rules (as the case may be)
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Bye-laws”	the bye-laws of the Company as amended, supplemented or otherwise modified from time to time
“Capitalisation Share(s)”	an aggregate of 504,574,140 Consolidated Shares to be issued and allotted by the Company to the Subscribers pursuant to the Debt Capitalisation Agreements
“Capitalisation Issue Price”	HK\$0.20 per Capitalisation Share
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in effect
“Change in Board Lot Size”	the change in board lot size of the Shares for trading on the Stock Exchange from 8,000 Existing Shares to 16,000 Consolidated Shares
“Circular”	this circular
“Company”	Zhongzheng International Company Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 943)

DEFINITIONS

“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Shares(s)”	ordinary share(s) of par value of HK\$0.0008 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Debt Capitalisation”	the capitalisation of all or part of the outstanding shareholder’s loan owing by the Company to the Subscribers pursuant to the Debt Capitalisation Agreements
“Debt Capitalisation Agreement I”	the agreement dated 15 May 2025 entered into between the Company and Subscriber I in respect of the Debt Capitalisation
“Debt Capitalisation Agreement II”	the agreement dated 15 May 2025 entered into between the Company and Subscriber II in respect of the Debt Capitalisation
“Debt Capitalisation Agreements”	the Debt Capitalisation Agreement I and the Debt Capitalisation Agreement II
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any of his delegate(s)
“Existing Share(s)”	ordinary share(s) of par value of HK\$0.00004 each in the share capital of the Company prior to the Share Consolidation becoming effective
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent committee established by the Board comprising all the independent non-executive Directors, for the purpose of making recommendation to the Independent Shareholders in respect of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the Specific Mandate and the Whitewash Waiver
“Independent Shareholder(s)”	the Shareholders other than the Subscribers and their respective concert parties and those who are involved in, and/or interested in, the Debt Capitalisation Agreements, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the Specific Mandate and the Whitewash Waiver
“Independent Third Party(ies)”	a third party(ies) independent of the Company and its connected persons
“Irrevocable Undertakings”	the irrevocable undertakings given by each of the Subscribers and Mr. Yang in favour of the Company with details set out in the section headed “Proposed Rights Issue – The Irrevocable Undertakings”
“Last Trading Day”	14 May 2025, being the last trading day of the Shares on the Stock Exchange immediately preceding the date of the Announcement
“Latest Practicable Date”	17 June 2025, being latest practicable date prior to the publication of this circular
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 12 August 2025, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 19 August 2025 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merdeka Corporate Finance” or “Independent Financial Adviser”	Merdeka Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser engaged by the Company to advise the Independent Board Committee and the Independent Shareholders on the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the Specific Mandate and the Whitewash Waiver

DEFINITIONS

“Mr. Yang”	Mr. Yang Bin, a Substantial Shareholder who was interested in approximately 16.4% of the issued share capital of the Company as at the Latest Practicable Date
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the Placees after deducting the aggregate amount of the Rights Issue Price for the Unsubscribed Rights Shares placed by the Placing Agent under the Placing Agreement) pursuant to the Compensatory Arrangements
“No Action Shareholder(s)”	those Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renouncees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiries with the legal advisers in the relevant jurisdictions, consider it necessary or expedient not to offer the Rights Issue to such Overseas 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
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that has/ have not been sold by the Company
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	professional, institutional, corporate or other investor(s), who are Independent Third Party(ies) and not acting in concert with the Subscribers and their respective concert parties, procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the placing of the Unsubscribed Rights Shares on a best effort basis by the Placing Agent to the Placees on the terms and conditions of the Placing Agreement
“Placing Agent”	VC Brokerage Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO

DEFINITIONS

“Placing Agreement”	the placing agreement dated 15 May 2025 entered into between the Company and the Placing Agent in relation to the Placing
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Proposals”	the proposals comprising (i) the Share Consolidation; (ii) the Debt Capitalisation; (iii) the Rights Issue; (iv) the Share Premium Reduction; and (v) the Change in Board Lot Size
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Tuesday, 29 July 2025 or such other date as may be agreed in writing between the Company and the Underwriter, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders (or in case of Non-Qualifying Shareholder(s), the Prospectus only)
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Monday, 28 July 2025 or such other date as may be agreed between the Company and the Underwriter in writing, being the record date for determining the entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Union Registrars Limited, the Company’s branch share registrar and transfer office in Hong Kong at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Announcement (15 November 2024) and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue of the Rights Shares on the basis of one (1) Rights Share for every two (2) Consolidated Shares (including the Capitalisation Shares to be allotted and issued pursuant to the Debt Capitalisation) held on the Record Date at the Rights Issue Price of HK\$0.20 per Rights Share on the terms and conditions to be set out in the Prospectus Documents
“Rights Issue Price”	HK\$0.20 per Rights Share

DEFINITIONS

“Rights Share(s)”	the Consolidated Share(s) to be allotted and issued under the Rights Issue, being in aggregate 572,899,170 Consolidated Shares (assuming there will be no issue of other new Shares from the Latest Practicable Date up to the Record Date save for the allotment and issue of the Capitalisation Shares)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, approve, among others, the Debt Capitalisation Agreements, the Underwriting Agreement, the Share Consolidation, the Share Premium Reduction, and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the Specific Mandate and the Whitewash Waiver
“Share(s)”	the Existing Share(s) or the Consolidated Share(s) (as the context may require)
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued Existing Shares in the share capital of the Company into one (1) Consolidated Share and the proposed cancellation of any fractional Consolidated Shares arising therefrom
“Share Premium Reduction”	the proposed transfer of the entire amount standing to the credit of the share premium account of the Company of approximately HK\$899.1 million to the contributed surplus account of the Company to be applied towards setting off part of the accumulated losses of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issue of the Capitalisation Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber I” or “Underwriter”	Mr. Low Thiam Herr, a Substantial Shareholder who was interested in approximately 17.2% of the issued share capital of the Company as at the Latest Practicable Date
“Subscriber II”	Mr. Lim Kim Chai, J.P., a Substantial Shareholder and a non-executive Director who was interested in approximately 12.2% of the issued share capital of the Company as at the Latest Practicable Date

DEFINITIONS

“Subscribers”	Subscriber I and Subscriber II
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 15 May 2025 and entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	the Rights Shares to be underwritten by the Underwriter under the Underwriting Agreement, being a maximum of 173,637,389 Rights Shares, which represents the maximum of 572,899,170 Rights Shares minus 399,261,781 Rights Shares subject to the Irrevocable Undertakings
“Unsubscribed Rights Share(s)”	the Rights Share(s) that are not subscribed by the Qualifying Shareholders and the NQS Unsold Rights Shares (if any)
“Untaken Rights Share(s)”	the Unsubscribed Rights Share(s) that are not placed by the Placing Agent under the Placing Agreement
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of Subscriber I and Subscriber II to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Subscribers and parties acting in concert with any of them as a result of the allotment and issue of the Capitalisation Shares to the Subscribers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *The English translation of the Chinese names in this circular, where indicated, are intended for identification purpose only and should not be regarded as the official English names of such Chinese name.*

EXPECTED TIMETABLE

Set out below is an expected timetable for the Proposals, which is for indicative purposes only and has been prepared on the assumption that the Whitewash Waiver will be granted by the Executive, and the respective conditions the Share Consolidation, the Share Premium Reduction, the Change in Board Lot Size, the Debt Capitalisation, the Rights Issue and the Underwriting Agreement will be fulfilled. The expected timetable is subject to change, and any changes will be announced by the Company as and when appropriate.

All times and dates in the below timetable and in this circular refer to Hong Kong local times and dates.

Events	Date
Latest time for lodging transfers of the Shares to qualify for attendance and voting at the SGM	4:00 p.m. on Friday, 4 July 2025
Register of members of the Company closes to determine entitlement to attend and vote at the SGM (both dates inclusive)	Monday, 7 July 2025 to Thursday, 10 July 2025
Latest time for lodging proxy forms for the SGM	11:00 a.m. on Tuesday, 8 July 2025
Record date for determining attendance and voting at the SGM	Thursday, 10 July 2025
Expected date and time of the SGM	11:00 a.m. on Thursday, 10 July 2025
Announcement of poll results of the SGM	Thursday, 10 July 2025
The following events are conditional on the results of the SGM and fulfillment of conditions of the Rights Issue including, among other things, completion of the Debt Capitalisation, and therefore the dates are tentative only.	
Register of members of the Company re-opens	Friday, 11 July 2025
Effective date of the Share Consolidation	Monday, 14 July 2025
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Monday, 14 July 2025
First day of free exchange of existing share certificates for the Existing Shares for new share certificates for the Consolidated Shares	Monday, 14 July 2025

EXPECTED TIMETABLE

Original counter for trading in the Existing Shares in board lots of 8,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 14 July 2025
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens.	9:00 a.m. on Monday, 14 July 2025
Expected date of completion of the Debt Capitalisation	Tuesday, 15 July 2025
Last day of dealing in the Consolidated Shares on a cum-rights basis	Thursday, 17 July 2025
First day of dealing in the Consolidated Shares on an ex-rights basis	Friday, 18 July 2025
Latest time for lodging transfers of the Shares to qualify for the Rights Issue	4:00 p.m. on Monday, 21 July 2025
Register of members of the Company closes to determine eligibility for the Rights Issue (both dates inclusive)	Tuesday, 22 July 2025 to Monday, 28 July 2025
Record date for determining eligibility for the Rights Issue	Monday, 28 July 2025
Original counter for trading in the Consolidated Shares in board lots of 16,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Monday, 28 July 2025
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	Monday, 28 July 2025
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Monday, 28 July 2025
Register of members of the Company re-opens	Tuesday, 29 July 2025

EXPECTED TIMETABLE

Despatch of the Prospectus Documents (in case of Non-Qualifying Shareholder(s), the Prospectus only)	Tuesday, 29 July 2025
First day for dealings in nil-paid Rights Shares and in new board lot of 16,000 Rights Shares	Thursday, 31 July 2025
Latest time for splitting of the PAL	4:00 p.m. on Monday, 4 August 2025
Last day for dealings in nil-paid Rights Shares	Thursday, 7 August 2025
Latest time for acceptance of and payment for the Rights Shares.	4:00 p.m. on Tuesday, 12 August 2025
Announcement of the number of the Unsubscribed Rights Shares subject to the Compensatory Arrangements.	Wednesday, 13 August 2025
Commencement of placing of the Unsubscribed Rights Shares by the Placing Agent, on best effort basis	Thursday, 14 August 2025
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares.	4:00 p.m. on Friday, 15 August 2025
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Friday, 15 August 2025
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) ends	4:10 p.m. on Friday, 15 August 2025
End of placing of the Unsubscribed Rights Shares	4:00 p.m. on Monday, 18 August 2025
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Tuesday, 19 August 2025
Announcement of the results of the Rights Issue and results of the Compensatory Arrangements.	Tuesday, 19 August 2025

EXPECTED TIMETABLE

Latest time for free exchange of existing share

certificates for new share certificates 4:00 p.m. on Tuesday,
19 August 2025

Despatch of certificates for fully-paid Rights Shares Wednesday, 20 August 2025

Despatch of refund cheques, if any (if the

Rights Issue is terminated) Wednesday, 20 August 2025

Commencement of dealings in fully-paid

Rights Shares 9:00 a.m. on Thursday,
21 August 2025

Payment of Net Gain (if any) to relevant

No Action Shareholders Wednesday, 27 August 2025

Effect of bad weather or extreme conditions on the Latest Time for Acceptance and payment for the Rights Shares

The Latest Time for Acceptance and payment for the Rights Shares will not take place if there is 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 the Latest Time for Acceptance. Instead, the Latest Time for Acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Time for Acceptance. Instead, the Latest Time for Acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Tuesday, 12 August 2025, the dates mentioned in this section may be affected. The Company will notify shareholders by way of announcements on any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

- (i) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not of the same kind with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of any member of the Group.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

LETTER FROM THE BOARD

ZHONGZHENG INTERNATIONAL COMPANY LIMITED

中證國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

Executive Directors:

Mr. Tam Lup Wai, Franky

Mr. Liu Liyang

Non-executive Director:

Mr. Lim Kim Chai, J.P.

Independent non-executive Directors:

Mr. Hau Chi Kit

Mr. Leung Chi Hung

Mr. Li Hon Kuen

Ms. Yang Yan Tung Doris

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place
of business in Hong Kong:*

Room 1005

Bank of East Asia Harbour View Centre

56 Gloucester Road, Wanchai

Hong Kong

19 June 2025

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED SHARE CONSOLIDATION, SHARE PREMIUM REDUCTION
AND CHANGE IN BOARD LOT SIZE;**
- (2) CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE FOR DEBT CAPITALISATION;**
- (3) APPLICATION FOR WHITEWASH WAIVER;**
- (4) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE;
AND**
- (5) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) details of the Proposals; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Merdeka Corporate Finance to the Independent Board Committee and the Independent Shareholders; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) a notice convening the SGM.

LETTER FROM THE BOARD

THE PROPOSALS

The Board proposed the Proposals which aim to improve the financial position of the Group, raise funding to support the continuous business development of the Group and enhance the attractiveness of investing in the Shares. The Proposals comprise the following components:

- (i) the Share Consolidation: every twenty (20) issued and unissued Existing Shares of par value of HK\$0.00004 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.0008 each;
- (ii) the Share Premium Reduction: the entire amount standing to the credit of the share premium account of the Company of approximately HK\$899.1 million will be transferred to the contributed surplus account of the Company and applied towards setting off part of the accumulated losses of the Company;
- (iii) the Change in Board Lot Size: the board lot size for trading will be changed from 8,000 Existing Shares to 16,000 Consolidated Shares;
- (iv) the Debt Capitalisation: upon the Share Consolidation becoming effective, the Company proposes to capitalise the shareholder's loans owing by the Company to the Subscribers in the aggregate amount of approximately HK\$100.9 million by the allotment and issue of new Capitalisation Shares to the Subscribers pursuant to the Specific Mandate to be sought from the Independent Shareholders; and
- (v) the Rights Issue: following completion of the Debt Capitalisation, the Company proposes to conduct the Rights Issue on the basis of one Rights Shares for every two Consolidated Shares (including the Capitalisation Shares) held by the Shareholders on the Record Date to raise an aggregate of approximately HK\$114.6 million. The Rights Issue will be fully underwritten by Subscriber I, who will be a Controlling Shareholder upon completion of the Debt Capitalisation.

Upon completion of the Proposals, the liabilities of the Group will be reduced while new capital will be raised through the Rights Issue, the overall effect is that the financial position of the Group will be enhanced. It is also expected that following the Share Consolidation and the Change in Board Lot Size, the trading price of the Shares and value of the board lot will be increased, which will enable the Company to comply with the trading requirements under the Listing Rules. Further details of the reasons for and benefits of the Proposals are set out in the section headed "Reasons for and benefits of the Proposals and use of proceeds" below.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Subscriber I was interested in 2,206,750,364 Existing Shares, representing approximately 17.2% of the issued share capital of the Company, and is a Substantial Shareholder; and Subscriber II was interested in 1,569,420,951 Existing Shares, representing approximately 12.2% of the issued share capital of the Company, who is also a Substantial Shareholder. As disclosed in the section headed “Information of the Subscribers” below, Subscriber I is the co-founder and the vice-chairman while Subscriber II is the co-founder and chairman of Yuk Tung Group, which is principally engaged in property development in Malaysia. Subscriber I and Subscriber II are business partners and are de facto parties acting in concert with each other. Upon the Share Consolidation having taken effect and completion of the Debt Capitalisation, the Subscribers and their respective concert parties together will be interested in 693,382,705 Consolidated Shares, representing approximately 60.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares. Accordingly, Subscriber I and Subscriber II would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by them and parties acting in concert with any of them, unless the Whitewash Waiver is granted. An application has been made by the Subscribers to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll to approve the Whitewash Waiver.

Details of each of the Share Consolidation, the Share Premium Reduction, the Change in Board Lot Size, the Debt Capitalisation and the Rights Issue are set out below.

PROPOSED SHARE CONSOLIDATION

The Board proposed that every twenty (20) issued and unissued Existing Shares of par value of HK\$0.00004 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.0008 each.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$1,000,000,000 divided into 25,000,000,000 Existing Shares of par value of HK\$0.00004 each, of which 12,824,484,010 Existing Shares were issued and credited as fully paid.

Assuming no further Existing Shares will be issued or repurchased between the Latest Practicable Date and the date of the SGM, immediately after the Share Consolidation becoming effective but before completion of the Debt Capitalisation and the Rights Issue, the authorised share capital of the Company will be HK\$1,000,000,000 divided into 1,250,000,000,000 Consolidated Shares of par value of HK\$0.0008 each, of which 641,224,200 Consolidated Shares will be in issue.

The Consolidated Shares will be identical and rank *pari passu* in all respects with each other.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders. The Directors believe that the Share Consolidation will not have any material adverse effect on the financial position of the Company.

LETTER FROM THE BOARD

Conditions of the Share Consolidation

The implementation of the Share Consolidation is conditional upon:

- (i) the Share Consolidation (including the elimination of any residual fraction of a Consolidated Share in the issued share capital of the Company arising therefrom) having been approved by more than 75% of the Independent Shareholders at the SGM by way of poll;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consolidated Shares; and
- (iii) the compliance with all relevant procedures and requirements under the applicable laws of Bermuda and the Listing Rules to effect the Share Consolidation.

The Share Consolidation is not conditional on the Debt Capitalisation and the Rights Issue.

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

Subject to the fulfilment of the above conditions, it is expected that the Share Consolidation shall become effective on 14 July 2025.

Application for listing of the Consolidated Shares

An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the 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 on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becomes 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.

LETTER FROM THE BOARD

Fractional Consolidated Shares

Fractional Consolidated Shares (if any) 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 Existing Shares regardless of the number of share certificates held by such holder. Any residual fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation will be eliminated in order to round down the total number of the Consolidated Shares to a whole number, which will be approved by the Independent Shareholders as part of the Share Consolidation by way of a special resolution at the SGM.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed VC Brokerage Limited as an agent to provide matching services, 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 Monday, 28 July 2025 to 4:00 p.m. on Friday, 15 August 2025 (both dates inclusive). Shareholders who wish to take advantage of this facility should contact Dealing Department of VC Brokerage Limited at 6th Floor, Centre Point, 181-185 Gloucester Road, Wanchai, Hong Kong or at telephone number: (852) 2913-6716 during office hours (i.e. 9:00 a.m. to 5:00 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. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Exchange of Certificates for Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be Monday, 14 July 2025, Shareholders may on or after Monday, 14 July 2025 and until Tuesday, 19 August 2025 (both days inclusive), submit their existing share certificates in blue colour for the Existing Shares to the Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for exchange for new share certificates in red colour for the Consolidated Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of new share certificates, a fee of HK\$2.5 per share certificate (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the share registrar for exchange of new share certificates.

After 4:10 p.m. on Friday, 15 August 2025, trading will only be in Consolidated Shares which share certificates will be issued in red colour. Existing share certificates in blue colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

LETTER FROM THE BOARD

PROPOSED SHARE PREMIUM REDUCTION

The Board proposed to reduce the share premium of the Company in accordance with the applicable laws of Bermuda and the Bye-laws. The amount standing to the credit of the share premium account of the Company as at 31 December 2024 was approximately HK\$899.1 million. It is proposed that the entire amount standing to the credit of the share premium account be reduced and cancelled and be applied towards setting off part of the amount of the accumulated losses of the Company. As at 31 December 2024, the total amount of the accumulated losses of the Company was approximately HK\$1,540.1 million.

Effect of the Share Premium Reduction

The implementation of the Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the shares of the Company or the trading arrangements concerning the shares of the Company. Save for the expenses incurred by the Company in relation to the Share Premium Reduction, the implementation of the Share Premium Reduction will not, in itself, have any material adverse effect on the underlying assets, liabilities, business operations, management or financial position of the Company or the interests of the Shareholders as a whole.

Conditions of the Share Premium Reduction

The Share Premium Reduction is conditional upon:

- (i) the Share Premium Reduction having been approved by the Shareholders at the SGM by way of poll; and
- (ii) the compliance with all relevant procedures and requirements under the applicable laws of Bermuda and the Listing Rules to effect the Share Premium Reduction.

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

Subject to the fulfilment of the above conditions, it is expected that the Share Premium Reduction shall become effective on the date of the SGM.

PROPOSED CHANGE IN BOARD LOT SIZE

The Existing Shares are currently traded on the Stock Exchange in board lot size of 8,000 Existing Shares. The Board proposes to change the board lot size for trading to 16,000 Consolidated Shares per board lot upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.01 per Existing Share (equivalent to the theoretical closing price of HK\$0.20 per Consolidated Share) as at the Latest Practicable Date, (i) the value per board lot of 8,000 Existing Shares is HK\$80; and (ii) the value of each board lot of 16,000 Consolidated Shares would be HK\$3,200 upon the Share Consolidation and the Change in Board Lot Size becoming effective.

LETTER FROM THE BOARD

PROPOSED DEBT CAPITALISATION

After trading hours of the Stock Exchange on 15 May 2025, (i) the Company and Subscriber I entered into the Debt Capitalisation Agreement I, pursuant to which, the Company has agreed to allot and issue, and Subscriber I has agreed to subscribe for, 289,574,140 Capitalisation Shares at the Capitalisation Issue Price of HK\$0.20 per Capitalisation Share; and (ii) the Company and Subscriber II entered into the Debt Capitalisation Agreement II, pursuant to which, the Company has agreed to allot and issue, and Subscriber II has agreed to subscribe for, 215,000,000 Capitalisation Shares at the Capitalisation Issue Price of HK\$0.20 per Capitalisation Share, upon the Share Consolidation becoming effective.

The amount of the total Capitalisation Issue Price will be set off against all of the shareholder's loans owing by the Company to Subscriber I and part of the shareholder's loans owing by the Company to Subscriber II, on a dollar-to-dollar basis.

Save for the parties to the agreement, the amount of loans to be capitalised and the number of the Capitalisation Shares to be allotted and issued, salient terms of the two Debt Capitalisation Agreements are the same.

Debt Capitalisation Agreement I

Date

15 May 2025

Parties

- (i) The Company, as issuer; and
- (ii) Subscriber I, as subscriber.

Subscriber I was a Substantial Shareholder interested in 2,206,750,364 Existing Shares, representing approximately 17.2% of the total issued share capital of the Company as at the Latest Practicable Date. As such, Subscriber I is a connected person of the Company.

Subject matter

As at 30 April 2025, the aggregate amount owing by the Company to Subscriber I was approximately HK\$57.9 million, comprising loan principal of HK\$48.1 million and accrued interest of approximately HK\$9.8 million, and are repayable by 31 December 2025.

LETTER FROM THE BOARD

Pursuant to the Debt Capitalisation Agreement I, the Company will allot and issue, and Subscriber I will subscribe for, 289,574,140 Capitalisation Shares at the Capitalisation Issue Price, which will be set-off against the entire amount of the outstanding shareholder's loan owing by the Company to Subscriber I of approximately HK\$57.9 million on a dollar-to-dollar basis by execution of a deed of set-off upon completion of the Debt Capitalisation Agreement I. Subscriber I will waive all other interest that may be accrued during the period from 1 May 2025 to the date of completion of the Debt Capitalisation Agreement I, which would amount to approximately HK\$321,000 assuming that completion of the Debt Capitalisation Agreements takes place on 15 July 2025.

Debt Capitalisation Agreement II

Date

15 May 2025

Parties

- (iii) The Company, as issuer; and
- (iv) Subscriber II, as subscriber.

Subscriber II was a non-executive Director and a Substantial Shareholder interested in 1,569,420,951 Existing Shares, representing approximately 12.2% of the total issued share capital of the Company as at the Latest Practicable Date. As such, Subscriber II is a connected person of the Company.

Subject matter

As at 30 April 2025, the aggregate amount owing by the Company to Subscriber II was approximately HK\$261.7 million, comprising loan principal of HK\$250.0 million and accrued interest of approximately HK\$11.7 million, and are repayable by 31 December 2027.

Pursuant to the Debt Capitalisation Agreement II, the Company will allot and issue, and Subscriber II will subscribe for, 215,000,000 Capitalisation Shares at the Capitalisation Issue Price, which will be set-off against part of the outstanding shareholder's loan owing by the Company to Subscriber II of HK\$43.0 million on a dollar-to-dollar basis by execution of a deed of set-off upon completion of the Debt Capitalisation Agreement II. Subscriber II will waive all other interest that may be accrued on such amount of loan which will be capitalised pursuant to the Debt Capitalisation Agreement II during the period from 1 May 2025 to the date of completion of the Debt Capitalisation Agreement II, which would amount to approximately HK\$215,000 assuming that completion of the Debt Capitalisation Agreements takes place on 15 July 2025.

LETTER FROM THE BOARD

Upon completion of the Debt Capitalisation Agreement II, the remaining shareholder's loan owing by the Company to Subscriber II will be reduced to approximately HK\$218.7 million.

Capitalisation Shares

An aggregate of 504,574,140 Capitalisation Shares will be allotted and issued, credited as fully paid, by the Company to the Subscribers under the Debt Capitalisation. Assuming there will be no issue of other new Existing Shares or Consolidated Shares from the date of the Debt Capitalisation Agreements and up to the date of completion of the Debt Capitalisation Agreements, the Capitalisation Shares represent (i) approximately 78.7% of the issued share capital of the Company upon the Share Consolidation having taken effect; (ii) approximately 44.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares; and (iii) approximately 29.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and the Rights Shares.

Capitalisation Issue Price

The Capitalisation Issue Price of HK\$0.20 per Capitalisation Share represents:

- (i) the same price as the theoretical closing price of the Consolidated Shares of HK\$0.20 based on the closing price of the Existing Shares of HK\$0.01 quoted on the Stock Exchange on the Last Trading Day;
- (ii) the same price as the average of the theoretical closing prices of the Consolidated Shares of HK\$0.20 based on the average of the closing prices of the Existing Shares quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of HK\$0.01;
- (iii) a discount of approximately 1.0% to the theoretical closing prices of the Consolidated Shares of HK\$0.202 based on the average of the closing prices of the Existing Shares quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of HK\$0.0101;
- (iv) a discount of approximately 0.7% to the average of the theoretical closing prices of the Consolidated Shares of approximately HK\$0.201 based on the average of the closing prices of the Existing Shares quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.01007;
- (v) a discount of approximately 56.2% to the net asset value of the Company per Consolidated Share as at 30 June 2024 of approximately HK\$0.457 calculated based on the audited consolidated net asset value attributable to the Shareholders as at 30 June 2024 of approximately HK\$293.1 million and 641,224,200 Consolidated Shares;

LETTER FROM THE BOARD

- (vi) a discount of approximately 54.5% to the net asset value of the Company per Consolidated Share as at 31 December 2024 of approximately HK\$0.440 calculated based on the unaudited consolidated net asset value attributable to the Shareholders as at 31 December 2024 of approximately HK\$281.9 million and 641,224,200 Consolidated Shares;
- (vii) the same price as the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.20 calculated based on the theoretical closing prices of the Consolidated Shares for the last five consecutive trading days up to and including the Last Trading Day, and there will be no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules); and
- (viii) the same price as the theoretical closing price of the Consolidated Shares of HK\$0.20 based on the closing price of the Existing Shares of HK\$0.01 quoted on the Stock Exchange on the Latest Practicable Date.

The Capitalisation Issue Price was arrived at after arm's length negotiation between the Company and the Subscribers taking into account the prevailing market prices, the thin trading volume of the Shares, as well as the current market conditions.

The Company notes that the Capitalisation Issue Price represents a relatively large discount of approximately 54.5% to the net asset value attributable to the Shareholders as at 31 December 2024. However, the Shares have been trading very low at or close to the extremity of HK\$0.01 for a prolong period of time. The average of the closing prices of the Shares during the two years immediately prior to the Last Trading Day was also approximately HK\$0.01023, and the discounts of the average closing price of the Shares to the net asset value attributable to the Shareholders during this two-year period ranged between approximately 53.4% and 88.7%. The Company is of the view that this may indicate that investors might not have valued the Shares based on the underlying value of the Group's assets. Accordingly, having considered the business development of the Group and prevailing market conditions, and taking into account the reasons for the Debt Capitalisation as disclosed in the section headed "Reasons for and benefits of the Proposals and use of proceeds" below, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) consider that the terms of the Debt Capitalisation Agreements (including the Capitalisation Issue Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Debt Capitalisation Agreements is subject to and conditional upon:

- (i) the Share Consolidation having taken effect;
- (ii) the Debt Capitalisation Agreements and the transactions contemplated thereunder including the Specific Mandate having been approved by more than 50% of the Independent Shareholders at the SGM by way of poll;
- (iii) the Executive having granted to the Subscribers the Whitewash Waiver, and any conditions attaching to the Whitewash Waiver including the approval by at least 75% of the Independent Shareholders at the SGM by way of poll having been satisfied;

LETTER FROM THE BOARD

- (iv) the Underwriting Agreement and the transactions contemplated thereunder having been approved by more than 50% of the Independent Shareholders at the SGM by way of poll;
- (v) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consolidated Shares and the Capitalisation Shares;
- (vi) all necessary approvals and consents on the part of the Company in relation to the Debt Capitalisation Agreements and the transactions contemplated thereunder having been obtained; and
- (vii) all necessary approvals and consents on the part of the Subscribers in relation to the Debt Capitalisation Agreements and the transactions contemplated thereunder having been obtained.

In respect of condition (iv) above, completion of the Debt Capitalisation Agreements is conditional on the Independent Shareholders' approval of the Underwriting Agreement and the transactions contemplated thereunder, but not conditional on completion of the Rights Issue.

None of the above conditions can be waived by the parties. As at the Latest Practicable Date, each of the Company and the Subscribers was not aware of any other approval and consent was required in respect of conditions (vi) and (vii).

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

If the above conditions are not fulfilled on or before 31 July 2025 (or such later date as may be agreed between the parties in writing), the Debt Capitalisation Agreements shall cease and terminate and neither parties shall have any claim against the other for compensation save for any antecedent breach of the Debt Capitalisation Agreements.

Completion of the Debt Capitalisation Agreements

Completion of the Debt Capitalisation Agreements shall take place within three Business Days after the date upon which all the aforesaid conditions have been fulfilled, or at such other date as the parties may agree in writing, and at the principal place of business of the Company in Hong Kong or such venue as the parties may agree.

Based on the current expected timetable, the expected completion date of the Debt Capitalisation will be on 15 July 2025.

Ranking of the Capitalisation Shares

The Capitalisation Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Capitalisation Shares. Holders of the Capitalisation Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Capitalisation Share.

LETTER FROM THE BOARD

Specific Mandate

The Capitalisation Shares will be allotted and issued pursuant to the Specific Mandate to be sought and approved by more than 50% of the Independent Shareholders at the SGM.

Application for listing of the Capitalisation Shares

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

PROPOSED RIGHTS ISSUE

The Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) Consolidated Shares (including the Capitalisation Shares to be allotted and issued pursuant to the Debt Capitalisation) held on the Record Date at the Rights Issue Price of HK\$0.20 per Rights Share, to raise gross proceeds of up to approximately HK\$114.6 million by issuing 572,899,170 Rights Shares (assuming there will be no issue of other new Shares from the Latest Practicable Date up to the Record Date save for the allotment and issue of the Capitalisation Shares) to the Qualifying Shareholders. The net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$112.0 million. The Rights Issue will not be extended to the Non-Qualifying Shareholders.

Details of the Rights Issue are summarised as follows:

Basis of the Rights Issue	: One (1) Rights Share for every two (2) Consolidated Shares held on the Record Date
Rights Issue Price	: HK\$0.20 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	: 12,824,484,010 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective and upon the allotment and issue of the Capitalisation Shares	: 1,145,798,340 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	: 572,899,170 Rights Shares
Aggregate nominal value of the Rights Shares	: Approximately HK\$458,319
Total number of Consolidated Shares in issue as enlarged by the allotment and issue of the Capitalisation Shares and the Rights Shares	: 1,718,697,510 Consolidated Shares

LETTER FROM THE BOARD

Number of Rights Shares subject to the Irrevocable Undertakings	:	Each of Subscriber I, Subscriber II and Mr. Yang has irrevocably undertaken to the Company that each of them will take up the 199,955,829 Rights Shares, the 146,735,523 Rights Shares and the 52,570,429 Rights Shares, respectively, under each of their entitlements pursuant to the terms of the Rights Issue.
Number of Underwritten Shares	:	173,637,389 Rights Shares, being the total of 572,899,170 Rights Shares minus the aggregate of 399,261,781 Rights Shares subject to the Irrevocable Undertakings
Underwriter	:	Subscriber I
The proceeds from the Rights Issue (before expenses)	:	Approximately HK\$114.6 million
The proceeds from the Rights Issue (after deducting expenses)	:	Approximately HK\$112.0 million

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares. Save for the allotment and issue of the Capitalisation Shares, the Company has no intention to issue or grant any other Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming there will be no issue of other new Shares from the Latest Practicable Date up to the Record Date save for the allotment and issue of the Capitalisation Shares, and that no other new Shares other than the Rights Shares will be allotted and issued on or before completion of the Rights Issue, the 572,899,170 Rights Shares represent (i) 50.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares; and (ii) approximately 33.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and the Rights Shares.

Rights Issue Price

The Rights Issue Price is HK\$0.20 per Rights Share, which is the same as the Capitalisation Issue Price, and is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

LETTER FROM THE BOARD

The price comparison of the Rights Issue Price with the prevailing market prices of the Shares and the net asset value attributable to the Shareholders is the same as that for the Capitalisation Issue Price as discussed in the section headed “Proposed Debt Capitalisation – Capitalisation Issue Price” above. The equal pricing for the Rights Issue can ensure that the Qualifying Shareholders have the opportunity to participate in the Group’s future development at the same price as the Subscribers. The theoretical ex-rights price will also be the same as the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.20, and there will be no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules).

The net Rights Issue Price per Rights Share (after deducting expenses) is estimated to be approximately HK\$0.196 per Rights Share. The Rights Issue Price and the subscription ratio was determined by the Company with reference to the prevailing market prices of the Shares, the current market conditions, the financial condition of the Group and the fund-raising size intended by the Company.

Having considered the above and taking into account the reasons for the Rights Issue as disclosed in the section headed “Reasons for and benefits of the Proposals and use of proceeds” below, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) consider that the terms of the Rights Issue (including the Rights Issue Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid with a record date falling on or after the date of allotment and issue of the Rights Shares in their fully-paid form.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) Consolidated Shares held by the Qualifying Shareholders as at the close of business on the Record Date, which was determined taking into account (i) that the ratio would be non-aggressive to attract minority Shareholders to participate in the Rights Issue and thereby the long-term development of the Group; (ii) the Group’s overall financial position; and (iii) the expected funding requirement for the coming future.

Application for all or any part of a Qualifying Shareholder’s provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted with the Registrar by 4:00 p.m. on Tuesday, 12 August 2025.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

LETTER FROM THE BOARD

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company, and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company at the close of business on the Record Date, transfer documents (together with the relevant share certificate(s)) must be lodged with the Registrar no later than 4:00 p.m. on Monday, 21 July 2025.

The Prospectus Documents are expected to be made available and/or despatched (as the case may be) to the Qualifying Shareholders on the Prospectus Posting Date (i.e. Tuesday, 29 July 2025). The Company will despatch the PAL(s) in printed form to the Qualifying Shareholders. Copies of the Prospectus Documents will also be made available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zhongzheng.com.hk).

Closure of register of members

The register of members of the Company will be closed from Tuesday, 22 July 2025 to Monday, 28 July 2025 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may or may not be eligible to take part in the Rights Issue. As at Latest Practicable Date, there were a total of two Overseas Shareholders with addresses in the British Virgin Islands and the Mainland China.

The Company has, in compliance with Rule 13.36(2)(a) of the Listing Rules, made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the legal advice provided by the respective legal advisers of the British Virgin Islands and the Mainland China engaged by the Company as at the Latest Practicable Date and having considered the circumstances, the Directors are of the view that the relevant overseas legal restrictions and requirements of the relevant regulatory body or the Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the British Virgin Islands and the Mainland China from the Rights Issue. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in those jurisdictions.

LETTER FROM THE BOARD

The Company will continue to ascertain whether there are any other Overseas Shareholders as at the Record Date and will, if necessary, make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholders as at the Record Date and make relevant disclosure in the Prospectus.

The Company will make available and/or despatched (as the case may be) the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send any PAL to them.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit.

Any NQS Unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Placing Agent on a best effort basis to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) and are not acting in concert with the Subscribers and their respective concert parties, at the price not less than the Rights Issue Price under the Placing together with other Unsubscribed Rights Shares. Any Unsubscribed Rights Shares remain not placed after completion of the Placing will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Company pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of 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 Shares.

LETTER FROM THE BOARD

Fractional entitlement to the Rights Shares

No fractional entitlements to the Rights Shares shall be issued to the Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company for its own benefit.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Wednesday, 20 August 2025 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

If the Underwriting Agreement is terminated or does not become unconditional, refund cheques will be despatched on or before Wednesday, 20 August 2025 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

The Irrevocable Undertakings

Upon completion of the Debt Capitalisation, Subscriber I will be interested in 399,911,658 Consolidated Shares, representing approximately 34.9% of the issued share capital of the Company upon allotment and issue of the Capitalisation Shares. Subscriber I has irrevocably undertaken to the Company that (i) he will subscribe for 199,955,829 Rights Shares which comprise the full amount of provisional entitlements in respect of the 399,911,658 Consolidated Shares; (ii) he will not dispose of, or agree to dispose of, any of the 399,911,658 Consolidated Shares, and such Shares will remain beneficially owned by him up to and including the Record Date; and (iii) he will lodge the subscription for the 199,955,829 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to him under the Rights Issue with the Registrar.

Upon completion of the Debt Capitalisation, Subscriber II will be interested in 293,471,047 Consolidated Shares, representing approximately 25.6% of the issued share capital of the Company upon allotment and issue of the Capitalisation Shares. Subscriber II has irrevocably undertaken to the Company that (i) he will subscribe for 146,735,523 Rights Shares which comprise the full amount of provisional entitlements in respect of the 293,471,047 Consolidated Shares; (ii) he will not dispose of, or agree to dispose of, any of the 293,471,047 Consolidated Shares, and such Shares will remain beneficially owned by him up to and including the Record Date; and (iii) he will lodge the subscription for the 146,735,523 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to him under the Rights Issue with the Registrar.

LETTER FROM THE BOARD

Upon completion of the Debt Capitalisation, Mr. Yang will be interested in 105,140,858 Consolidated Shares, representing approximately 9.2% of the issued share capital of the Company upon allotment and issue of the Capitalisation Shares. Mr. Yang has irrevocably undertaken to the Company that (i) he will subscribe for 52,570,429 Rights Shares which comprise the full amount of provisional entitlements in respect of the 105,140,858 Consolidated Shares; (ii) he will not dispose of, or agree to dispose of, any of the 105,140,858 Consolidated Shares, and such Shares will remain beneficially owned by him up to and including the Record Date; and (iii) he will lodge the subscription for the 52,570,429 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to him under the Rights Issue with the Registrar.

Application for listing of the Rights Shares

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. Other than on the Stock Exchange, 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.

Subject to the granting of the listing of, and the 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 respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms with their new board lot size (i.e. 16,000) as their underlying Shares on the Stock Exchange, or such other dates 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. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, the Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

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

Subscriber I, who will be a Controlling Shareholder as at the time of conducting the Rights Issue, will act as the Underwriter. Pursuant to Rule 7.21(2) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) and are not acting in concert with the Subscribers and their respective concert parties, for the benefit of the relevant No Action Shareholders to whom they were offered under the Rights Issue. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

LETTER FROM THE BOARD

The Company has appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent Placee(s) on a best effort basis, and any premium over the aggregate amount of (i) the Rights Issue Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (i.e. the Net Gain) will be paid to those No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 18 August 2025, acquirers of those Unsubscribed Rights Shares at a price not less than the Rights Issue Price. The principal terms and conditions of the Placing Agreement are set out in the section headed “Proposed Rights Issue – The Placing Agreement” below. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) mentioned in (i) above is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

Conditions of the Rights Issue

The Rights Issue will be conditional upon completion of the Debt Capitalisation Agreements and obtaining the Independent Shareholders’ approval of the Underwriting Agreement and the Underwriting Agreement becoming unconditional. Details of the conditions of the Underwriting Agreement are set out in the section headed “Proposed Rights Issue – The Underwriting Agreement – Conditions of the Underwriting Agreement” below.

As at the Latest Practicable Date, the conditions of the Rights Issue had not been fulfilled.

Based on the current expected timetable, the expected date of commencement of dealings in fully-paid Rights Shares will be on Thursday, 21 August 2025.

LETTER FROM THE BOARD

The Placing Agreement

After trading hours of the Stock Exchange on 15 May 2025, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Principal terms of the Placing Agreement are set out below.

Date	:	15 May 2025
Placing Agent	:	VC Brokerage Limited, a licensed corporation carrying out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
		The Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties, and are independent and not connected with and not acting in concert with the Subscribers and their respective concert parties
Placing commission	:	2.0% of the gross proceeds from the successful placement of the Unsubscribed Rights Shares
Placing price of the Unsubscribed Rights Shares	:	The placing price of the Unsubscribed Rights Shares shall be not less than the Rights Issue Price.
		The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.
Placees	:	The Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) and are not acting in concert with the Subscribers and their respective concert parties.
Ranking of the Unsubscribed Rights Shares	:	The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects among themselves and with the Shares then in issue.
Placing period	:	Thursday, 14 August 2025 to Monday, 18 August 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements

LETTER FROM THE BOARD

- Placing condition : Completion of the Placing is conditional upon the Underwriting Agreement becoming unconditional.
- Termination : The obligations of the Placing Agent under the Placing Agreement will be terminated if all of the Rights Shares have been accepted by the Qualifying Shareholders on or before the Latest Time for Acceptance.

The terms of the Placing Agreement (including the placing commission thereof) were determined after arm's length negotiation between the Company and the Placing Agent with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms. The Directors consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the No Action Shareholders, the Directors consider that the Compensatory Arrangements are in the interest of the minority Shareholders.

The Underwriting Agreement

After trading hours of the Stock Exchange on 15 May 2025, the Company and the Underwriter entered into the Underwriting Agreement, pursuant to which the Rights Shares (other than those Rights Shares subject to the Irrevocable Undertakings) will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement. Principal terms of the Underwriting Agreement are set out below.

- Date : 15 May 2025
- Underwriter : Subscriber I, who was a Substantial Shareholder as at the Latest Practicable Date. As such, Subscriber I complies with Rule 7.19(1)(b) of the Listing Rule.
- It is not in the ordinary course of business of Subscriber I to underwrite securities.
- Number of Rights Shares to be underwritten by the Underwriter : 173,637,389 Rights Shares (assuming there will be no issue of other new Shares from the Latest Practicable Date up to the Record Date save for the allotment and issue of the Capitalisation Shares)
- Underwriting commission : Nil

Subject to the fulfilment of the conditions under the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, the Underwriter has agreed to subscribe for the Untaken Rights Shares (being any Unsubscribed Rights Shares that are not placed by the Placing Agent under the Placing Agreement) at the Rights Issue Price.

LETTER FROM THE BOARD

Having considered the terms of the Underwriting Agreement, including that no commission is payable to the Underwriter, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) consider that the Underwriting Agreement is on normal commercial terms or better and is fair and reasonable so far as the Shareholders are concerned.

Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfilment of the following conditions:

- (i) the Underwriting Agreement and the transactions contemplated thereunder having been approved by more than 50% of the Independent Shareholders at the SGM by way of poll;
- (ii) all necessary approvals and consents in relation to the Underwriting Agreement and the transactions contemplated thereunder having been obtained by the Company, and the requirements of the Bermuda laws, the Listing Rules and the Takeovers Code having been complied with;
- (iii) completion of the Debt Capitalisation having taken place;
- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong, respectively, one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) 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, by no later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (vi) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares, and not having withdrawn or revoked such grant and permission;
- (vii) the Company having complied with and performed all its commitments and obligations in accordance with the terms of the Underwriting Agreement;
- (viii) the Underwriter having complied with and performed all its commitments and obligations in accordance with the terms of the Underwriting Agreement;
- (ix) the Underwriting Agreement not having been terminated in accordance with its terms and conditions; and

LETTER FROM THE BOARD

- (x) all representations, warranties and undertakings given by the Company in the Underwriting Agreement not having been breached and being true, correct and not misleading in any material respects.

None of the above conditions is capable of being waived. As at the Latest Practicable Date, save for the Independent Shareholders' approval, the Company was not aware of any other approval and consent is required in respect of condition (ii).

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

If any of the conditions precedent are not satisfied by the Latest Time for Termination, the Underwriting Agreement shall terminate and no party will have any claim against any other party save for any antecedent breaches and claims thereof.

Termination of the Underwriting Agreement

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

- (i) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not of the same kind with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

LETTER FROM THE BOARD

- (iii) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of any member of the Group.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

REASONS FOR AND BENEFITS OF THE PROPOSALS AND USE OF PROCEEDS

Background of the Group

The Group is principally engaged in the business of manufacturing and sale of healthcare and household products, coal mining business and money lending business. The Group also has a 35%-interest in an associate principally engaged in a property development project in Malaysia.

Over the past few years, the Group faced significant challenges in its business operations, particularly the PRC property development operations, due to adverse market conditions including a severe credit crunch in the PRC property sector, and incurred significant losses. The heavily debt financed PRC property development operations further poised significant burden on the financial position of the Group. In the circumstances, the auditors of the Company issued qualified opinions on five items for the financial year ended 30 June 2024 regarding, among other things, the PRC property development operations. As such, the Company's focus and energy were inevitably driven to exploring means to restructure the business operations of the Group, offloading the financial burden and resolving the auditor's qualified opinions.

After years of efforts, the Group finally disposed the PRC property development operations to Subscriber II in July 2024, and realigned the business segments of the Group, details of which are set out in the circular of the Company dated 28 June 2024. Following the disposal of the PRC property development operations, three out of the five qualified opinions were address. The Group also took measures to resolve the other two qualified opinions in May 2024 and March 2025, respectively, and the Company was of the view that all of the five qualified opinions had been fully addressed. The Company is therefore able to shift back its focus to optimising its capital structure, strengthening the financial position of the Group and developing its core business operations. In particular, in view of the depletion of the Group's financial resources by the PRC property development operations over years, and the adverse impact of the China-United States trade war on, among other things, the Group's business of manufacturing and sale of healthcare and household products, the Company is in need of new capital to support the business development of the Group.

LETTER FROM THE BOARD

Debt Capitalisation

As disclosed in the unaudited consolidated statement of financial position as set out in the interim report of the Company for the six months ended 31 December 2024, as at 31 December 2024, the Group had (i) bank and other borrowings of approximately HK\$29.0 million; and (ii) shareholder's loans owing to the Subscribers comprising loan principal of approximately HK\$298.1 million in aggregate and accrued interest of approximately HK\$20.8 million in aggregate. The gearing ratio (calculated by dividing total debt and borrowings by total equity) as at 31 December 2024 was approximately 116.0%. On the other hand, the Group only had bank and cash balances of approximately HK\$2.3 million as at 31 December 2024, and recorded net current liabilities of approximately HK\$103.2 million, reflecting substantial financial leverage.

Subscriber I acquired the loan in the amount of approximately HK\$32.6 million together with the 17.2% shareholding interest in the Company from a former shareholder of the Company in December 2023. This loan is unsecured and interest bearing at 2.2% per annum. He granted four further unsecured loans to the Company in May 2024, July 2024, September 2024 and November 2024, respectively, which are interest bearing at 5% per annum. As at 30 April 2025, shareholder's loans from Subscriber I amounted to approximately HK\$57.9 million in aggregate, comprising loan principal of HK\$48.1 million and accrued interest of approximately HK\$9.8 million, and are repayable by 31 December 2025.

Subscriber II granted two unsecured loans to the Company in August 2019 and November 2019, which are interest bearing at the rate of 2.2% per annum and 5% per annum, respectively. As at 30 April 2025, shareholder's loans from Subscriber II amounted to approximately HK\$261.7 million in aggregate, comprising loan principal of HK\$250.0 million and accrued interest of approximately HK\$11.7 million, and are repayable by 31 December 2027.

Given the Group's liquidity constraints and financial position, in particular the lack of working capital, the net current liabilities position and the high gearing ratio, it is imperative for the Company to resolve the liquidity and funding issue in order for the Group to continue moving forward. Although the repayment dates of the shareholder's loans have not yet been due, the substantial outstanding amounts and the continuous accrual of interest expenses further strain the Group's financial health. Without alleviating these liabilities, the Group's financial position will remain weak and vulnerable.

Recognising that the shareholder's loans were originally extended by the Subscribers to fund the Group's operations, the Company therefore proposed, and the Subscribers agreed, to capitalise all of the shareholder's loans owing to Subscriber I and part of their respective shareholder's loans owing to Subscriber II. This approach will remove Subscriber I as a creditor of the Group and settle a large portion of the Group's outstanding debts without depleting its existing financial resources or triggering significant cash outflows, particularly having considered the Group's limited liquidity. It will also convert the Subscribers funding supports into permanent capital of the Company.

LETTER FROM THE BOARD

The Board considered that the Debt Capitalisation will reduce finance costs, alleviating the Group's ongoing financial burden, improving its profitability and cash flow. Through conducting the Debt Capitalisation, the financial position of the Group will be improved, making it more viable for future fund-raising efforts, including the impending Rights Issue. The willingness of the Subscribers to capitalise their debts into equity also demonstrates their long-term commitment to the Group's development. Following the Debt Capitalisation, the Subscribers will further support the Group by contributing additional funding through the Rights Issue.

The Board had assessed other alternative methods to repay the shareholder's loans but considered that they would not be feasible and practical to resolve the Group's needs, as (i) it would be difficult to source sufficient funds to fully repay the shareholder's loans given the substantial amount; (b) replacing the debt with alternative debt financing would not enhance the Group's financial standing and could exacerbate its leverage issues; and (c) the Group's weak financial position makes it impractical to conduct a rights issue or other equity fund raising before its financial position improves. The Board also considered that further extending the shareholder's loans would not be preferable as the financial position would not be improved and finance costs would continue be incurred, and it would not be helping the future development of the Group. In view of the above, the Debt Capitalisation would be the most feasible and practical approach to reduce the liabilities, alleviate the financial costs and improve the financial position of the Group.

It is noted that the allotment and issue of the Capitalisation Shares would dilute the shareholding of other Shareholders (other than the Subscribers) from approximately 70.6% to 39.5%. However, considering that the Share price has been very low at or close to the extremity of HK\$0.01 for a prolonged period of time, without improving the continuous weak financial position and liquidity issues, the future development of the Group would continue to be hindered, and the improvement in the value of the Shares would be difficult. As the improvement in the long-term investment value of the Shares is considered to be beneficial to all of the Shareholders, the Company thus proposed the Debt Capitalisation followed by the Rights Issue despite the dilution effect.

Having considered that the Debt Capitalisation would (i) alleviate the Group's financial burden and the repayment pressure on the outstanding debts; (ii) preserve as much liquidity as possible; (iii) expand the Company's capital base; (iv) reduce the gearing ratio while improving the net asset position, and thereby strengthen the Group's financial position; and (v) the Debt Capitalisation has no other disadvantages, and taking into account the terms of the Debt Capitalisation, particularly the Capitalisation Issue Price which is equal to the current market price, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) are of the view that the merits of the Debt Capitalisation justify the dilution.

LETTER FROM THE BOARD

Rights Issue

While the Debt Capitalisation would alleviate debt obligations and financial burden of the Group, it would not fully resolve its structural financial challenges, particularly the net current liabilities position and insufficient working capital for business development. As mentioned earlier, as at 31 December 2024, the Group only had bank and cash balances of approximately HK\$2.3 million and had net current liabilities of approximately HK\$103.2 million. Upon completion of the Debt Capitalisation, while the consolidated net assets of the Group would be improved, the Group would remain in a net current liabilities position as only part of the current liabilities in the amount of approximately HK\$57.9 million attributable to the shareholder's loans and accrued interest thereof owing to Subscriber I would have been capitalised. The remaining current liabilities mainly comprised trade and other payables and borrowings. Given the bank and cash balances, without additional funding, the Group would not be having sufficient working capital to meet its financial needs. To strengthen the Group's financial position, replenish the working capital and raise funding to improve the Group's liquidity, and thereby provide the Group with the financial flexibility necessary for support the Group's continuous business development particularly under the challenging market conditions amidst the China-United States trade war, the Company thus proposes the Rights Issue. This initiative would establish a permanent equity base, reduce reliance on debt financing and establish a more sustainable capital structure for the Group. Upon completion of the Rights Issue, the Group will raise net proceeds of approximately HK\$112.0 million which will provide the Group with sufficient working capital to meet its financial obligations, provide the cashflow to align the timing and amounts of payments to suppliers with receivables from customers and fund its operations. As at the Latest Practicable Date, the Company had no intention to conduct further equity fund raising activities in addition to the Rights Issue.

Given the Company's objective is to improve its capital structure, additional debt financing would not support deleveraging efforts. Consequently, the Company believes equity fundraising would be the preferable approach. Compared to a private placement which would bring further dilution to the shareholding of the Shareholders, the Rights Issue would offer the Qualifying Shareholders an opportunity to maintain their proportional interests and participate in the Group's future development. The Irrevocable Undertakings from the Substantial Shareholders, alongside the underwriting commitment from Subscriber I, further demonstrate their confidence in and support for the Group's future development. Additionally, the Rights Issue allows the Qualifying Shareholders who choose not to take up their entitlements to benefit by selling their nil-paid rights.

Intended use of proceeds

There will be no cash proceeds arising from the allotment and issue of the Capitalisation Shares as the amount of the total Capitalisation Issue Price will be fully set off against the shareholder's loans owing by the Company to the Subscribers on a dollar-to-dollar basis.

LETTER FROM THE BOARD

The gross proceeds from the Rights Issue will be approximately HK\$114.6 million and the net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$112.0 million. The Company intends to apply the entire amount of the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$48.0 million, or 43% of the net proceeds, be applied towards repayment of the outstanding debt of the Group, of which:
 - (a) by August 2025, approximately HK\$15.1 million, or 13% of the net proceeds, be applied towards repayment of an outstanding loan facility and the accrued interest thereof owing to Sky Treasure Group (Development) Limited, which is an investment holding company and is an Independent Third Party and is not a Shareholder, and has no other relationship (business or otherwise) with the Company and its connected persons. The loan facility is unsecured, carries interest rate of 6% per annum and will be due in July 2025; and
 - (b) by December 2025, approximately HK\$32.9 million, or 30% of the net proceeds, be applied towards repayment of an outstanding bank loan and the accrued interest thereof relating to the healthcare and household business. The bank loan is secured by the land use rights and the factory buildings, carries interest rate of 3% per annum and will be due in January 2028. While the bank loan is not yet due, having considered the challenging business environment amidst the China-United States trade war, the Company takes the initiative to minimise the costs for the Group's operations;
- (ii) approximately HK\$40.0 million, or 35% of the net proceeds, be applied towards strategic adjustment and business transformation for the Group's business of manufacturing and sale of healthcare and household products, of which:
 - (a) by December 2025, approximately HK\$6.0 million, or 5% of the net proceeds, be applied towards the development of diversified markets by establishing sales and marketing teams, with a focus on expanding into the Mainland China, the Middle East, Europe and/or the Southeast Asia;
 - (b) by December 2025, approximately HK\$6.0 million, or 5% of the net proceeds, be applied towards expanding domestic and/or cross-border e-commerce channels to establish direct sales pathways within the Mainland China and/or the overseas market; and
 - (c) by June 2026, approximately HK\$28.0 million, or 25% of the net proceeds, be applied towards optimising the products lines, trimming down low margin and loss-making products and developing higher margin products such as shavers or beauty devices for the healthcare and household business; and

LETTER FROM THE BOARD

- (iii) the remaining amount of approximately HK\$24.0 million, or 22% of the net proceeds, be used for general working purposes, of which:
 - (a) approximately HK\$12.0 million, or 11% of the net proceeds, be applied towards the faster payments to suppliers for discounted purchase price of materials; and
 - (b) approximately HK\$12.0 million, or 11% of the net proceeds, be used for payment for administrative expenses.

Taking into account the Debt Capitalisation and proceeds from the Rights Issue, the Company would have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the next twelve months.

Share Consolidation, Share Premium Reduction and Change in Board Lot Size

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Moreover, pursuant to 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 updated on 1 October 2020, it stated that (i) market price of the shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) the expected board lot value per board lot should be greater than HK\$2,000 after taking into account the minimum transaction costs for a securities trade.

In view of the prevailing trading price of the Existing Shares of HK\$0.01 and the board lot value of HK\$80, the Company proposes to implement the Share Consolidation and the Change in Board Lot Size. It is expected that the proposed Share Consolidation and the Change in Board Lot Size will bring about a corresponding upward adjustment in the trading price and the board lot value of the Consolidated Shares on the Stock Exchange. As a result, the proposed Share Consolidation and the Change in Board Lot Size would enable the Company to comply with the trading requirements under the Listing Rules. The Company also 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.

LETTER FROM THE BOARD

Besides, as at 31 December 2024, the Company had accumulated losses of approximately HK\$1,540.1 million. The Company proposes to transfer the entire amount standing to the credit of the share premium account of approximately HK\$899.1 million to the contributed surplus account of the Company to be applied towards setting off part of the accumulated losses of the Company. The Directors believe that reducing the Company's accumulated losses will provide the Shareholders and investors of the Company with a clearer understanding of the Company's financial position and business performance. Furthermore, this improvement in the financial position would enhance the Company's ability to consider dividend distributions to the Shareholders at an appropriate future time.

Directors' views

Having considered that the Proposals would (i) alleviate the Group's financial burden and debt pressure; (ii) improve the Group's financial position by reducing the gearing ratio and enhancing its net asset value; (iii) raise capital to support the continuous business development of the Group; (iv) expand the capital base and create a more sustainable capital structure; (v) offer the Qualifying Shareholders an opportunity to participate in the Rights Issue while maintaining their proportional interests in the Company; and (vi) enable the Company to comply with the trading requirements under the Listing Rules, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) are of the view that terms of the Proposals are on normal commercial terms and are fair and reasonable, and the respective transactions contemplated under the Proposals are in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the Share Consolidation having taken effect; (ii) upon the allotment and issue of the Capitalisation Shares; and (iv) upon completion of the Rights Issue in different scenarios as follows:

- (a) full acceptance of the Rights shares by all Qualifying Shareholders;
- (b) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all of the Unsubscribed Rights Shares are fully placed to the Placees under the Compensatory Arrangements; and

LETTER FROM THE BOARD

- (c) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all of the Untaken Rights Shares are taken up by the Underwriter.

(iv) Upon completion of the Rights Issue, assuming												
Name of Shareholders	(b) Nil acceptance of the Rights											
	(a) Full acceptance of the Rights						Shares by the Qualifying		(c) Nil acceptance of the Rights			
	(i) As at the Latest Practicable Date		(ii) Upon the Share Consolidation having taken effect		(iii) Upon the allotment and issue of the Capitalisation Shares		Shares by all Qualifying Shareholders		of the Unsubscribed Rights Shares are placed to the Places under the Compensatory Arrangements		Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all of the Untaken Rights Shares are taken up by the Underwriter	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Subscriber I	2,206,750,364	17.2%	110,337,518	17.2%	399,911,658	34.9%	599,867,487	34.9%	599,867,487	34.9%	773,504,876	45.0%
Subscriber II	1,569,420,951	12.2%	78,471,047	12.2%	293,471,047	25.6%	440,206,570	25.6%	440,206,570	25.6%	440,206,570	25.6%
Sub-total of the Subscribers and parties acting in concert with any of them	3,776,171,315	29.4%	188,808,565	29.4%	693,382,705	60.5%	1,040,074,057	60.5%	1,040,074,057	60.5%	1,213,711,444	70.6%
Mr. Yang	2,102,817,178	16.4%	105,140,858	16.4%	105,140,858	9.2%	157,711,287	9.2%	157,711,287	9.2%	157,711,287	9.2%
Independent Places	-	-	-	-	-	-	-	-	173,637,389	10.1%	-	-
Public Shareholders	6,945,495,517	54.2%	347,274,777	54.2%	347,274,777	30.3%	520,912,166	30.3%	347,274,777	20.2%	347,274,777	20.2%
Total	12,824,484,010	100%	641,224,200	100%	1,145,798,340	100%	1,718,697,510	100%	1,718,697,510	100%	1,718,697,510	100%

Notes:

- Certain figures and percentage included in the above tables have been subject to rounding adjustments.
- As at the Latest Practicable Date, save for Subscriber II, none of the Directors held any Shares or other relevant securities in the Company.
- The percentage of shareholding in the above table is for illustrative purpose only. The Company will take all appropriate steps to ensure that sufficient public float be maintained in compliance with Rule 8.08 of the Listing Rules.

INFORMATION OF THE SUBSCRIBERS

Subscriber I was a Substantial Shareholder as at the Latest Practicable Date and will be a Controlling Shareholder upon the allotment and issue of the Capitalisation Shares. Subscriber II was a Substantial Shareholder as at the Latest Practicable Date and will continue to be a Substantial Shareholder upon the allotment and issue of the Capitalisation Shares. It is the intention of the Subscribers to continue the existing businesses of the Group, and they have no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

LETTER FROM THE BOARD

Subscriber I, aged 64, is a businessman and has over 20 years of experience in investment and property development business. He is the co-founder and vice-chairman of Yuk Tung Group, which focuses on property development in Malaysia. Since the founding of Yuk Tung Group in 2005, Subscriber I has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd., respectively, primarily responsible for the overall management and strategic development of Yuk Tung Group.

Subscriber II, aged 57, was appointed as a non-executive Director on 20 December 2019. He is a businessman and has over 19 years of experience in investment and property development business. He is the co-founder and chairman of Yuk Tung Group. Since 2005, Subscriber II has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd., respectively, primarily responsible for the overall management and strategic development of Yuk Tung Group. Subscriber II was also appointed as Justice of the Peace (JP) in Malaysia in 2007.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company had not conducted any equity fund raising activity in the past 12 months immediately preceding the Latest Practicable Date.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Subscribers and parties acting in concert with any of them were interested in 3,776,171,315 Existing Shares, representing approximately 29.4% of the issued share capital of the Company. As illustrated in the table under the section headed “Effect on the shareholding structure of the Company” above, immediately upon the allotment and issue of the Capitalisation Shares, the aggregate shareholding of the Subscribers and parties acting in concert with any of them in the Company will be increased from approximately 29.4% to approximately 60.5%.

Under Rule 26.1 of the Takeovers Code, the allotment and issue of the Capitalisation Shares to the Subscribers will give rise to an obligation on Subscriber I and Subscriber II to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscribers and their respective concert parties), unless the Whitewash Waiver is granted by the Executive.

LETTER FROM THE BOARD

If the Whitewash Waiver is granted by the Executive and is approved by the Independent Shareholders and completion of the Debt Capitalisation Agreements having taken place, the aggregate shareholding of the Subscribers and parties acting in concert with any of them in the Company will exceed 50% of the issued share capital of the Company as enlarged by the Capitalisation Shares. The Subscribers and parties acting in concert with any of them as a concert group may further increase its shareholding in the Company without incurring any further obligation to make a general offer under Rule 26 of the Takeovers Code.

An application has been made by the Subscribers to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll in respect of the Debt Capitalisation Agreements and the transactions contemplated thereunder (including the Debt Capitalisation, the Share Consolidation and the Specific Mandate), and the Underwriting Agreement, in which the Subscribers and their respective concert parties will abstain from voting on the relevant resolution(s).

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Debt Capitalisation will not proceed.

As at the Latest Practicable Date, the Company did not believe that the Proposals, the Underwriting Agreement, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Proposals, the Underwriting Agreement, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder do not comply with other applicable rules and regulations.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, each of the Subscribers confirmed that:

- (i) none of the Subscribers or parties acting in concert with any of them had dealt in any Shares, acquired or entered into any agreement or arrangement to acquire any voting rights in the Company during the Relevant Period;

LETTER FROM THE BOARD

- (ii) none of the Subscribers or parties acting in concert with any of them would make any acquisitions or disposals of voting rights in the Company which constitute disqualifying transactions (within the meaning of the Takeovers Code) in the period between the Latest Practicable Date and the completion of the subscription of the Capitalisation Shares by the Subscribers pursuant to the Debt Capitalisation Agreements;
- (iii) save as disclosed in the section headed “Effect on the shareholding structure of the Company” above, there was no holding of voting rights in the Company or rights over any Shares which is owned, controlled or directed by the Subscribers or parties acting in concert with any of them;
- (iv) none of the Subscribers or parties acting in concert with any of them held any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor had entered into any outstanding derivative in respect of securities in the Company;
- (v) save for the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Irrevocable Undertakings and the Underwriting Agreement, there was no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) between the Subscribers and their concert parties with any other persons;
- (vi) none of the Subscribers or parties acting in concert with any of them had received any irrevocable commitment from any person as to whether they will vote for or against the resolution(s) approving the Debt Capitalisation and the transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the granting of the Specific Mandate, the Underwriting Agreement and the Whitewash Waiver;
- (vii) save for the Irrevocable Undertaking given by the Subscribers and Mr. Yang, the Subscribers and any parties acting in concert with any of them had not received any irrevocable commitment from any Shareholders to accept or reject the relevant Rights Shares to be provisionally allotted to the relevant party under the Rights Issue;
- (viii) save for the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate and the Underwriting Agreement, there were no agreements or arrangements to which the Subscribers and their concert parties are parties which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Debt Capitalisation Agreements, the Rights Issue, the Share Consolidation, the Underwriting Agreement, the Specific Mandate and/or the Whitewash Waiver;
- (ix) none of the Subscribers or parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

LETTER FROM THE BOARD

- (x) save for the Capitalisation Issue Price for the Capitalisation Shares payable under the Debt Capitalisation Agreements and the Rights Issue Price for the Rights Shares payable under the Rights Issue and the waiver by the Subscribers of the interests which would be accrued to the loans to be capitalised under the Debt Capitalisation, none of the Subscribers or parties acting in concert with any of them had paid or would pay any other consideration, compensation or benefit in whatever form to the Company or any of the parties acting in concert with it in relation to the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Whitewash Waiver and the Underwriting Agreement;
- (xi) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscribers or parties acting in concert with any of them on the one hand and any of the Shareholders on the other hand;
- (xii) save for the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Rights Issue, the Irrevocable Undertakings and the Underwriting Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscribers or parties acting in concert with any of them on the one hand, and the Company, its subsidiaries or associated companies on the other hand;
- (xiii) save for the Share Consolidation, the Debt Capitalisation Agreements, the Rights Issue, the Irrevocable Undertakings and the Underwriting Agreement, there was no any agreement, arrangement or understanding (including any compensation arrangement) between (a) the Subscribers or parties acting in concert with any of them; and (b) any Director, recent Director, Shareholder or recent Shareholder of the Company which had any connection with or dependence upon the Debt Capitalisation, the Irrevocable Undertakings, the Rights Issue, the Share Consolidation, the Underwriting Agreement, the Specific Mandate and/or the Whitewash Waiver;
- (xiv) no Shares acquired by the Subscribers and parties acting in concert with them pursuant to the Debt Capitalisation and the Rights Issue will be transferred, charged or pledged to any other persons;
- (xv) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries; nor (iii) any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code), had any interest in the securities, options, warrants, convertible securities and derivatives of the Company and/or had dealt in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period;
- (xvi) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;

LETTER FROM THE BOARD

- (xvii) save for the Debt Capitalisation Agreements, the Underwriting Agreement and the Irrevocable Undertaking, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Irrevocable Undertakings, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver or otherwise connected with the Debt Capitalisation, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
- (xviii) save for the entering into of the Debt Capitalisation Agreement II by the Subscriber II, there was no material contract entered into by the Subscribers and parties acting in concert with any of them in which any Director had a material personal interest;
- (xix) no securities, options, warrants, convertible securities and derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period;
- (xx) no benefit had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Debt Capitalisation, the Rights Issue the Share Consolidation, the Specific Mandate, the Irrevocable Undertakings, the Underwriting Agreement and/or the Whitewash Waiver; and
- (xxi) save for Subscriber II, none of the Directors beneficially held any Shares and accordingly, none of them (other than Subscriber II) will be entitled to vote for or against the Debt Capitalisation, the Share Consolidation, the Specific Mandate, the Underwriting Agreement and/or the Whitewash Waiver.

As at the Latest Practicable Date, the Company confirmed that:

- (i) the Company or the Directors had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (ii) save for the entering into of the Debt Capitalisation Agreement II by Subscriber II, none of the Directors had dealt in any Shares, acquired or entered into any agreement or arrangement to acquire any voting rights in the Company during the Relevant Period; and
- (iii) save for the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Rights Issue, the Irrevocable Undertakings and the Underwriting Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any of the Shareholders on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, (i) Subscriber I was a Substantial Shareholder interested in approximately 17.2% of the issued share capital of the Company; and (ii) Subscriber II was a non-executive Director and a Substantial Shareholder interested in approximately 12.2% of the issued share capital of the Company. As such, both of the Subscribers are connected persons of the Company. Accordingly, the Debt Capitalisation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to announcement, reporting and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The granting of the Specific Mandate for the allotment and issue of the Capitalisation Shares is also subject to the approval by more than 50% of the votes cast by the Independent Shareholders at the SGM.

As (i) the Company has not conducted any rights issue or open offer within the twelve month period immediately prior to the Latest Practicable Date; and (ii) the Rights Issue will not increase the number of issued Shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the Shareholders' approval requirement under Chapter 7 of the Listing Rules. As the Rights Issue will be underwritten by Subscriber I who is a Substantial Shareholder, the Underwriting Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the Capitalisation Issue Price and the Rights Issue Price are the same as the benchmarked price (as defined under Rule 7.27B of the Listing Rules), there will not be any theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules).

As Subscriber II, a non-executive Director, has a material interest in the Debt Capitalisation Agreements, he had abstained from voting at the meeting of the Board convened to consider the Proposals. Other than Subscriber II, no other Directors were involved in and/or interested in the Share Consolidation, the Debt Capitalisation and the transactions contemplated thereunder (including the granting of the Special Mandate), the Whitewash Waiver, the Underwriting Agreement and the transactions contemplated thereunder.

SGM

The SGM will be convened and held for (a) the Independent Shareholders to consider and, if thought fit, approve, among other things, (i) the Share Consolidation; (ii) the Debt Capitalisation Agreements and the transactions contemplated thereunder (including the granting of the Debt Capitalisation and the Specific Mandate); (iii) the Whitewash Waiver; and (iv) the Underwriting Agreement and the transactions contemplated thereunder; and (b) the Shareholders to consider and, if thought fit, approve, among other things, the Share Premium Reduction.

A notice convening the SGM to be held at Unit 5, 10/F, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Thursday, 10 July 2025 is set out on pages SGM-1 to SGM-6 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

LETTER FROM THE BOARD

Given that each of the Subscribers has a material interest in the Debt Capitalisation Agreements and Subscriber I has a material interest in the Underwriting Agreement, the Subscribers and their respective associates and concert parties are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Debt Capitalisation Agreements, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver. Other than being a substantial Shareholder as at the Latest Practicable Date, Mr. Yang had no material interest in the respective transactions contemplated under the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Whitewash Waiver and the Underwriting Agreement, and thus was not required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

The register of members of the Company will be closed from Monday, 7 July 2025 to Thursday, 10 July 2025 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM. For the avoidance of doubt, the Non-Qualifying Shareholders (if any) are entitled to attend and vote at the SGM.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Hau Chi Kit, Mr. Leung Chi Hung, Mr. Li Hon Kuen and Ms. Yang Yan Tung Doris, being all the independent non-executive Directors who have no direct or indirect interest in the transactions contemplated under the Proposals and the Specific Mandate, the Underwriting Agreement and the Whitewash Waiver, has been established to advise the Independent Shareholders in respect of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver, and as to the voting action therefor. Subscriber II, being a non-executive Director, has material interest in the Debt Capitalisation Agreements and therefore will not be a member of the Independent Board Committee.

With the approval of the Independent Board Committee, Merdeka Corporate Finance has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to, among other things, the Underwriting Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the SGM and completion of the Debt Capitalisation Agreements, the Prospectus Documents are expected to be made available and/or despatched (as the case may be) to the Qualifying Shareholders on Tuesday, 29 July 2025. The Company will despatch the PAL(s) in printed form to the Qualifying Shareholders. Copies of the Prospectus Documents will also be made available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zhongzheng.com.hk). The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, despatch the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but the Company will not send the PAL(s) Non-Qualifying Shareholders (if any).

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) consider that the terms of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver are on normal commercial terms and are fair and reasonable, and the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Debt Capitalisation Agreements, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver.

WARNINGS

Shareholders and potential investors of the Company should note that the transactions contemplated under the Proposals are subject to, among other things, the Independent Shareholders' approval at the SGM and the granting of the Whitewash Waiver by the Executive. Accordingly, the transactions contemplated under the Proposals may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and, if they are in any doubt about their positions, they should consult their professional advisers.

Shareholders and potential investors of the Company should also note that the Rights Issue is conditional upon, among other things, completion of the Debt Capitalisation Agreements. Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Friday, 18 July 2025. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 31 July 2025 to Thursday, 7 August 2025. 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 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). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 53 to 54 of this circular which contain its recommendation to the Independent Shareholders in respect of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver. Your attention is also drawn to the letter from Merdeka Corporate Finance set out on pages 55 to 98 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

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

By order of the Board
Zhongzheng International Company Limited
Liu Liyang
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.

ZHONGZHENG INTERNATIONAL COMPANY LIMITED

中證國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

19 June 2025

To the Independent Shareholders

Dear Sir/Madam,

- (1) PROPOSED SHARE CONSOLIDATION, SHARE PREMIUM REDUCTION
AND CHANGE IN BOARD LOT SIZE;**
- (2) CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE FOR DEBT CAPITALISATION;**
- (3) APPLICATION FOR WHITEWASH WAIVER;**
- (4) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE;
AND**
- (5) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT**

We refer to the circular of the Company dated 19 June 2025 (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 otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement, the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate, and the Whitewash Waiver are in the ordinary and usual course of business of the Group, on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote at the SGM. Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice are contained in its letter set out on pages 55 to 98 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice given by Merdeka Corporate Finance, we considered that the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement, the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate, and the Whitewash Waiver, although not in the ordinary and usual course of business of the Group, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve, among other things, the Share Consolidation, the Debt Capitalisation Agreements, the Underwriting Agreement, the respective transactions contemplated thereunder including the Debt Capitalisation, the grant of the Specific Mandate, and the Whitewash Waiver.

Yours faithfully,

for and on behalf of the Independent Board Committee

Mr. Hau Chi Kit Mr. Leung Chi Hung Mr. Li Hon Kuen Ms. Yang Yan Tung Doris
Independent non-executive Directors

LETTER FROM MERDEKA CORPORATE FINANCE

The following is the full text of a letter of advice from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder including the Share Consolidation, the Debt Capitalisation, the Specific Mandate and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this Circular.



Room 1108-1110, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

19 June 2025

*To: The Independent Board Committee and the Independent Shareholders of
Zhongzheng International Company Limited*

Dear Sirs or Madams,

- (1) PROPOSED SHARE CONSOLIDATION, SHARE PREMIUM REDUCTION
AND CHANGE IN BOARD LOT SIZE;**
- (2) CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE FOR DEBT CAPITALISATION;**
- (3) APPLICATION FOR WHITEWASH WAIVER;**
- (4) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE
RECORD DATE; AND**
- (5) CONNECTED TRANSACTION IN RELATION
TO THE UNDERWRITING AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Share Consolidation, the Debt Capitalisation, the Specific Mandate and the Whitewash Waiver (collectively, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 19 June 2025 (the “**Circular**”) issued by Zhongzheng International Company Limited (the “**Company**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Completion of the Debt Capitalisation Agreements is conditional upon, amongst other things, the Share Consolidation having taken effect, the approval of the Debt Capitalisation Agreements, the Specific Mandate, the Underwriting Agreement and the Whitewash Waiver.

The Rights Issue on the other hand will be conditional upon completion of the Debt Capitalisation Agreements and obtaining the Independent Shareholders’ approval of the Underwriting Agreement and the Underwriting Agreement becoming unconditional.

LETTER FROM MERDEKA CORPORATE FINANCE

Reference is made to the Announcement in relation to, among other things, the Share Consolidation, the Share Premium Reduction, the Change in Board Lot Size, the Debt Capitalisation, the Whitewash Waiver and the Rights Issue. The Board proposed the Proposals which aim to improve the financial position of the Group, enhance the attractiveness of investing in the Shares and raise capital for the future business development of the Group. Upon completion of the Proposals, it is expected that the liabilities of the Group will be reduced through the Debt Capitalisation while new capital will be raised through the Rights Issue, the overall effect is that the financial position of the Group will be enhanced. It is also expected that following the Share Consolidation and the Change in Board Lot Size, the trading price of the Shares and value of the board lot will be increased, which will enable the Company to comply with the trading requirements under the Listing Rules.

After trading hours of the Stock Exchange on 15 May 2025, (i) the Company and Subscriber I entered into the Debt Capitalisation Agreement I, pursuant to which, the Company has agreed to allot and issue, and Subscriber I has agreed to subscribe for, 289,574,140 Capitalisation Shares at the Capitalisation Issue Price of HK\$0.20 per Capitalisation Share; and (ii) the Company and Subscriber II entered into the Debt Capitalisation Agreement II, pursuant to which, the Company has agreed to allot and issue, and Subscriber II has agreed to subscribe for, 215,000,000 Capitalisation Shares at the Capitalisation Issue Price of HK\$0.20 per Capitalisation Share, upon the Share Consolidation becoming effective. The amount of the total Capitalisation Issue Price will be set off against all of the shareholder's loans owing by the Company to Subscriber I and part of the shareholder's loans owing by the Company to Subscriber II, on a dollar-to-dollar basis.

Following the completion of the Debt Capitalisation, the Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) Consolidated Shares (including the Capitalisation Shares to be allotted and issued pursuant to the Debt Capitalisation) held on the Record Date at the Rights Issue Price of HK\$0.20 per Rights Share, to raise gross proceeds of up to approximately HK\$114.6 million by issuing 572,899,170 Rights Shares (assuming there will be no issue of other new Shares from the Latest Practicable Date up to the Record Date save for the allotment and issue of the Capitalisation Shares) to the Qualifying Shareholders. The net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$112.0 million. The Rights Issue will not be extended to the Non-Qualifying Shareholders.

TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, the Subscribers and parties acting in concert with any of them were interested in 3,776,171,315 Existing Shares, representing approximately 29.4% of the issued share capital of the Company. As illustrated in the table under the section headed "Effect on the shareholding structure of the Company" in the Circular, immediately upon the allotment and issue of the Capitalisation Shares, the aggregate shareholding of the Subscribers and parties acting in concert with any of them in the Company will be increased from approximately 29.4% to approximately 60.5%.

Under Rule 26.1 of the Takeovers Code, the allotment and issue of the Capitalisation Shares to the Subscribers will give rise to an obligation on Subscriber I and Subscriber II to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscribers and their respective concert parties), unless the Whitewash Waiver is granted by the Executive.

LETTER FROM MERDEKA CORPORATE FINANCE

If the Whitewash Waiver is granted by the Executive and is approved by the Independent Shareholders and completion of the Debt Capitalisation Agreements having taken place, the aggregate shareholding of the Subscribers and parties acting in concert with any of them in the Company will exceed 50% of the issued share capital of the Company as enlarged by the Capitalisation Shares. The Subscribers and parties acting in concert with any of them as a concert group may further increase its shareholding in the Company without incurring any further obligation to make a general offer under Rule 26 of the Takeovers Code.

An application has been made by the Subscribers to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll in respect of the Debt Capitalisation Agreements and the transactions contemplated thereunder (including the Share Consolidation, the Debt Capitalisation and the Specific Mandate) and the Underwriting Agreement, in which the Subscribers and their respective concert parties will abstain from voting on the relevant resolution(s).

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Debt Capitalisation will not proceed.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, (i) Subscriber I is a Substantial Shareholder interested in approximately 17.2% of the issued share capital of the Company; and (ii) Subscriber II is a non-executive Director and a Substantial Shareholder interested in approximately 12.2% of the issued share capital of the Company. As such, both of the Subscribers are connected persons of the Company. Accordingly, the Debt Capitalisation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to announcement, reporting and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The granting of the Specific Mandate for the allotment and issue of the Capitalisation Shares is also subject to the approval by more than 50% of the votes cast by the Independent Shareholders at the SGM.

As (i) the Company has not conducted any rights issue or open offer within the twelve month period immediately prior to the Latest Practicable Date; and (ii) the Rights Issue will not increase the number of issued Shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the Shareholders' approval requirement under Chapter 7 of the Listing Rules. As the Rights Issue will be underwritten by Subscriber I who is a Substantial Shareholder, the Underwriting Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the Capitalisation Issue Price and the Rights Issue Price are the same as the benchmarked price (as defined under Rule 7.27B of the Listing Rules), there will not be any theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules).

LETTER FROM MERDEKA CORPORATE FINANCE

As Subscriber II, a non-executive Director, has a material interest in the Debt Capitalisation Agreements, he has abstained from voting at the meeting of the Board convened to consider the Proposals. Other than Subscriber II, no other Directors were involved in and/or interested in the Share Consolidation, the Debt Capitalisation and the transactions contemplated thereunder (including the granting of the Special Mandate), the Whitewash Waiver, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung, Mr. Li Hon Kuen and Ms. Yang Yan Tung Doris, who have no direct or indirect interest in the transactions contemplated under the Proposals, the Debt Capitalisation and the Specific Mandate, the Underwriting Agreement and the Whitewash Waiver, has been established to advise and give a recommendation to the Independent Shareholders as to whether the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Share Consolidation, the Debt Capitalisation, the Specific Mandate and the Whitewash Waiver are fair and reasonable and to advise the Independent Shareholders on how to vote at the SGM. Subscriber II, being a non-executive Director, has a material interest in the Debt Capitalisation Agreements and therefore has not been included as a member of the Independent Board Committee. We, Merdeka Corporate Finance, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in the same regard and such appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We are not associated or connected financially or otherwise with the Company, the Subscribers, the Company's substantial Shareholders, their respective financial or professional advisers (including a stockbroker), or any party acting, or presumed to be acting, in concert with any of them. In the last two years before the publication of the Announcement, there was no engagement or connection between the Group or Mr. Yang or the Subscribers on the one hand and us on the other hand. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees or benefits from the Company, the Subscribers, the Company's substantial Shareholders, their respective financial or other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. As such, we are qualified to give independent advice to the Independent Board Committee in respect of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Share Consolidation, the Debt Capitalisation, the Specific Mandate and the Whitewash Waiver.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions, and representations contained in or referred to the Circular and the information and representations as provided to us by the Directors and the management of the Group (the "**Management**"). Our review procedures include, among other things, review of the annual report of the Group for the year ended 30 June 2024 (the "**Annual Report 2023/24**"), the interim report of the Group for the six months ended 31 December 2024 (the "**Interim Report 2024/25**"), the information and opinions provided by the Directors and the Management; and the relevant public information.

LETTER FROM MERDEKA CORPORATE FINANCE

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Circular were true, accurate and complete in all material respects as at the Latest Practicable Date. We have also assumed that all statements contained and representations made or referred to in this Circular are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in this Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date.

Shareholders will be informed by the Group and us as soon as possible if there is any material change to the information disclosed in this Circular during the period from the Latest Practicable Date up to the date of the SGM, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Shareholders accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Underwriter or any of their respective subsidiaries and associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Share Consolidation, the Debt Capitalisation, the Specific Mandate and the Whitewash Waiver, and except for its inclusion in the Circular, 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Share Consolidation, the Debt Capitalisation, the Specific Mandate and the Whitewash Waiver, we have considered the principal factors and reasons as set out below:

1. The Group

1.1 Background information of the Group

The Group is principally engaged in the business of manufacturing and sale of healthcare and household products, coal mining business and money lending business. The Group also has a 35% interest in an associate, Pacific Memory Sdn Bhd (“**Pacific Memory**”), which is principally engaged in a property development project in Malaysia (the “**Malaysia Project**”). As noted from the Interim Report 2024/25, the development plan for the Malaysia Project has been submitted for approval to the relevant government agencies and part of the plan relating to the construction of berths has already been approved and completed. Currently, the management of the associate company of the Group is in the process of finalizing the sales and marketing plans in collaboration with a business consultant specifically for the berths facilities area. As a result, no revenue has been recorded for the Malaysia Project. As further advised by the Management, the Group commenced the manufacturing and sale of healthcare and household products business in July 1976, the coal production in April 2024 with the first coal sales in May 2024, and the money lending business in September 2014. In relation to coal production business, as understood from the Annual Report 2024/25, PT Bara Utama Persada Raya (“**PT Bara**”), a 99.98%-owned subsidiary of the Company, holds the mining license in respect of the coal mine (“**PT Bara Mine**”) in the Indonesia. On 7 September 2023, PT Bara entered into an exclusive cooperation agreement with PT Nusantara Energi Thermal (“**PT NET**”), pursuant to which PT Bara has given PT NET exclusive responsibility for all pre-production, production, sales and post-production work at the PT Bara Mine and PT NET pays PT Bara a royalty fee under the agreement.

The Group started its PRC real estate business in January 2019 and discontinued this segment in July 2024. As referred to the Interim Report 2024/25, on 6 May 2024, the Group and Mr. Lim Kim Chai (being the Subscriber II), a substantial shareholder of the Company, entered into a disposal agreement (the “**Disposal Agreement**”) for the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited, which held the Group’s entire properties development and primary land development projects in the PRC, and the shareholder’s loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. The disposal consideration shall be satisfied by offsetting against the outstanding interest accrued on the shareholder’s loans owed by the Company to Mr. Lim Kim Chai up to the date of the Disposal Agreement. On 22 July 2024, the Group completed the disposal and the Group discontinued its property development and primary land development businesses in the PRC (the “**Discontinued Operations**”).

The following table sets out (i) the audited financial information of the Group for the years ended 30 June 2024 (“**FY2023/24**”) and 30 June 2023 (“**FY2022/23**”) as extracted from the Annual Report 2023/24; and (ii) the unaudited financial information of the Group for the six months ended 31 December 2024 (“**HY2024/25**”) and 31 December 2023 (“**HY2023/24**”) as extracted from the Interim Report 2024/25. Please refer to the sections headed “Appendix I-Financial Information of the Group” to the Circular for the details of the qualified opinions (the “**Qualified Opinions**”) issued by the Group’s independent auditor for the eighteen months ended 30 June 2022, for the years ended 30 June 2023 and 30 June 2024.

LETTER FROM MERDEKA CORPORATE FINANCE

(i) Consolidated statement of profit or loss

	For the six months ended 31 December		For the year ended 30 June	
	2024	2023	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue				
– Property development	–	36,495	46,664	697,216
– Manufacture and sales of healthcare and household products	62,575	47,291	100,278	172,421
– Royalty income on coal mining	1,447	–	300	–
	<u>64,022</u>	<u>47,291</u>	<u>147,242</u>	<u>869,637</u>
Interest income from money lending business	<u>510</u>	<u>284</u>	<u>1,257</u>	<u>3,273</u>
Total revenue	64,532	47,575	148,499	872,910
Cost of sales	<u>(48,232)</u>	<u>(33,415)</u>	<u>(125,510)</u>	<u>(619,223)</u>
Gross profit	16,300	14,160	22,989	253,687
Gross profit margin	25.3%	29.8%	15.5%	29.1%
(Loss)/profit from operations	<u>(10,466)</u>	<u>(12,831)</u>	<u>(38,719)</u>	<u>405,192</u>
(Loss)/profit for the period/year attributable to owners of the Company	(89,153)	(694,210)	(699,345)	69,131

LETTER FROM MERDEKA CORPORATE FINANCE

HY2024/25 and HY2023/24

Revenue of the Group for HY2024/25 amounted to approximately HK\$64.53 million, which increased by approximately 35.6% as compared to approximately HK\$47.6 million for HY2023/24. The increase mainly represented a recovery of sales orders of the Group's healthcare and household business segment in late 2024.

The consolidated loss for HY2024/25 attributable to owners of the Company was approximately HK\$89.2 million, as compared with the consolidated loss attributable to the owners of the Company of approximately HK\$694.2 million for HY2023/24. The loss comprised loss attributable to owners of the Company from continuing operations of approximately HK\$37.0 million in comparison to loss of approximately HK\$20.5 million for HY2023/24, and loss attributable to owners of the Company from the Discontinued Operations of approximately HK\$52.2 million in comparison to approximately HK\$673.7 million for HY2023/24.

The loss attributable to owners of the Company from continuing operations for HY2024/25 has increased mainly due to the recognition of an impairment loss on other receivables and an impairment of loan and interest receivables, amounting to approximately HK\$16.1 million (HY2023/24: nil) and HK\$2.6 million (HY2023/24: nil), respectively. These impairments were non-cash items and were determined based on the assessment of expected credit loss conducted by an independent valuer engaged by the Company. Save for the aforesaid impairments, improvement was seen in the Group's continuing operations for HY2024/25, with an increased revenue as mentioned above and a higher gross profit of approximately HK\$16.3 million (HY2023/24: HK\$14.2 million).

For FY2023/24 and FY2022/23

Total revenue of the Group for FY2023/24 amounted to approximately HK\$148.5 million, which represented a decrease of approximately 83.0% as compared to HK\$872.9 million for FY2022/23 as there was a decline in revenue from the property development and healthcare and household products businesses. During FY2022/23, the majority of the residential units of the property development project in Dongguan city had been delivered to buyers in July 2022, which had contributed approximately HK\$697.2 million to the revenue for FY2022/23. In the meantime, there was also a decline in revenue from the healthcare and household products business to approximately HK\$100.3 million (FY2022/23: approximately HK\$172.4 million). The decrease was primarily due to a destocking process of certain customers.

The gross profit margin decreased to approximately 15.5% for FY2023/24 from approximately 29.1% for FY2022/23, which was mainly due to promotion campaign of the Group's property development project located in Dongguan city during the first half of FY2023/24 and the continuous decline of the housing sales prices under the current stagnant Chinese real estate market.

LETTER FROM MERDEKA CORPORATE FINANCE

The consolidated loss attributable to the owners of the Company for FY2023/24 amounted to approximately HK\$699.4 million as compared to the consolidated profit attributable to the owners of the Company of approximately HK\$69.1 million for FY2022/23. The loss recorded for FY2023/24 was mainly attributable to (i) the decline in gross profit to approximately HK\$23.0 million (FY2022/23: approximately HK\$253.7 million) due to the decline in revenue from the property development and healthcare and household products businesses; (ii) an impairment loss on interest in an associate, namely Chengde CITIC Securities Jinyu Investment Development Co., Ltd (“**Chengde Jinyu**”) with a principal business in primary land development in the PRC, of approximately HK\$288.8 million (FY2022/23: approximately HK\$75.9 million); (iii) an impairment loss on the amount due from Chengde Jinyu of approximately HK\$68.2 million (FY2022/23: Nil); (iv) a written down of the properties under development for sales of a development project located in Nanjing City of approximately HK\$196.4 million (FY2022/23: Nil); (v) finance costs of approximately HK\$191.7 million (FY2022/23: approximately HK\$84.6 million) mainly due to the overdue bank loan for the Nanjing project; (vi) an impairment of consideration receivables for the Group’s disposal of 100% equity interest in its subsidiary of approximately HK\$65.9 million raised by the purchaser’s default in settlement for consideration after taking into account the expected credit loss measured by an independent valuer, in comparison to nil impairment for consideration receivables for FY2022/23; and (vii) share of losses of associates related to the property development in PRC of approximately HK\$67.5 million in comparison to approximately HK\$38.2 million for FY2022/23. The effects of the above were partially offset by the reversal of impairment loss on exploration and evaluation assets of approximately HK\$31.8 million due to reinstatement of the coal mining license and a reduction in administrative expenses of approximately HK\$9.1 million due to decrease in staff costs during the year.

(ii) Consolidated statement of financial position

	31 December 2024 HK\$'000 (unaudited)	30 June 2024 HK\$'000 (audited)
TOTAL ASSETS	733,796	2,293,705
Non-current assets	649,085	628,002
Current assets	84,711	1,665,703
– Bank and cash balances	2,339	20,135
TOTAL LIABILITIES	(451,916)	(2,178,656)
Current liabilities	(187,861)	(2,139,421)
– Borrowings	(28,963)	(1,037,595)
– Shareholders loans	(48,100)	(285,600)
Non-current liabilities	(264,055)	(39,235)
– Shareholders loans	(250,000)	–
NET CURRENT LIABILITIES	(103,150)	(473,718)
NET ASSETS	281,880	115,049
Gearing ratio	116.0%	1,168.5%

LETTER FROM MERDEKA CORPORATE FINANCE

Total assets of the Group decreased from approximately HK\$2,293.7 million as at 30 June 2024 to approximately HK\$733.8 million as at 31 December 2024, which was mainly due to the decrease in properties under development for sales of approximately HK\$1,049.6 million and property held for sales of approximately HK\$154.8 million, as the Group completed the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited (together with its subsidiaries) including but not limited to all the properties under development for sales for the property development project in Nanjing City and the properties held for sales in Dongguan on 22 July 2024. As at 31 December 2024, the bank and cash balances of the Group amounted to approximately HK\$2.3 million only.

The total liabilities of the Group decreased from approximately HK\$2,178.7 million as at 30 June 2024 to approximately RMB451.9 million as at 31 December 2024, which was mainly due to the decrease in borrowings of approximately HK\$1,008.6 million under current liabilities. As noted from the Interim Report 2024/25, the borrowings as at 31 December 2024 mainly consist of the secured bank loans of approximately HK\$26.6 million and the unsecured other loans of approximately HK\$2.4 million.

The Group incurred net current liabilities of approximately HK\$103.2 million as at 31 December 2024. As at 31 December 2024, the Group's current portion of bank and other borrowings amounted to approximately HK\$29.0 million, while its cash and bank balances and cash equivalents amounted to approximately HK\$2.3 million. The gearing ratio of the Group, which is calculated by total debt (consisting of shareholder's loan from Subscriber I of approximately HK\$48.1 million and shareholder's loan from Subscriber II of approximately HK\$250.0 million) and borrowings of approximately HK\$28.9 million over total equity of approximately HK\$281.9 million, amounted to approximately 116.0% as at 31 December 2024 (30 June 2024: 1,168.5%).

2. Background information of the Subscribers

Subscriber I was a Substantial Shareholder as at the Latest Practicable Date and will be a Controlling Shareholder upon the allotment and issue of the Capitalisation Shares. Subscriber II was a Substantial Shareholder as at the Latest Practicable Date and will continue to be a Substantial Shareholder upon the allotment and issue of the Capitalisation Shares. As at the Latest Practicable Date, it is the intention of the Subscribers to continue the existing businesses of the Group, and they have no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

Subscriber I, aged 64, is a businessman and has over 20 years of experience in investment and property development business. He is the co-founder and vice-chairman of Yuk Tung Group, which focuses on property development in Malaysia. Since the founding of Yuk Tung Group in 2005, Subscriber I has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd., respectively, primarily responsible for the overall management and strategic development of Yuk Tung Group.

LETTER FROM MERDEKA CORPORATE FINANCE

Subscriber II, aged 57, was appointed as a non-executive Director on 20 December 2019. He is a businessman and has over 19 years of experience in investment and property development business. He is the co-founder and chairman of Yuk Tung Group. Since 2005, Subscriber II has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd., respectively, primarily responsible for the overall management and strategic development of Yuk Tung Group. Subscriber II was also appointed as Justice of the Peace (JP) in Malaysia in 2007.

3. Reasons and benefits for the Proposals and use of proceeds

Debt Capitalisation

As set out in the sub-section headed “1.1 Background information of the Group”, the Group recorded borrowings of approximately HK\$29.0 million and the shareholder’s loans in the aggregate amount of approximately HK\$298.1 million. We noted from the Board Letter that the shareholder’s loans owing to the Subscribers comprise loans’ principal of approximately HK\$298.1 million in aggregate and accrued interest of approximately HK\$20.8 million in aggregate. On the other hand, the Group only had bank and cash balances of approximately HK\$2.3 million as at 31 December 2024, which is insufficient to cover the shareholders’ loans. Additionally, as understood from the Qualified Opinions for FY2023/24, the circumstances, including but not limited to net current liabilities, the net operating cash outflow and the level of the Group’s bank and other borrowings, indicate material uncertainty related to going concern of the Group. Therefore, we concur with the Group’s view that the Group is in substantial financial leverage.

Subscriber I acquired the loan in the amount of approximately HK\$32.6 million together with the 17.2% shareholding interest in the Company from a former shareholder of the Company in December 2023. This loan is unsecured and interest-bearing at 2.2% per annum. He granted four further unsecured loans to the Company in May 2024, July 2024, September 2024 and November 2024, respectively, which are interest-bearing at 5% per annum. As at 30 April 2025, shareholder’s loans from Subscriber I amounted to approximately HK\$57.9 million in aggregate, comprising loan principal of HK\$48.1 million and accrued interest of approximately HK\$9.8 million, and are repayable by 31 December 2025.

Subscriber II granted two unsecured loans to the Company in August 2019 and November 2019, which are interest-bearing at the rate of 2.2% per annum and 5% per annum, respectively. As at 30 April 2025, shareholder’s loans from Subscriber II amounted to approximately HK\$261.7 million in aggregate, comprising loan principal of HK\$250.0 million and accrued interest of approximately HK\$11.7 million, and are repayable by 31 December 2027.

As noted in the Interim Report 2024/25, as at 31 December 2024, the Group’s floating interest rates for secured bank loans range from 4.65% to 6.90% per annum, and unsecured loans bear no interest rate and are repayable on demand. Despite the interest rates of the loans granted by Subscribers of 2.2% per annum and 5% per annum being lower than the interest rates of secured bank loans, having considered that (a) the bank and cash balances of the Group amounted to only HK\$2.3 million as at 31 December 2024, which is insufficient to cover the aggregate amount of total borrowings and the shareholder’s loans of the Group of approximately HK\$327.1 million as at 31 December 2024; (b) the Debt Capitalisation will not trigger significant cash outflows and allow the Group to reduce its interest expenses; and (c) the reasons and benefits as mentioned below, we consider the Debt Capitalisation to be justifiable.

LETTER FROM MERDEKA CORPORATE FINANCE

In addition, despite that the shareholder's loans from Subscriber II are repayable by 31 December 2027, we are of the view that the Debt Capitalisation between the Company and Subscriber II is reasonable given that it can (i) immediately improves the Company's capital structure by lowering its overall debt level (as elaborated further below), as well as reducing the monthly interest expenses payable to Subscriber II from approximately HK\$981,000 to approximately HK\$898,000, without incurring any capital outflows by the Group; and (ii) signal to Shareholders and potential investors that the Group is actively addressing its existing financial challenges. In particular, the willingness of Subscriber II, as a substantial Shareholder, to convert his debt into equity demonstrates his commitment to the Group and further aligns his interests with those of other Shareholders; and (iii) enable the Company to reduce its future cash flow pressure and focus its resources on strengthening business operations and pursuing growth opportunities.

We have discussed with the Management and noted that the monthly interest payable under the shareholder's loans to Subscriber I and Subscriber II amounted to approximately HK\$1,104,000 in aggregate, the loans to be capitalised under the Debt Capitalisation represent approximately 30.9% of the total outstanding borrowings of the Group as at 31 December 2024 (i.e. HK\$100.9 million out of total outstanding borrowings of the Group of approximately HK\$327.1 million) and the gearing of the Group would be reduced from approximately 116.0% to approximately 74.0% upon completion of the Debt Capitalisation. Having considered the Group's liquidity constraints and financial position, in particular the lack of working capital, the net current liabilities position, and the high gearing ratio, we concur with the Directors' view that the Debt Capitalisation will reduce finance costs, alleviating the Group's ongoing financial burden, improving the Group's profitability and cash flow despite that the repayment dates of the shareholder's loans have not yet been due.

Recognising that the shareholder's loans were originally extended by the Subscribers to fund the Group's operations, the Company therefore proposed, and the Subscribers agreed, to capitalise all of the shareholder's loans owing to Subscriber I and part of their respective shareholder's loans owing to Subscriber II. This approach will remove Mr. Low Thiam Herr (the Subscriber I) as a creditor of the Group and settle a large portion of the Group's outstanding debts without depleting its existing financial resources or triggering significant cash outflows, particularly having considered the Group's limited liquidity. It will also convert the Subscribers' funding support into permanent capital of the Company.

The Board further considers that, through conducting the Debt Capitalisation, the financial position of the Group will be improved, making it more viable for future fund-raising efforts, including the impending Rights Issue. The willingness of the Subscribers to capitalise their debts into equity also demonstrates their long-term commitment to the Group's development. Following the Debt Capitalisation, the Subscribers will further support the Group by contributing additional funding through the Rights Issue.

The Board had assessed other alternative methods to repay the shareholder's loans but considered that they would not be feasible and practical to resolve the Group's needs. Based on our discussion with the Management, we understood that it is infeasible and difficult for the Company to obtain such a substantial amount to repay the shareholder's loans at acceptable financial costs with affordable terms and conditions given the Group's current financial position. Moreover, repaying the existing shareholder's loans with new borrowings or extending their maturity dates would not enhance the Group's financial position. In addition, the Group's weak financial position makes it impractical to conduct a rights issue or other equity fund raising before its financial position improves. Therefore, we concur with the Company's view that the Debt Capitalisation is more favourable to the Company as compared to other alternative methods.

LETTER FROM MERDEKA CORPORATE FINANCE

It is noted that the allotment and issue of the Capitalisation Shares would dilute the shareholding of other Shareholders (other than the Subscribers) from approximately 70.6% to 39.5%. However, considering that the Share price has been very low at or close to the extremity of HK\$0.01 for a prolonged period of time, without improving the continuous weak financial position and liquidity issues, the future development of the Group would continue to be hindered, and the improvement in the value of the Shares would be difficult. As the improvement in the long-term investment value of the Shares is considered to be beneficial to all of the Shareholders, the Company thus proposed the Debt Capitalisation followed by the Rights Issue despite the dilution effect.

There will be no cash proceeds arising from the allotment and issue of the Capitalisation Shares as the amount of the total Capitalisation Issue Price will be fully set off against the shareholder's loans owing by the Company to the Subscribers on a dollar-to-dollar basis.

Notwithstanding that (a) there is no immediate need to repay the shareholder's loans given the maturity date thereof is 31 December 2025 and 31 December 2027 respectively; and (b) the allotment and issue of the Capitalisation Shares will have a dilution effect on the shareholding interest of the existing Shareholders, taking into account that (i) the aforementioned current financial performance and position of the Group; (ii) the Qualified Opinions as indicated in the Annual Report 2023/24 that the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern; (iii) Mr. Low Thiam Herr (the Subscriber I) will no longer be a creditor of the Group after the Debt Capitalisation and thereby the number of creditors of the Group will decrease to five; (iv) the Debt Capitalisation will reduce approximately 30.9% of the Group's total outstanding debts as at 31 December 2024 without depleting its existing financial resources or triggering significant cash outflows or obtaining additional bank borrowing with additional finance costs incurred, while retaining cash and existing financial resources of the Group which could in lieu be retained for general working capital and business development; (v) the Debt Capitalisation will reduce the monthly interest expense of the Group; (vi) the Debt Capitalisation is more favourable to the Company as compared to other alternative methods; (vii) the Capitalisation Shares, when allotted and issued, will be recognized entirely as equity of the Company which in turn will enlarge the capital base, and accordingly strengthen the financial position of the Group; and (viii) Independent Shareholders are offered a chance to express their views on the terms of the Debt Capitalisation through their votes at the SGM; we are of the view that the Debt Capitalisation is fair and reasonable, and in the interest of the Company and the Independent Shareholders as a whole.

LETTER FROM MERDEKA CORPORATE FINANCE

Rights Issue

As set out in the Board Letter, while the Debt Capitalisation would alleviate debt obligations and financial burden of the Group, it would not fully resolve its structural financial challenges, particularly the net current liabilities position and insufficient working capital for business development. As mentioned earlier, as at 31 December 2024, the Group only had bank and cash balances of approximately HK\$2.3 million and had net current liabilities of approximately HK\$103.2 million. Upon completion of the Debt Capitalisation, while the consolidated net assets of the Group would be improved, the Group would remain in a net current liabilities position as only part of the current liabilities in the amount of approximately HK\$57.9 million attributable to the shareholder's loans and accrued interest thereof owing to Mr. Low Thiam Herr (the Subscriber I) would have been capitalised. The remaining current liabilities mainly comprised trade and other payables and borrowings. Given the bank and cash balances, without additional funding, the Group would not be having sufficient working capital to meet its financial needs. To strengthen the Group's financial position, replenish the working capital and raise funding to improve the Group's liquidity, and thereby provide the Group with the financial flexibility necessary for support the Group's continuous business development particularly under the challenging market conditions amidst the China-United States trade war, the Company thus proposes the Rights Issue. This initiative would establish a permanent equity base, reduce reliance on debt financing and establish a more sustainable capital structure for the Group. Upon completion of the Rights Issue, the Group will raise net proceeds of approximately HK\$112.0 million which will provide the Group with sufficient working capital to meet its financial obligations, provide the cashflow to align the timing and amounts of payments to suppliers with receivables from customers and fund its operations. As at the Latest Practicable Date, the Company had no intention to conduct further equity fund raising activities in addition to the Rights Issue.

The gross proceeds from the Rights Issue will be approximately HK\$114.6 million and the net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$112.0 million. The Company intends to apply the entire amount of the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$48.0 million, or 43% of the net proceeds, be applied towards repayment of the outstanding debt of the Group, of which:
 - (a) by August 2025, approximately HK\$15.1 million, or 13% of the net proceeds, be applied towards repayment of an outstanding loan facility and the accrued interest thereof owing to Sky Treasure Group (Development) Limited, which is an investment holding company and is an Independent Third Party and is not a Shareholder, and has no other relationship (business or otherwise) with the Company and its connected persons. The loan facility is unsecured, carries interest rate of 6% per annum and will be due in July 2025 (the “**Second Loan**”); and
 - (b) by December 2025, approximately HK\$32.9 million, or 30% of the net proceeds, be applied towards repayment of an outstanding bank loan and the accrued interest thereof relating to the healthcare and household business (the “**First Loan**”). The bank loan is secured by the land use rights and the factory buildings owned by the Group, carries interest rate of 3% per annum and will be due in January 2028. While the bank loan is not yet due, having considered the challenging business environment

LETTER FROM MERDEKA CORPORATE FINANCE

amidst the China-United States trade war, the Company takes the initiative to minimise the costs for the Group's operations;

- (ii) approximately HK\$40.0 million, or 35% of the net proceeds, be applied towards strategic adjustment and business transformation for the Group's business of manufacturing and sale of healthcare and household products, of which:
 - (a) by December 2025, approximately HK\$6.0 million, or 5% of the net proceeds, be applied towards the development of diversified markets by establishing sales and marketing teams, with a focus on expanding into the Mainland China, the Middle East, Europe and/or the Southeast Asia;
 - (b) by December 2025, approximately HK\$6.0 million, or 5% of the net proceeds, be applied towards expanding domestic and/or cross-border e-commerce channels to establish direct sales pathways within the Mainland China and/or the overseas market; and
 - (c) by June 2026, approximately HK\$28.0 million, or 25% of the net proceeds, be applied towards optimising the products lines, trimming down low margin and loss-making products and developing higher margin products such as shavers or beauty instruments for the healthcare and household business; and
- (iii) the remaining amount of approximately HK\$24.0 million, or 22% of the net proceeds, be used for general working purposes, of which:
 - (a) approximately HK\$12.0 million, or 11.0% of the net proceeds, be applied towards the faster payments to suppliers for discounted purchase price of materials; and
 - (b) approximately HK\$12.0 million, or 11.0% of the net proceeds, be used for payment for administrative expenses.

Taking into account the Debt Capitalisation and proceeds from the Rights Issue, the Company would have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the next twelve months.

As advised by the Management, the Group plans to reduce labor and material costs in its healthcare and household business in the U.S., seek cost-effective suppliers, and strategically allocate resources to develop other markets (principally being Mainland China) and sales channels. Additionally, the First Loan was utilized as capital expenditures associated with the factory including but not limited to the payments to suppliers, utilities costs and other daily operating expenses, while the Second Loan is designated as working capital for the Group's operational needs.

LETTER FROM MERDEKA CORPORATE FINANCE

As an aggregate of 43% of the net proceeds from the Rights Issue is intended to be applied toward the repayment of a portion of the Group's outstanding borrowings, we have conducted inquiries with the Management and obtained a summary of the Group's existing loan portfolio as at 30 April 2025 with interest rates ranging from 2.2% per annum to 6.0% annum. Based on our review, we noted that the interest rates of the loans proposed to be repaid using the net proceeds from the Rights Issue range from 3.0% per annum to 6.0% per annum. In this regard, we are of the view that the application of the net proceeds for the partial repayment of these borrowings would enable the Group to reduce its interest expenses, improve its gearing ratio, and further strengthen its overall financial position.

As the Group will also apply an aggregate of 35% of the net proceeds from the Rights Issue towards the development of the Group's healthcare and household products business which accounts for approximately 67.53% of the total revenue of the Group for FY2023/24, we discussed with the Management on the future development plan of the Group and noted that the Group plans to diversify its household and healthcare products portfolio with a primary focus on the Mainland China market. In this regard, we conducted relevant research in the consumer market in the Mainland China.

According to official statistics from the National Bureau of Statistics of China (a deputy-ministerial level agency directly under the State Council of China), the country's domestic consumption environment has demonstrated robust growth in recent years, which is favorable for healthcare and household products businesses seeking to expand into the Chinese market. In 2024, China's nationwide per capita consumption expenditure reached RMB28,227, reflecting a nominal increase of 5.3% year-on-year (and 5.1% in real terms after adjusting for price factors). Urban residents recorded per capita consumption of RMB34,557, while rural residents reached RMB19,280, both showing healthy annual growth. Notably, per capita expenditure on healthcare and medical services rose to RMB2,547, representing a 3.6% increase from the previous year, while household facilities and services spending amounted to RMB1,547 per capita, up 1.4% year-on-year. Furthermore, service consumption accounted for 46.1% of total household expenditure, with a per capita value of RMB13,016 and a notable 7.4% increase.

LETTER FROM MERDEKA CORPORATE FINANCE

China's government has actively implemented initiatives to stimulate domestic consumption, including the allocation of RMB300 billion (approximately US\$42 billion) for consumer subsidies, particularly targeting household appliances and healthcare-related products. Policies promoting urbanization and rising household incomes are also expected to further drive demand in the healthcare and household sectors. Given these positive consumption trends, it is recommended that companies entering the PRC market localize their products to address the preferences of Chinese consumers, leverage government subsidy programs, and focus on urban centers where disposable incomes are higher. These measures will support a successful market entry and expansion in China's rapidly growing healthcare and household products sector.

Given the robust growth in per capita consumption expenditure in the PRC and the favourable government initiatives to stimulate domestic consumption, we believe the use of part of the net proceeds from the Rights Issue for healthcare and household business would enable the Group to capture the business opportunities in the PRC market.

Having considered that (a) the repayment of certain outstanding borrowings by the net proceeds of the Rights Issue will allow the Group to decrease its financial burden; and (b) using the net proceeds for the development in the household products business aligns with the Company's business strategy objectives and is anticipated to enhance the Company's revenue streams, we consider that the Rights Issue and the proposed use of the net proceeds of Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We further understood from the Board Letter that, given the Company's objective is to improve its capital structure, additional debt financing would not support deleveraging efforts. Consequently, the Company believes equity fundraising would be the preferable approach. Compared to a private placement, which the Company may face difficulties in identifying suitable placees for fund raising due to the low trading liquidity of the Shares, the Group's current net liabilities position, and the going concern issue, whereas, the Rights Issue would offer the Qualifying Shareholders an opportunity to maintain their proportional interests and participate in the Group's future development. The Irrevocable Undertakings from the Substantial Shareholders, alongside the underwriting commitment from Subscriber I, further demonstrate their confidence in and support for the Group's future development. Additionally, the Rights Issue allows the Qualifying Shareholders who choose not to take up their entitlements to benefit by selling their nil-paid rights.

LETTER FROM MERDEKA CORPORATE FINANCE

We discussed with the Management and noted that, in respect of debt financing, it would result in higher finance costs, increase the Group's gearing ratio, and may involve extensive due diligence and prolonged negotiations with lenders. Given that the Company intends to apply part of the net proceeds from the Rights Issue to repay certain interest-bearing loans, debt financing is not considered the most suitable option. Regarding equity financing, we understand from the Company that placing new shares is not preferred, as it is expected that the Company may face difficulties in identifying suitable places for fund raising due to the low trading liquidity of the Shares, the Group's current net liabilities position, and the going concern issue. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will allow the Qualifying Shareholders to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group.

Taking into account the feasibility of various fund-raising methods, the reasons for selecting the Rights Issue over other methods as discussed above, the Irrevocable Undertakings as provided by the Substantial Shareholders and the underwriting commitment from Subscriber I, we consider the Rights Issue to be the most suitable fund-raising method for the Group under the current circumstances.

Our view

Having considered that (i) the Group recorded current net liabilities position of approximately HK\$103.15 million as at 31 December 2024; (ii) the cash balances of the Group are insufficient to repay the Subscribers for shareholder's loans and the proceeds from the Debt Capitalisation will be set against the shareholders loans on a dollar-to-dollar basis; (iii) part of the total net proceeds from the Rights Issue will be applied to repay the outstanding borrowings of the Group, allowing the Group to further reduce its financial burden; (iv) part of the total net proceeds from the Rights Issue will be allocated to developing the Group's household products business, which aligns with the Company's business strategy objectives and is anticipated to enhance the Company's revenue streams; (v) the Irrevocable Undertakings as provided by the Substantial Shareholders and the underwriting commitment from Subscriber I demonstrate the Controlling Shareholder's confidence in the Group's future development; (vi) the Debt Capitalisation and the Rights Issue allows the Company to strengthen its capital base and liquidity without incurring interest costs; (vii) despite that the Debt Capitalisation will result in a dilution effect on the existing shareholding of the Company, the Debt Capitalisation is subject to Independent Shareholders' approval and will allow the Group to reduce its gearing ratio; (viii) the Rights Issue offers all the Qualifying Shareholders equal opportunity to subscribe for their pro-rata provisional allotments of the Rights Shares without diluting their shareholding interests and allows the Qualifying Shareholders to participate in the future development of the Company; (ix) the Rights Issue allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefits and allows others to acquire these nil-paid Rights Shares; (x) the Share Consolidation enables the Company to comply with the trading requirements under the Listing Rules as mentioned in the section headed "4. Proposed Share Consolidation" below; and (xi) our analysis of the Capitalisation Issue Price and Rights Issue Price as discussed in the paragraph headed "5.3 Assessment on the Capitalisation Issue Price" and "6.2 Assessment on Rights Issue Price" respectively, we concur with the Directors' view that the Debt Capitalisation and the Rights Issue are in the interests of the Company and the Independent Shareholders as a whole.

4. Proposed Share Consolidation

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Moreover, pursuant to 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 updated on 1 October 2020, it stated that (i) market price of the shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) the expected board lot value per board lot should be greater than HK\$2,000 after taking into account the minimum transaction costs for a securities trade.

In view of the prevailing trading price of the Existing Shares of HK\$0.01 and the board lot value of HK\$80, the Company proposes to implement the Share Consolidation and the Change in Board Lot Size. It is expected that the proposed Share Consolidation and the Change in Board Lot Size will bring about a corresponding upward adjustment in the trading price and the board lot value of the Consolidated Shares on the Stock Exchange. As a result, the proposed Share Consolidation and the Change in Board Lot Size would enable the Company to comply with the trading requirements under the Listing Rules. We concur with the Company’s view that these measures will ensure the Company’s ongoing compliance with the Listing Rules and, by increasing the price per Consolidated Share, will improve the market perception of the Company’s Shares. This is expected to enhance the shares’ appeal and instill greater confidence in potential investors.

Effects of the Share Consolidation

The Board proposes that every twenty (20) issued and unissued Existing Shares of par value of HK\$0.00004 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.0008 each.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,000,000,000 divided into 25,000,000,000 Existing Shares of par value of HK\$0.00004 each, of which 12,824,484,010 Existing Shares are issued and credited as fully paid.

Assuming no further Existing Shares will be issued or repurchased between the Latest Practicable Date and the date of the SGM, immediately after the Share Consolidation becoming effective but before completion of the Debt Capitalisation and the Rights Issue, the authorised share capital of the Company will be HK\$1,000,000,000 divided into 1,250,000,000,000 Consolidated Shares of par value of HK\$0.0008 each, of which 641,224,200 Consolidated Shares will be in issue.

The Consolidated Shares will be identical and rank *pari passu* in all respects with each other.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders. The Directors believe that the Share Consolidation will not have any material adverse effect on the financial position of the Company.

LETTER FROM MERDEKA CORPORATE FINANCE

Conditions of the Share Consolidation

The implementation of the Share Consolidation is conditional upon:

- (i) the Share Consolidation (including the elimination of any residual fraction of a Consolidated Share in the issued share capital of the Company arising therefrom) having been approved by more than 75% of the Independent Shareholders at the SGM by way of poll;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consolidated Shares; and
- (iii) the compliance with all relevant procedures and requirements under the applicable laws of Bermuda and the Listing Rules to effect the Share Consolidation.

The Share Consolidation is not conditional on the Debt Capitalisation and the Rights Issue.

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

Having considered that the Share Consolidation enables the Company to comply with the trading requirements under the Listing Rule, we are of the view that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

5. Proposed Debt Capitalisation

5.1 Principal terms of the Debt Capitalisation Agreement I

Date

15 May 2025

Parties

- (i) The Company, as issuer; and
- (ii) Subscriber I, as subscriber.

Subscriber I was a Substantial Shareholder interested in 2,206,750,364 Existing Shares, representing approximately 17.2% of the total issued share capital of the Company as at the Latest Practicable Date. As such, Subscriber I is a connected person of the Company.

LETTER FROM MERDEKA CORPORATE FINANCE

Subject matter

As at 30 April 2025, the aggregate amount owing by the Company to Subscriber I was approximately HK\$57.9 million, comprising loan principal of HK\$48.1 million and accrued interests of approximately HK\$9.8 million, and are repayable by 31 December 2025.

Pursuant to the Debt Capitalisation Agreement I, the Company will allot and issue, and Subscriber I will subscribe for, 289,574,140 Capitalisation Shares at the Capitalisation Issue Price, which will be set-off against the entire amount of the outstanding shareholder's loan owing by the Company to Subscriber I of approximately HK\$57.9 million on a dollar-to-dollar basis by execution of a deed of set-off upon completion of the Debt Capitalisation Agreement I. Subscriber I will waive all other interest that may be accrued during the period from 1 May 2025 to the date of completion of the Debt Capitalisation Agreement I, which would amount to approximately HK\$321,000 assuming that completion of the Debt Capitalisation Agreements takes place on 15 July 2025.

5.2 Principal terms of the Debt Capitalisation Agreement II

Date

15 May 2025

Parties

(iii) The Company, as issuer; and

(iv) Subscriber II, as subscriber.

Subscriber II was a non-executive Director and a Substantial Shareholder interested in 1,569,420,951 Existing Shares, representing approximately 12.2% of the total issued share capital of the Company as at the Latest Practicable Date. As such, Subscriber II is a connected person of the Company.

Subject matter

As at 30 April 2025, the aggregate amount owing by the Company to Subscriber II was approximately HK\$261.7 million, comprising loan principal of HK\$250.0 million and accrued interests of approximately HK\$11.7 million, and are repayable by 31 December 2027.

Pursuant to the Debt Capitalisation Agreement II, the Company will allot and issue, and Subscriber II will subscribe for, 215,000,000 Capitalisation Shares at the Capitalisation Issue Price, which will be set-off against part of the outstanding shareholder's loan owing by the Company to Subscriber II of HK\$43.0 million on a dollar-to-dollar basis by execution of a deed of set-off upon completion of the Debt Capitalisation Agreement II. Subscriber II will waive all other interest that may be accrued on such amount of loan which will be capitalised pursuant to the Debt Capitalisation Agreement II during the period from 1 May 2025 to the date of completion of the Debt Capitalisation Agreement II, which would amount to approximately HK\$215,000 assuming that completion of the Debt Capitalisation Agreements takes place on 15 July 2025.

LETTER FROM MERDEKA CORPORATE FINANCE

Upon completion of the Debt Capitalisation Agreement II, the remaining shareholder's loan owing by the Company to Subscriber II will be reduced to approximately HK\$218.7 million.

Based on the current expected timetable, the expected completion date of the Debt Capitalisation will be on 15 July 2025.

5.3 Assessment of the Capitalisation Issue Price

5.3.1 The Capitalisation Issue Price

The Capitalisation Issue Price of HK\$0.20 per Capitalisation Share represents:

- (i) the same price as the theoretical closing price of the Consolidated Shares of HK\$0.20 based on the closing price of the Existing Shares of HK\$0.01 quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) the same price as the theoretical closing price of the Consolidated Shares of HK\$0.20 based on the closing price of the Existing Shares of HK\$0.01 quoted on the Stock Exchange on the Last Trading Day (the “**LTD Zero Discount Rate**”);
- (iii) the same price as the average of the theoretical closing prices of the Consolidated Shares of HK\$0.20 based on the average of the closing prices of the Existing Shares quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day of HK\$0.01 (the “**Average 5 LTD Zero Discount Rate**”);
- (iv) a discount of approximately 1.0% to the theoretical closing prices of the Consolidated Shares of HK\$0.202 based on the average of the closing prices of the Existing Shares quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of HK\$0.0101;
- (v) a discount of approximately 0.7% to the average of the theoretical closing prices of the Consolidated Shares of approximately HK\$0.201 based on the average of the closing prices of the Existing Shares quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.01007;
- (vi) a discount of approximately 56.2% to the net asset value of the Company per Consolidated Share as at 30 June 2024 of approximately HK\$0.457 calculated based on the audited consolidated net asset value attributable to the Shareholders as at 30 June 2024 of approximately HK\$293.1 million and 641,224,200 Consolidated Shares;
- (vii) a discount of approximately 54.5% to the net asset value of the Company per Consolidated Share as at 31 December 2024 of approximately HK\$0.440 calculated based on the unaudited consolidated net asset value attributable to the Shareholders as at 31 December 2024 of approximately HK\$281.9 million and 641,224,200 Consolidated Shares (the “**NAV Discount Rate**”); and

LETTER FROM MERDEKA CORPORATE FINANCE

- (viii) the same price as the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.20 calculated based on the theoretical closing prices of the Consolidated Shares for the last five consecutive trading days up to and including the Last Trading Day, and there will be no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules).

The Capitalisation Issue Price was arrived at after arm's length negotiation between the Company and the Subscribers taking into account the prevailing market prices, the thin trading volume of the Shares, as well as the current market conditions.

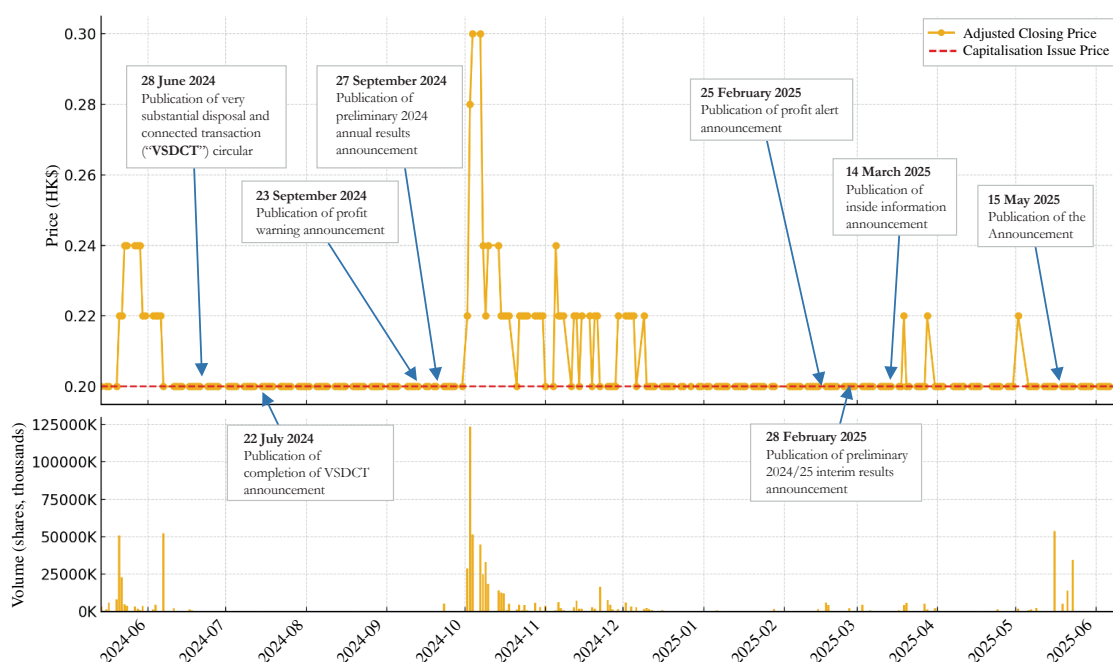
The Company notes that the Capitalisation Issue Price represents a relatively large discount of approximately 54.5% to the net asset value attributable to the Shareholders per Consolidated Share as at 31 December 2024. However, the Shares have been trading very low at or close to the extremity of HK\$0.01 for a prolonged period of time. The average of the closing prices of the Shares during the two years immediately prior to the Last Trading Day was also approximately HK\$0.01023, and the discounts of the average closing price of the Shares to the net asset value attributable to the Shareholders during this two-year period ranged between approximately 53.4% and 88.7%. The Company is of the view that this may indicate that investors might not have valued the Shares based on the underlying value of the Group's assets. Accordingly, having considered the business development of the Group and prevailing market conditions, and taking into account the positive impact on the financial position of the Group upon implementation of the Debt Capitalisation as disclosed in the section headed "3. Reasons and benefits for the Proposals and use of proceeds" in this letter above, we concur with the Directors that, despite the relatively large discount of the Capitalisation Issue Price as compared to the net asset value attributable to the Shareholders per Consolidated Share as at 31 December 2024, the terms of the Debt Capitalisation Agreements (including the Capitalisation Issue Price) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Please refer to the Board Letter for more details on the Debt Capitalisation Agreements.

5.3.2 Historical performance of the Shares

Set out below is a chart illustrating the theoretical closing price of Consolidated Shares (the “Adjusted Closing Price”) (after taking into account the effect of the Share Consolidation) during the period from 15 May 2024 to the Latest Practicable Date (the “Share Price Review Period”) and compared with the Capitalisation Issue Price. We consider the Share Price Review Period to be adequate, fair, and representative to reflect the prevailing market sentiment primarily and illustrate the general trend and level of movement of the Adjusted Closing Price, which can reflect the correlation between the recent business performance of the Group and the latest market reaction in the closing prices of the Shares.

Share price chart during the Share Price Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the above chart, during the Share Price Review Period, the Adjusted Closing Prices ranged from the lowest of HK\$0.20 as recorded at a total of 216 trading days under the Share Price Review Period to the highest of HK\$0.30 as recorded on 4 October 2024 and 7 October 2024 with an average Adjusted Closing Price of approximately HK\$0.205 and a median Adjusted Closing Price of HK\$0.20. The Capitalisation Issue Price represents (i) a discount of approximately 33.33% to the highest Adjusted Closing Price of the Shares; (ii) same price of the lowest Adjusted Closing Price of the Shares and the median Average Closing Price; and (iii) a discount of approximately 2.62% to the average Adjusted Closing Price of the Shares during the Share Price Review Period, respectively.

LETTER FROM MERDEKA CORPORATE FINANCE

During the Share Price Review Period, the Adjusted Closing Prices remained relatively stable at HK\$0.20 for 216 trading days out of 268 trading days of the Share Price Review Period, with minor fluctuations observed between September and December 2024. A notable spike occurred in late September 2024, with the Adjusted Closing Price reaching the peak of HK\$0.30 on 4 October 2024 and 7 October 2024 before declining and entering a short period of volatility from October to December 2024. From mid-December 2024 onwards, the Adjusted Closing Price gradually stabilised and returned to its earlier level of HK\$0.20 with minimal movement recorded in late March 2025. We have discussed with the Management regarding the fluctuations of the Adjusted Closing Prices and were advised that save for the publication of (i) the Announcement; (ii) the announcement of the Company dated 14 March 2025 in relation to the entering of the settlement deed; (iii) the announcement of the Company dated 28 February 2025 regarding the preliminary interim results of the Group for the six months ended 31 December 2024; (iv) the profit alert announcement of the Company dated 25 February 2025; (v) the announcement of the Company dated 27 September 2024 regarding the preliminary annual results of the Group for the year ended 30 June 2024; (vi) the profit warning announcement of the Company dated 23 September 2024; and (vii) the announcement of the Company dated 22 July 2024 regarding completion of very substantial disposal and connected transaction in relation to disposal of a subsidiary and shareholders loan to the connected person. Other than the aforesaid, the Management confirmed that they were not aware of any other reasons for the fluctuations in the Adjusted Closing Prices during the Share Price Review Period.

With reference to the sub-paragraph headed “5.3.4. Comparable debt capitalisation transactions” below, the nil discount or premium rate as represented by the Capitalisation Issue Price to the Adjusted Closing Price as at the Last Trading Day and the discount represented by the Capitalisation Issue Price to the net asset value of the Group per Consolidated Share as at 31 December 2024 are within the respective range of the Capitalisation Comparable Transactions. In addition, based on the aforementioned financial performance and position of the Group, we noted that the Group is insufficient to repay the amount due to the Subscribers as analysed in the section headed “3. Reasons and benefits for the Proposals and use of proceeds” above. In this regard, we concur with the Directors’ view that the Capitalisation Issue Price is in line with the general market practice and is acceptable.

LETTER FROM MERDEKA CORPORATE FINANCE

5.3.3 Historical trading volume of the Shares

The following table sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period during the Share Price Review Period.

	Total trading volume of the Shares for the month/period	Number of trading days in the month/period	Average daily trading volume of the Shares in the month/period (note 1)	Percentage of the average daily trading volume over total number of issued Shares as at the end of the month/period (note 2)	Percentage of average daily trading volume over total number of the Shares held by public Shareholders as at the Latest Practicable Date (note 3)
2024					
14 – 31 May	110,160,478	13	8,473,883	0.0661%	0.1220%
June	61,697,012	19	3,247,211	0.0253%	0.0468%
July	558,740	22	25,397	0.0002%	0.0004%
August	408,000	22	18,545	0.0001%	0.0003%
September	5,665,050	19	298,161	0.0023%	0.0043%
October	388,784,050	21	18,513,526	0.1444%	0.2666%
November	62,703,114	21	2,985,863	0.0233%	0.0430%
December	19,902,315	20	995,116	0.0078%	0.0143%
2025					
January	3,444,000	19	181,263	0.0014%	0.0026%
February	14,337,000	20	716,850	0.0056%	0.0103%
March	23,627,105	21	1,125,100	0.0088%	0.0162%
April	1,536,254	19	80,855	0.0006%	0.0012%
May	113,249,060	20	5,662,453	0.0442%	0.0815%
June (up to and including the Latest Practicable Date	2,656,000	12	221,333	0.0017%	0.0032%
		Maximum	18,513,526	0.1444%	0.2666%
		Minimum	18,545	0.0001%	0.0003%
		Average	3,038,968	0.0237%	0.0438%
		Median	855,983	0.0067%	0.0123%

Source: The website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM MERDEKA CORPORATE FINANCE

Notes:

- (1) Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
- (2) Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each respective month.
- (3) Based on 6,945,495,517 Shares held by public Shareholders as at the Latest Practicable Date.

As illustrated in the table above, (i) the percentage of average daily trading volume of Shares during the Share Price Review Period ranged from 0.0001% to approximately 0.1444% of the total number of issued Shares for each of their respective month/period, with an average percentage of approximately 0.0237% and a median percentage of approximately 0.0067%; and (ii) the percentage of average daily trading volume of Shares ranged from 0.0003% to approximately 0.2666% of the total number of the Shares held by the public Shareholders as at the Latest Practicable Date, with an average percentage of approximately 0.0438% and a median percentage of approximately 0.0123%. Considering that the trading liquidity of the Shares were in general thin during the Share Price Review Period, we consider that the Company is unlikely to be able to raise equity funds from third parties without a substantial discount on the prevailing Share prices. Taking into account the low trading liquidity of the Shares, we are of the view that, from the perspective of trading liquidity of the Shares, Debt Capitalisation is an appropriate equity financing method for the Group and the Capitalisation Issue Price thereunder is fair and reasonable.

5.3.4 Comparable debt capitalisation transactions

In order to further assess the fairness and reasonableness of the Capitalisation Issue Price, we have reviewed the recent market practices which (i) involved subscription of new shares for debt capitalisation under specific mandate; (ii) were announced by the companies listed on the Main Board of the Stock Exchange for the period from 14 May 2024 up to the Last Trading Day (being approximately one year prior to and including the date of the Debt Capitalisation Agreements); and (iii) the subscription of new shares has not been terminated as at the Last Trading Day. We have identified an exhaustive list of 7 transactions (the “**Capitalisation Comparable Transactions**”).

Independent Shareholders should note that the businesses, operations, financial positions and prospects of the Company are not the same as those of the Capitalisation Comparable Transactions. We have not conducted any independent investigation with regard to the businesses, operations, financial positions, and prospects of the companies. Despite the subject companies under the Capitalisation Comparable Transactions may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, we would still consider, in light of our selection criteria, capturing recent issues of new shares under specific mandate by companies listed in Main Board for debt capitalisation under similar market conditions and sentiments can provide us with a general reference on the recent practices of the premium/discount of issue prices of new shares over/to the market prices of the relevant shares for this type of transaction on the equity capital market in Hong Kong.

LETTER FROM MERDEKA CORPORATE FINANCE

Date of announcement	Company name (stock code)	Fundraising amount under share subscription	Connected Transaction	Specific Mandate or General Mandate	% of the subscription shares to the issued shares as at the date of the respective announcement (%)	Premium/ (discount) of the subscription price to the closing price on the last trading day (%)	Premium/ (discount) of the subscription price to average closing price for the last five (5) trading days (%)	Premium/ (discount) of the subscription price to the net asset value per share	Financial position	Percentage of Disinterested Shareholders voted in the extraordinary meeting	Percentage of disinterested shareholders in the extraordinary meeting voted for
29-Apr-2025	GoFintech Quantum Innovation Limited (stock code: 290)	HK\$587.22 million	Yes	Specific Mandate	5.97%	4.92%	2.56%	848.15% (note 1)	Net asset	79.98%	N/A (note 4)
17-Apr-2025	China HK Power Smart Energy Group Limited (stock code: 931)	HK\$140.00 million	Yes	Specific Mandate	10.76%	0.00%	(0.51%)	344.19% (note 2)	Net asset	40.98%	100.0%
7-Apr-2025	Regent Pacific Group Limited (stock code: 575)	HK\$30.74 million	Yes	Specific Mandate	27.74%	0.00%	16.00%	N/A (note 3)	Net liabilities	40.20%	N/A (note 4)
17-Jan-2025	CHK Oil Limited (stock code: 632)	HK\$5.00 million	Yes	Specific Mandate	1.43%	5.06%	(5.03%)	49.82%	Net asset	32.33%	100.0%
27-Dec-2024	Kidsland International Holdings Limited (stock code: 2122)	HK\$21.41 million	Yes	Specific Mandate	38.24%	94.44%	101.15%	84.21%	Net asset	45.60%	100.0%
12-Nov-2024	Bonjour Holdings Limited (stock code: 653)	HK\$33.18 million	Yes	Specific Mandate	88.34%	0.00%	(1.00%)	(86.72%)	Net asset	47.29%	100.0%
17-Jun-2024	Zhuaguang Holdings Group Company Limited (Stock code: 1176)	HK\$325.00 million	Yes	Specific Mandate	22.49%	21.21%	18.34%	(77.09%)	Net asset	46.36%	99.93%
				Maximum	88.34%	94.44%	101.15%	84.21%			
				Minimum	1.43%	0.00%	(5.03%)	(86.72%)			
				Average	27.85%	17.95%	18.79%	(7.45)%			
				Median	22.49%	4.92%	2.56%	(13.64)%			
	The Company	HK\$100.91 million	Yes		78.70%	0.00%	0.00%	(54.50%)	Net asset		

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes

- GoFintech Quantum Innovation Limited (stock code: 290) (“GoFintech Quantum”) is a cross-border, cross-industry investment platform based in Hong Kong, backed by the Greater Bay Area and focused on the international market. As at the Latest Practicable Date, GoFintech Quantum’s market capitalisation is approximately HK\$11.1 billion, whereas its consolidated net assets are only approximately HK\$1,041.9 million, as disclosed in its latest interim report. This demonstrates that GoFintech Quantum’s market capitalisation is significantly higher than its net asset value, and accordingly, the underlying issue price in its debt capitalisation transaction represents a substantial premium.

LETTER FROM MERDEKA CORPORATE FINANCE

2. China HK Power Smart Energy Group Limited (stock code: 931) (“**China HK Power Smart Energy**”) principally engaged in the sales and distribution of natural gas, the development and production of new energy technology products and integrated solutions in PRC and the provision of financial services business. As at the Latest Practicable Date, China HK Power Smart Energy’s market capitalisation is approximately HK\$1.7 billion, whereas its equity attributable to the shareholders are only approximately HK\$293.1 million, as disclosed in its latest interim report. This demonstrates that China HK Power Smart Energy’s market capitalisation is significantly higher than its net asset value, and accordingly, the underlying issue price in its debt capitalisation transaction represents a substantial premium.
3. Regent Pacific Group Limited (stock code: 575) recorded net liabilities of approximately US\$5.90 million as at 31 December 2024.
4. The extraordinary meeting has not been held as at the Latest Practicable Date.

As set out in the table above, we noted that:

- (i) the percentage of the subscription shares to the issued shares as at the date of the respective announcement compared to the total issued number of shares as at the respective announcement ranged from 1.43% to 88.34%, with an average percentage of 27.85% and a median percentage of 22.49%. The aggregate number of Capitalisation Shares to be issued under the Debt Capitalisation Agreements represents 78.70% of the total issued number of Shares (after taking into account the Share Consolidation), which is within the range of Capitalisation Comparable Transactions;
- (ii) the subscription price to the closing price on the respective last trading day immediately prior to the publication of the announcement in respect of the respective debt capitalisation announcement of the Capitalisation Comparable Transactions ranged from nil to a premium of approximately 94.44%, with a median premium of approximately 4.92% and an average premium of approximately 17.95%. The zero discount rate as represented by the Capitalisation Issue Price to the Adjusted Closing Price as at the Last Trading Day is within the range of the Capitalisation Comparable Transactions and is below the median and average premium of the Capitalisation Comparable Transactions;
- (iii) the subscription price to the average closing price for the last five (5) consecutive trading days prior to/up to and including the respective last trading day immediately prior to the publication of the announcement in respect of the respective debt capitalisation announcement of the Capitalisation Comparable Transactions ranges from a discount of approximately 5.03% to a premium of 101.15% with a median premium of approximately 2.56% and an average premium of approximately 18.79%. The zero discount rate as represented by the Capitalisation Issue Price to the average Adjusted Closing Price for the last 5 consecutive trading days up to and including the Last Trading Day is within the range of the Capitalisation Comparable Transactions and lower than the relevant median and the average; and

LETTER FROM MERDEKA CORPORATE FINANCE

- (iv) the subscription price to the net asset value of the Capitalisation Comparable Transactions ranged from a discount of approximately 86.72% to a premium of approximately 84.21%, with a median discount of approximately 13.64% and an average discount of approximately 7.45%. The NAV Discount Rate is within the range of the Capitalisation Comparable Transactions and higher than the relevant median and the average. Despite the NAV Discount Rate is higher than the relevant median and the average of the Capitalisation Comparable Transactions, having considered that the Adjusted Closing Price recorded at HK\$0.2 per Consolidated Share for a total of 203 trading days over 256 trading days during the Share Price Review Period, which means the Shares have been trading below the net asset value of the Company for a prolonged period at the discount rate of approximately 56.2% and 54.5% based on net asset value of the Group as at 30 June 2024 and 31 December 2024. For our further assessment, we reviewed the closing prices of the Group since June 2023 and the recent net asset values of the Group as disclosed in its annual and interim reports. Despite the net asset values of the Group amounted to approximately HK\$0.0909, HK\$0.0229 and HK\$0.0220 as at 30 June 2023, 30 June 2024 and 31 December 2024, having considered that (a) the Shares were traded at HK\$0.01 for a substantial period i.e. 415 trading days over 494 trading days since June 2023 and up to the Latest Practicable Date, representing approximately 83.84% of the period; and (b) given the Group's interests in associates of approximately HK\$557.02 million accounts for approximately 75.91% of its total assets as at 31 December 2024, which relates to Pacific Memory which the Company does not have control of, therefore, net asset value is not a good indicator to assess the value of the Company, we concur with the Directors' view that the investors might not value the Shares based on the financial position of the Group, such that we consider NAV Discount Rate to be fair and reasonable.

In view of the above recent market trend reference and given that the Capitalisation Issue Price is equal to the Adjusted Closing Price during the majority of the Share Price Review Period, we consider the Capitalisation Issue Price to be fair and reasonable.

LETTER FROM MERDEKA CORPORATE FINANCE

6. The Proposed Rights Issue

6.1 Principal terms of the proposed Rights Issue

Basis of the Rights Issue	: One (1) Rights Share for every two (2) Consolidated Shares held on the Record Date
Rights Issue Price	: HK\$0.20 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date:	: 12,824,484,010 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective and upon the allotment and issue of the Capitalisation Shares:	: 1,145,798,340 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	: 572,899,170 Rights Shares
Aggregate nominal value of the Rights Shares	: Approximately HK\$458,319
Total number of Shares in issue as enlarged by the allotment and issue of the Rights Shares	: 1,718,697,510 Consolidated Shares
Number of Rights Shares subject to the Irrevocable Undertakings	: Each of Subscriber I, Subscriber II and Mr. Yang has irrevocably undertaken to the Company that each of them will take up the 199,955,829 Rights Shares, the 146,735,523 Rights Shares and the 52,570,429 Rights Shares, respectively, under each of their entitlement pursuant to the terms of the Rights Issue.
Number of Underwritten Shares	: 173,637,389 Rights Shares, being the total of 572,899,170 Rights Shares minus the aggregate of 399,261,781 Rights Shares subject to the Irrevocable Undertakings
Underwriter	: Subscriber I
Gross proceeds from the Rights Issue	: Approximately HK\$114.6 million
Net proceeds from the Rights Issue (after deducting expenses)	: Approximately HK\$112.0 million

LETTER FROM MERDEKA CORPORATE FINANCE

As at the Latest Practicable Date, the conditions of the Rights Issue had not been fulfilled.

Based on the current expected timetable, the expected date of commencement of dealings in fully-paid Rights Shares will be on Thursday, 21 August 2025.

Please refer to the Board Letter for more details on the Rights Issue.

6.2 Assessment of the Rights Issue Price

6.2.1 Rights Issue Price

As set out in the Board Letter, the Rights Issue Price is HK\$0.20 per Rights Share, which is the same as the Capitalisation Issue Price, and is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The price comparison of the Rights Issue Price with the prevailing market prices of the Shares and the net asset value attributable to the Shareholders is the same as that for the Capitalisation Issue Price as discussed in the Board Letter. The equal pricing for the Rights Issue can ensure that the Qualifying Shareholders have the opportunity to participate in the Group's future development at the same price as the Subscribers. The theoretical ex-rights price will also be the same as the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.20, and there will be no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules).

LETTER FROM MERDEKA CORPORATE FINANCE

The net Rights Issue Price per Rights Share (after deducting expenses) is estimated to be approximately HK\$0.196 per Rights Share. The Rights Issue Price and the subscription ratio was determined by the Company with reference to the prevailing market prices of the Shares, the current market conditions, the financial condition of the Group and the fund-raising size intended by the Company.

As the Rights Issue Price is the same as the Capitalisation Issue Price, please refer to our analysis on the Capitalisation Issue Price as set out above in this letter for more details.

Having considered the above and taking into account (i) the reasons for the Rights Issue as disclosed in the section headed “Reasons for and benefits of the Proposals and use of proceeds” above; (ii) our analysis regarding the Capitalisation Issue Price which is same as the Rights Issue Price as set out in the section headed “5.3 Assessment of the Capitalisation Issue Price” above; and (iii) our analysis on “6.2.2 Comparable rights issue transactions” below, we concur with the Directors’ view that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

6.2.2 Comparable rights issue transactions

With a view to assess the fairness and reasonableness of the terms of the Rights Issue, we have also conducted market research on recent proposed rights issue transactions based on the following selection criteria: (i) the shares of the company are listed on the Main Board of the Stock Exchange; and (ii) the proposed rights issue transaction was announced during the 3-month period commencing on 14 February 2025 up to and including the Last Trading Day (i.e. 14 May 2025) (“**Rights Comparable Review Period**”), which we considered to be an appropriate timeframe to identify a representative sample set for the purpose of our analysis.

Based on the aforesaid criteria, we have identified an exhaustive list of 13 rights issues (the “**Rights Comparable Transactions**”). Despite that (a) the Rights Comparable Transactions may have different principal business activities, market capitalisation, profitability, financial positions, and future prospects as compared to those of the Company; and (b) the range of the discount / premium of the Rights Comparable Transactions as shown below is wide, having considered that (i) all of the Rights Comparable Transactions and the Company are listed on the Main Board of the Stock Exchange; (ii) all the Rights Comparable Transactions were not lapsed or terminated as at the Latest Practicable Date; (iii) the respective subscription price was determined by the underlying company of the Rights Comparable Transactions with reference to the latest market sentiment up to the respective last trading day and there is no alternation on the subscription price of the Rights Comparable Transactions as at the Latest Practicable Date; and (iv) the Rights Comparable Period of 3-month has resulted in the generation of reasonable sample size, we consider that the Rights Comparable Transactions can provide a reasonable reference to how the market generally perceives rights issues, and fair and representative for assessing the Rights Issue. We also consider that the Rights Comparable Review Period is adequate, fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting a rights issue. It should be noted that, in forming our opinion, we have taken into account the results of the analysis below together with all other factors stated in this letter as a whole. The table below provides a summary of our findings.

LETTER FROM MERDEKA CORPORATE FINANCE

Date of announcement	Company name (stock code)	Basis of provisional allotment	Premium/ (Discount) of the Subscription Price over/to the closing price per share on the last trading day	Premium/ (Discount) of the Subscription Price over/to the last five (5) consecutive trading days up to and including the last trading day	Premium/ (Discount) of the subscription price over/to the theoretical ex-right price per share based on the closing price per share on the last trading day	Premium/ (discount) of subscription price per rights over/to the latest published consolidated net asset value per share	Theoretical dilution effect	Excess application/ Placing	Placing commission (note 1)	Underwriting arrangement (note 2)	Underwriting commission (note 2)	Maximum dilution on the shareholding
13-May-2025	Shougang Century Holdings Limited (stock code: 103)	3 for 20	12.30%	14.30%	10.60%	(40.10%)	0.00%	Excess application	N/A	N/A	N/A	13.04%
13-May-2025	Capital Realm Financial Holdings Group Limited (stock code: 204)	3 for 1	4.17%	21.36%	1.01%	(86.28%)	0.00%	Placing	3.00%	N/A	N/A	75.00%
9-May-2025	China Sci-Tech Industrial Investment Group Limited (stock code: 339)	1 for 2	(43.10%)	(47.40%)	(38.60%)	N/A (note 3)	16.20%	Placing	1.50%	N/A	N/A	33.33%
7-May-2025	SEEC Media Group Limited (stock code: 205)	1 for 2	(23.61%)	(26.17%)	(17.29%)	(51.54%)	0.00%	Placing	3.00% or HK\$100,000 (note 7)	N/A	N/A	33.33%
29-Apr-2025	C Cheng Holdings Limited (stock code: 1486)	1 for 2	(67.21%)	(66.44%)	(57.75%)	(92.75%)	22.40%	Placing	3.00%	N/A	N/A	33.33%
25-Apr-2025	Melco International Development Limited (stock code: 200)	1 for 2	(72.93%)	(71.03%)	(64.28%)	3328.67% (note 4)	24.31%	Excess application	N/A	N/A	N/A	33.33%
16-Apr-2025	Bonjour Holdings Limited (stock code: 653)	3 for 1	(25.93%)	(27.93%)	(8.05%)	(75.91%)	20.95%	Excess application & Placing	2.00%	N/A	N/A	75.00%
16-Apr-2025	AustAsia Group Ltd. (stock code: 2425)	2 for 5	(29.11%)	(29.11%)	(22.76%)	(80.95%)	8.23%	Excess application	N/A	N/A	N/A	28.57%
11-Apr-2025	ISP Holdings Limited (stock code: 2340)	1 for 2	(74.50%)	(73.38%)	(66.07%)	(85.59%)	24.85	Excess application	N/A	N/A	N/A	33.33%
7-Mar-2025	Volcano Spring International Holdings Limited (stock code: 1715)	3 for 1	47.06%	47.06%	8.70%	(21.59%)	0.00%	Placing	1.00%	N/A	N/A	66.67%
3-Mar-2025	China Zenith Chemical Group Limited (stock code: 362)	2 for 1	(17.90%)	(18.40%)	(7.10%)	n/a (note 5)	13.05%	Excess application	N/A	Non-fully underwritten	1.00%	66.67%
18-Feb-2025	China Baoli Technologies Holdings Limited (stock code: 164)	4 for 1	6.67%	2.30%	1.27%	n/a (note 6)	0.00%	Excess application & Placing	1.00%	N/A	N/A	80.00%
14-Feb-2025	Yues International Holdings Group Limited (stock code: 1529)	4 for 1	(7.14%)	(20.25%)	(1.52%)	(88.68%)	21.47%	Placing	1.00% or HK\$100,000 (note 8)	N/A	N/A	80.00%
		Maximum	47.06%	47.06%	10.60%	(21.59%)	24.85%		3.00%			80.00%
		Minimum	(74.50%)	(73.38%)	(66.07%)	(92.75%)	0.00%		1.00%			13.04%
		Average	(22.40%)	(22.70%)	(20.14%)	(69.27%)	11.65%		1.60%			50.12%
		Median	(23.61%)	(26.17%)	(8.05%)	(80.95%)	13.05%		1.00%			33.33%
	The Company	1 for 2	0.00%	0.00%	0.00%	(54.5%)	0.00%		2.00%	Fully-underwritten	Nil	33.33%

LETTER FROM MERDEKA CORPORATE FINANCE

Notes:

- (1) “N/A” denotes that the subject rights issue was conducted without the involvement of any placing.
- (2) “N/A” denotes that the subject rights issue was conducted on a non-underwritten basis.
- (3) China Sci-Tech Industrial Investment Group Limited (stock code: 339) recorded net asset liabilities of approximately HK\$742,061,000 as at 31 December 2024.
- (4) Melco International Development Limited (“**Melco**”, stock code: 200) is principally engaged in the casino and hospitality segment. As noted from the annual reports of Melco, Melco has recorded losses attributable to owners of the company in recent years and as a result, the equity attributable to owners of Melco was significantly reduced from approximately HK\$664,998,000 as at 31 December 2022 to only approximately HK\$45,930,000 as at 31 December 2024, reflecting the cumulative impact of these losses on Melco’s consolidated financial position. Therefore, the figure has been excluded from the computations as it appears to be abnormally high compared to the remaining Rights Comparable Transactions and is considered an outlier, which may skew the overall results.
- (5) China Zenith Chemical Group Limited (stock code: 362) recorded an unaudited net asset liabilities of HK\$1,078,794,000 as at 31 December 2024.
- (6) China Baoli Technologies Holdings Limited (stock code: 164) recorded an unaudited net asset liability of HK\$370,914,000 as at 30 September 2024.
- (7) The placing commission is the higher of HK\$100,000 or 3% of the gross proceeds from successful placement.
- (8) The placing commission is the higher of HK\$100,000 or 1% of the gross proceeds from successful placement.

As shown by the above table, the discount as represented by the subscription prices of the Rights Comparable Transactions to (i) the respective closing price per share on last trading day immediately prior to publication of announcement in relation to the respective rights issue ranged from a discount of approximately 74.50% to a premium of approximately 47.06% with an average discount of approximately 22.40% and a median discount of approximately 23.61%; (ii) the respective average closing price per share for the last five (5) consecutive trading days immediately prior to publication of announcement in relation to the respective rights issue ranged from a discount of approximately 73.38% to a premium of approximately 47.06% with an average discount of approximately 22.70% and a median discount of approximately 26.17%; and (iii) the respective theoretical ex-right price per share based on the closing price per share on the last trading day ranged from a discount of approximately 66.07% to a premium of approximately 10.60% with an average discount of approximately 20.14% and a median discount of approximately 8.05%. The premium/discount as represented by the subscription prices of the Rights Comparable Transactions to the net asset attributable to owners of the subject company per share ranged from a discount of approximately 92.75% to a discount of approximately 21.59% with an average discount of approximately 69.27% and a median discount of approximately 80.95%. The theoretical dilution effect of the Rights Comparable Transactions ranged from nil to 24.85% with an average dilution effect of 11.65% and a median dilution effect of 13.05%.

Therefore, the LTD Zero Discount Rate, the Average 5 LTD Zero Discount Rate, the theoretical ex-right price of the Company, and the NAV Discount Rate are within the relevant range and above the median and average of the Rights Comparable Transactions. Hence, we consider the terms of the Right Issue Price is within the prevailing market norm and is justifiable.

LETTER FROM MERDEKA CORPORATE FINANCE

Having considered the above and that the generally thin liquidity of the Shares during the Share Price Review Period and the Adjusted Closing Price remains at HK\$0.20 during the majority of the Share Price Review Period, we are of the view that it is reasonable to set the Capitalisation Price and the Rights Issue Price at the same price as the Adjusted Closing Price as at the Last Trading Day and hence, we consider the Capitalisation Issue Price and the Right Issue Price is fair and reasonable.

6.3 The Compensatory Arrangements and Placing

Regarding the Board Letter, the Company will make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Unsold Rights Shares, by offering the Unsubscribed Rights Shares to independent placees, who and whose ultimate beneficial owner(s) are Independent Third Party(ies) and are not acting in concert with the Subscribers and their respective concert parties, for the benefit of the relevant No Action Shareholders to whom they were offered under the Rights Issue. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

After trading hours of the Stock Exchange on 15 May 2025, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Principal terms of the Placing Agreement are set out below.

Set out below is a summary of the principal terms of the Placing Agreement as extracted from the Board Letter:

Date	:	15 May 2025
Placing Agent	:	VC Brokerage Limited, a licensed corporation carrying out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
		The Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties, and are independent and not connected with and not acting in concert with the Subscribers and their respective concert parties.
Placing commission	:	2.0% of the gross proceeds from the successful placement of the Unsubscribed Rights Shares (the “ VC Placing Commission ”)
Placing price of the Unsubscribed Rights Shares	:	The placing price of the Unsubscribed Rights Shares shall be not less than the Rights Issue Price (the “ Placing Price ”).
		The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.

LETTER FROM MERDEKA CORPORATE FINANCE

For detailed terms of the Placing Agreement, please refer to the section headed “The Placing Agreement” in the Board Letter.

6.3.1 Placing Price

Pursuant to the Placing Agreement, the Placing Price of the Unsubscribed Rights Shares shall be not less than the Rights Issue Price. The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.

Given that (i) the Placing Price shall be not less than the Rights Issue Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (ii) the Rights Issue Price is fair and reasonable as discussed in the paragraph headed “6.2.2. Comparable rights issue transactions” above, we consider that the Placing Price (which shall be not less than the Rights Issue Price) is fair and reasonable so far as the Independent Shareholders are concerned.

6.3.2 VC Placing Commission

The terms of the Placing Agreement (including the placing commission thereof) were determined after arm’s length negotiation between the Company and the Placing Agent with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms.

Based on the Rights Comparable Transactions table as set out in the section headed “6.2.2 Comparable rights issue transactions” above, we noted that 8 out of 13 Rights Comparable Transactions involve placing arrangements (the “**Placing Comparable Transactions**”) and the commission rates payable to placing agent(s) of the Placing Comparable Transactions ranged from 1.00% to 3.00% with an average of approximately 1.60% and a median of 1.00%. The VC Placing Commission of 2.00% is within the range of the Placing Comparable Transactions and above the average and median commissions of the Placing Comparable Transactions.

Having considered that the respective placing commission of the Placing Comparable Transactions was determined based on the arm’s length negotiations between the underlying company of the Placing Comparable Transactions and the respective placing agent regarding, among others, the prevailing market situations, which is similar to the basis of the VC Placing Commission, we are of the opinion that the VC Placing Commission of 2.00% is fair and reasonable.

LETTER FROM MERDEKA CORPORATE FINANCE

6.4 The Underwriting Agreement

After trading hours of the Stock Exchange on 15 May 2025, the Company and the Underwriter entered into the Underwriting Agreement, pursuant to which the Rights Shares (other than those Rights Shares subject to the Irrevocable Undertakings) will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement. Principal terms of the Underwriting Agreement are set out below.

Date : 15 May 2025

Underwriter : Subscriber I, who is a Substantial Shareholder as at the Latest Practicable Date. As such, Subscriber I complies with Rule 7.19(1) (b) of the Listing Rule.

It is not in the ordinary course of business of Subscriber I to underwrite securities.

Number of Rights Shares to be underwritten by the Underwriter : 173,637,389 Rights Shares (assuming there will be no issue of other new Shares from the Latest Practicable Date up to the Record Date save for the allotment and issue of the Capitalisation Shares)

Underwriting commission : Nil

For detailed terms of the Underwriting Agreement, please refer to the section headed “The Underwriting Agreement” in the Board Letter.

We consider that the aforesaid underwriting arrangement secured the Company’s fund-raising through the Rights Issue to a certain extent and that Subscriber I will not receive any underwriting commission, the arrangement of which is favourable to the Company.

Taking into account the principal terms of the Rights Issue as highlighted above, we consider that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

7. Possible financial effects of the Rights Issue

The unaudited pro forma statement of consolidated net tangible assets of the Group (the “**Pro Forma Statement**”) adjusted for the effect of the Share Consolidation, the Debt Capitalisation and the Rights Issue as at 31 December 2024, which is prepared as if the Share Consolidation, the Debt Capitalisation and the Rights Issue had taken place on 31 December 2024, is set out under Appendix II to the Circular.

According to the Pro Forma Statement, the unaudited consolidated net tangible assets of the Group as at 31 December 2024 shall increase from approximately HK\$250.45 million (i) to approximately HK\$351.39 million immediately after completion of the Debt Capitalisation had taken place on 31 December 2024; and (ii) to approximately HK\$463.28 million immediately after completion of the Debt Capitalisation and Rights Issue had taken place on 31 December 2024.

The unaudited net tangible assets per Existing Share before implementations of the Share Consolidation, the Debt Capitalisation and the Rights Issue is approximately HK\$0.02 per Share (which is equivalent to the Capitalisation Issue Price and the Rights Issue Price and shall either be same or lower than the Placing Price). The unaudited consolidated net tangible assets per Consolidated Share immediately after (i) the implementation of the Share Consolidation only is approximately HK\$0.39; (ii) the implementation of Share Consolidation and completion of the Debt Capitalisation only is approximately HK\$0.31; and (iii) the implementation of Share Consolidation and immediately after the completion of the Debt Capitalisation and Rights Issue is HK\$0.27.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

8. Possible dilution effect on the shareholding of the Company

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the Share Consolidation having taken effect; (ii) upon the allotment and issue of the Capitalisation Shares; and (iv) upon completion of the Rights Issue in different scenarios as follows:

- (a) full acceptance of the Rights shares by all Qualifying Shareholders (the “**Scenario 1**”);
- (b) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all of the Unsubscribed Rights Shares are fully placed to the Placees under the Compensatory Arrangements (the “**Scenario 2**”); and
- (c) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all of the Untaken Rights Shares are taken up by the Underwriter (the “**Scenario 3**”).

LETTER FROM MERDEKA CORPORATE FINANCE

Name of Shareholders	(i) As at the Latest Practicable Date		(ii) Upon the Share Consolidation having taken effect		(iii) Upon the allotment and issue of the Capitalisation Shares		(a) Full acceptance of the Rights Shares by all Qualifying Shareholders		(iv) Upon completion of the Rights Issue, assuming		(b) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all of the Unsubscribed Rights Shares are placed to the Placees under the Compensatory Arrangements		(c) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings), and all of the Untaken Rights Shares are taken up by the Underwriter	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Subscriber I	2,206,750,364	17.2%	110,337,518	17.2%	399,911,658	34.9%	599,867,487	34.9%	599,867,487	34.9%	599,867,487	34.9%	773,504,876	45.0%
Subscriber II	1,569,420,951	12.2%	78,471,047	12.2%	293,471,047	25.6%	440,206,570	25.6%	440,206,570	25.6%	440,206,570	25.6%	440,206,570	25.6%
Sub-total of the Subscribers and parties acting in concert with any of them	3,776,171,315	29.4%	188,808,565	29.4%	693,382,705	60.5%	1,040,074,057	60.5%	1,040,074,057	60.5%	1,040,074,057	60.5%	1,213,711,444	70.6%
Mr. Yang	2,102,817,178	16.4%	105,140,858	16.4%	105,140,858	9.2%	157,711,287	9.2%	157,711,287	9.2%	157,711,287	9.2%	157,711,287	9.2%
Independent Placees	-	-	-	-	-	-	-	-	173,637,389	10.1%	-	-	-	-
Public Shareholders	6,945,495,517	54.2%	347,274,777	54.2%	347,274,777	30.3%	520,912,166	30.3%	347,274,777	20.2%	347,274,777	20.2%	347,274,777	20.2%
Total	12,824,484,010	100%	641,224,200*	100%	1,145,798,340	100%	1,718,697,510	100%	1,718,697,510	100%	1,718,697,510	100%	1,718,697,510	100%

Notes:

1. Certain figures and percentage included in the above tables have been subject to rounding adjustments.
2. As at the Latest Practicable Date, save for Subscriber II, none of the Directors hold any Shares or other relevant securities in the Company.
3. The percentage of shareholding in the above table is for illustrative purpose only. The Company will take all appropriate steps to ensure that sufficient public float is maintained in compliance with Rule 8.08 of the Listing Rules.
4. *fractional number of shares is disregarded for illustration purposes.

As shown in the above table, we noted that the shareholding in the Company held by the existing public Shareholders would be diluted from approximately 54.20% as at the Latest Practicable Date to approximately 20.20% under each of Scenarios 2 and 3, representing a dilution of approximately 34.00%. We are aware that the Debt Capitalisation and the Rights Issue will incur a dilution effect on the shareholding of the existing public Shareholders.

Nonetheless, having considered that (i) the Debt Capitalisation and the Rights Issue would allow the Group to relieve part of the Group's existing borrowings without depleting its existing financial resources; (ii) the Capitalisation Shares and the Rights Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Group; (iii) the terms of the Debt Capitalisation Agreements and the Rights Issue (together with the Underwriting Agreement and the Placing Agreement) are fair and reasonable so far as the Independent Shareholders are concerned; (iv) Independent Shareholders are offered a chance to express their views on the terms of the Underwriting Agreement and the Debt Capitalisation through their votes at the SGM; (v) Qualifying Shareholders have their choice of

LETTER FROM MERDEKA CORPORATE FINANCE

whether to accept the Rights Issue or not; (vi) all Qualifying Shareholders are provided an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company; (vii) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the Rights Issue entitlements; and (viii) the placing agreement adopted under the Compensatory Arrangements constitutes an integral component of the Rights Issue, is in compliance with the Listing Rules, and will be executed by an independent Placing Agent. By allotting any unsubscribed Rights Shares to independent placees, the mechanism preserves equitable treatment for all Shareholders, including those who are unable or unwilling to exercise their entitlements under Rights Issue, hence we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

9. The Whitewash Waiver

As at the Latest Practicable Date, the Subscribers and parties acting in concert with any of them are interested in 3,776,171,315 Existing Shares, representing approximately 29.4% of the issued share capital of the Company. As illustrated in the table under the section headed “8. Possible dilution effect on the shareholding of the Company” above, immediately upon the allotment and issue of the Capitalisation Shares, the aggregate shareholding of the Subscribers and parties acting in concert with any of them in the Company will be increased from approximately 29.4% to approximately 60.5%.

Under Rule 26.1 of the Takeovers Code, the allotment and issue of the Capitalisation Shares to the Subscribers will give rise to an obligation on Subscriber I and Subscriber II to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscribers and their respective concert parties), unless the Whitewash Waiver is granted by the Executive.

If the Whitewash Waiver is granted by the Executive and is approved by the Independent Shareholders and completion of the Debt Capitalisation Agreements having taken place, the aggregate shareholding of the Subscribers and parties acting in concert with any of them in the Company will exceed 50% of the issued share capital of the Company as enlarged by the Capitalisation Shares. The Subscribers and parties acting in concert with any of them as a concert group may further increase its shareholding in the Company without incurring any further obligation to make a general offer under Rule 26 of the Takeovers Code.

An application has been made by the Subscribers to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll in respect of the Debt Capitalisation Agreements and the transactions contemplated thereunder (including the Share Consolidation, the Debt Capitalisation and the Specific Mandate) and the Underwriting Agreement, in which the Subscribers and their respective concert parties will abstain from voting on the relevant resolution(s).

LETTER FROM MERDEKA CORPORATE FINANCE

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Debt Capitalisation will not proceed.

In view that (i) it is in the interests of the Company and the Shareholders as a whole to settle shareholder's loans by the Debt Capitalisation given the current financial position and financial performance of the Group and the Qualified Opinions; (ii) the terms of the Debt Capitalisation Agreement are fair and reasonable so far as the Independent Shareholders are concerned as analysed in the above section headed "5.3 Assessment of the Capitalisation Issue Price" above in this letter; and (iii) the Debt Capitalisation is conditional on the conditions precedent (including the Whitewash Waiver and the satisfaction of all condition (if any) attached to the Whitewash Waiver) with most of the core conditions (including the grant of the Whitewash Waiver and the satisfaction of all conditions (if any) attached to the Whitewash Waiver) cannot be waived, we are of the opinion that the Whitewash Waiver, is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following:

- (i) despite that the Capitalisation Issue Price and Rights Issue Price represent an approximately 54.5% NAV Discount Rate, the investors might not value the Shares based on the financial position of the Group, and net asset value is not a good indicator given the Group's interests in associates of approximately HK\$557.02 million accounts for approximately 75.91% of its total assets as at 31 December 2024, which relates to Pacific Memory which the Company does not have control of, as explained in the section "5.3.4 Comparable debt capitalisation transactions" in this letter. In addition, the Group recorded net current liabilities of approximately HK\$103.15 million as at 31 December 2024, indicating the Group does not have sufficient cash and bank balances to cover its outstanding loans; and the Qualified Opinions as indicated in the Annual Report 2023/24 states that the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern;
- (ii) the Capitalisation Issue Price and the Rights Issue Price (i) are the same price as the theoretical closing price of the Consolidated Shares as at the Last Trading Day; (ii) are the same price as the theoretical average closing price for the last five consecutive trading days up to and including the Last Trading Day; (iii) represent a discount of approximately 54.5% to the net asset value of the Company per Consolidated Share as at 31 December 2024; and (iv) the Capitalisation Issue Price and the Rights Issue Price equal to the Adjusted Closing Price during the majority of the Share Price Review Period;
- (iii) partial net proceeds from the Rights Issue will be applied to repay the outstanding borrowings of the Group, allowing the Group to reduce its financial burden; and partial net proceeds from the Rights Issue will be allocated to developing the Group's household products business, which aligns with the Company's business strategy objectives and is anticipated to enhance the Company's revenue streams;

LETTER FROM MERDEKA CORPORATE FINANCE

- (iv) the Rights Issue is the most preferable option over other financing alternatives such as debt financing, placing of new Shares and open offer, as it will not result in a deterioration of the Group's gearing and allows all Qualifying Shareholders to participate in the fund-raising exercise for the future development of the Group with the flexibility of trading of rights entitlements in the market;
- (v) the Irrevocable Undertakings as provided by the Substantial Shareholders and the underwriting commitment from Subscriber I demonstrate the Controlling Shareholder's confidence in the Group's future development, and there is no underwriting commission will be charged by Subscriber I for the commitment under the Underwriting Agreement;
- (vi) the Compensatory Arrangements under the Placing Agreement, being part of the Rights Issue, are in compliance with the Listing Rules, which are managed by the Placing Agent who is an Independent Third Party and is independent and not connected with and not acting in concert with the Subscribers and their respective concert parties. The placing price will not be less than the Subscription Price, which is fair and reasonable as mentioned above, and the VC Placing Commission payable to the Placing Agent is in line with those charged in the Placing Comparable Transactions;
- (vii) the dilution effect on the shareholding interests of public Shareholders, which will be potentially diluted by up to a maximum of approximately 34.0% following completion of the Rights Issue and the Debt Capitalisation, is considered to be acceptable given the current financial position of the Group, the Qualified Opinions, and that the terms of the Rights Issue and the Debt Capitalisation (including the Capitalisation Issue Price and the Rights Issue Price) are fair and reasonable as mentioned above; and
- (viii) Subscriber I will no longer be one of the creditors of the Group after the Debt Capitalisation and thereby the number of creditors of the Group will reduce to five and the Debt Capitalisation will settle approximately 30.9% of the Group's outstanding debts as at 31 December 2024 without depleting its existing financial resources or triggering significant cash outflows or obtaining additional bank borrowing with additional finance costs incurred, and the Rights Issue allow the Company to strengthen its capital base and liquidity without incurring interest costs, both of which are in line with the interests of the Shareholders;

we are of the opinion that the terms of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Share Consolidation, the Debt Capitalisation, the Specific Mandate and the Whitewash Waiver, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM MERDEKA CORPORATE FINANCE

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) proposed at the SGM thereby approving the Debt Capitalisation Agreements, the Underwriting Agreement and the respective transactions contemplated thereunder including the Share Consolidation, the Debt Capitalisation, the Specific Mandate and the Whitewash Waiver.

Yours Faithfully,
For and on behalf of
Merdeka Corporate Finance Limited
Wallace So
Managing Director

Mr. Wallace So is a licensed person registered with the Securities and Futures Commission of Hong Kong, a responsible officer of Merdeka Corporate Finance Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and a licensed representative of Merdeka Investment Management Limited to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Wallace So has over 13 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the eighteen months ended 30 June 2022, the two years ended 30 June 2023 and 2024, and the six months ended 31 December 2024 are disclosed in the annual reports of the Company for the eighteen months ended 30 June 2022 and the two years ended 30 June 2023, 2024 and the interim report of the Company for the six months ended 31 December 2024, respectively, which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zhongzheng.com.hk) as follows:

- (i) the audited financial information of the Group for the eighteen months ended 30 June 2022 is disclosed in the annual report of the Company for the eighteen months ended 30 June 2022 (pages 58 to 136)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0531/2023053101216.pdf>;

- (ii) the audited financial information of the Group for the year ended 30 June 2023 is disclosed in the annual report of the Company for the year ended 30 June 2023 (pages 60 to 138)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1129/2023112900353.pdf>;

- (iii) the audited financial information of the Group for the year ended 30 June 2024 is disclosed in the annual report of the Company for the year ended 30 June 2024 (pages 56 to 134)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1030/2024103000292.pdf>; and

- (iv) the unaudited financial information of the Group for the six months ended 31 December 2024 is disclosed in the interim report of the Company for the six months ended 31 December 2024 (pages 2 to 30)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0320/2025032000719.pdf>.

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

Set out below is the consolidated statement of profit or loss and other comprehensive income for the eighteen months ended 30 June 2022 and the two years ended 30 June 2023 and 2024, as extracted from the annual reports of the Company for the eighteen months ended 30 June 2022 and the two years ended 30 June 2023 and 2024, respectively:

	For the year ended 30 June		For the eighteen months ended 30 June
	2024	2023	2022
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	147,242	869,637	202,822
Interest revenue	1,257	3,273	6,173
Total revenue	148,499	872,910	208,995
Cost of sales	(125,510)	(619,223)	(154,081)
Gross profit	22,989	253,687	54,914
Other income and other gains and losses	12,837	268,633	17,491
Selling and distribution expenses	(2,669)	(36,185)	(6,858)
Administrative expenses	(71,876)	(80,943)	(167,475)
(Loss)/profit from operations	(38,719)	405,192	(101,928)
Reversal of impairment loss on exploration and evaluation assets	31,761	—	—
Impairment loss on exploration and evaluation assets	—	—	(107,970)
Written down of properties under development for sales	(196,443)	—	—
Impairment loss on amount due from an associate	(68,155)	—	—
Impairment loss on interest in an associate	(288,775)	(75,860)	—
Impairment of loan and interest receivables	(6,929)	(4,264)	(30,628)
Impairment of other receivables	(65,934)	(2,481)	—
Share of results of associates	(67,537)	(38,208)	(85,310)
Finance costs	(191,647)	(84,618)	(36,472)
(Loss)/profit before tax	(892,378)	199,761	(362,308)
Income tax credit/(expense)	24,258	(167,247)	(3)
(Loss)/profit for the year	<u>(868,120)</u>	<u>32,514</u>	<u>(362,311)</u>
(Loss)/profit for the year attributable to:			
Owners of the Company	(699,345)	69,131	(347,517)
Non-controlling interests	(168,755)	(36,617)	(362,311)

	For the year ended 30 June		For the eighteen months ended 30 June
	2024	2023	2022
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations	4,299	(18,279)	(11,332)
Share of associates' exchange differences on translating foreign operations	(6,097)	(68,261)	(39,649)
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on property revaluation	1,403	1,005	4,449
Other comprehensive loss for the year, net of tax	<u>(395)</u>	<u>(85,535)</u>	<u>(46,532)</u>
Total comprehensive loss for the year	<u><u>(868,515)</u></u>	<u><u>(53,021)</u></u>	<u><u>(408,843)</u></u>
Total comprehensive loss for the year attributable to:			
Owners of the Company	(702,092)	(15,817)	(394,046)
Non-controlling interests	<u>(166,423)</u>	<u>(37,204)</u>	<u>(14,797)</u>
	<u><u>(868,515)</u></u>	<u><u>(53,021)</u></u>	<u><u>(408,843)</u></u>
(Loss)/earnings per share			
Basic (cents per share)	<u><u>(5.56)</u></u>	<u><u>0.64</u></u>	<u><u>(3.24)</u></u>
Diluted (cents per share)	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

Set out below is the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2023 and 2024, as extracted from the interim report of the Company for the six months ended 31 December 2024:

	For the six months ended	
	31 December	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Revenue	64,022	47,291
Interest revenue	510	284
Total revenue	64,532	47,575
Cost of sales	(48,232)	(33,415)
Gross profit	16,300	14,160
Other income and other gains and losses	769	892
Selling and distribution expenses	(885)	(638)
Administrative expenses	(26,650)	(27,245)
Loss from operations	(10,466)	(12,831)
Impairment of loan and interest receivables	(2,616)	–
Impairment loss on other receivables	(16,086)	–
Share of results of associates	(357)	(567)
Finance costs	(7,355)	(7,121)
Loss before tax from continuing operations	(36,880)	(20,519)
Income tax expense	(65)	–
Loss for the period from continuing operations	(36,945)	(20,519)
Discontinued operations		
Loss for the period from discontinued operations	(55,670)	(908,541)
Loss for the period	(92,615)	(929,060)
Loss for the period attributable to:		
Owners of the Company		
From continuing operations	(36,945)	(20,519)
From discontinued operations	(52,208)	(673,591)
	(89,153)	(694,210)
Non-controlling interests		
From continuing operations	–	–
From discontinued operations	(3,462)	(234,850)
	(3,462)	(234,850)

	For the six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Exchange differences reclassified to profit or loss on disposal of subsidiaries	53,705	–
Exchange differences on translating foreign operations	(3,240)	(4,906)
Share of associates' exchange differences on translating foreign operations	26,405	8,483
	<u>76,870</u>	<u>3,577</u>
Other comprehensive income for the period, net of tax	<u>76,870</u>	<u>3,577</u>
Total comprehensive loss for the period	<u>(15,745)</u>	<u>(925,483)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(11,186)	(685,682)
Non-controlling interests	(4,559)	(239,801)
	<u>(15,745)</u>	<u>(925,483)</u>
Loss per share		
From continuing and discontinued operations		
Basic (cents per share)	<u>(0.70)</u>	<u>(5.62)</u>
Diluted (cents per share)	<u>N/A</u>	<u>N/A</u>
From continuing operations		
Basic (cents per share)	<u>(0.29)</u>	<u>(0.17)</u>
Diluted (cents per share)	<u>N/A</u>	<u>N/A</u>
From discontinued operations		
Basic (cents per share)	<u>(0.41)</u>	<u>(5.45)</u>
Diluted (cents per share)	<u>N/A</u>	<u>N/A</u>

Save as disclosed above, there were no items of any income or expense which are material in respect of (i) the consolidated financial results of the Group for the eighteen months ended 30 June 2022 and the two years ended 30 June 2023 and 2024; and (ii) the condensed financial results for the six months ended 31 December 2023 and 2024.

The management discussion and analysis of the Company for each of the eighteen months ended 30 June 2022, the two years ended 30 June 2023 and 2024, and the six months ended 31 December 2024 are disclosed in the annual reports of the Company for the eighteen months ended 30 June 2022 and the two years ended 30 June 2023 and 2024, and the interim report of the Company for the six months ended 31 December 2024, respectively.

For each of the eighteen months ended 30 June 2022, the two years ended 30 June 2023 and 2024, and the six months ended 31 December 2024, no dividend or distribution was declared or paid.

The auditors of the Company for the eighteen months ended 30 June 2022 and the two years ended 30 June 2023 and 2024 were ZHONGHUI ANDA CPA Limited. Qualified opinions were given, and material uncertainty related to going concern were reported, by the auditors for each of for the eighteen months ended 30 June 2022 and the two years ended 30 June 2023 and 2024, which are extracted below:

For the eighteen months ended 30 June 2022:

“BASIS FOR QUALIFIED OPINION

1. Exploration and evaluation assets

As set out in note 18 to the consolidated financial statements, the mining license (the “Mining License”) of the coal mine has been revoked and declared invalid by the Indonesian Government on 22 April 2022. The Group has submitted the application for reinstatement. The Group has yet to receive the decision from the relevant authorities on its application up to the date of this report. However, the management is in the view that the reinstatement of Mining License is remote. Full impairment of HK\$107,970,000 was recognised for the Period. As the outcome of reinstatement of the Mining License is uncertain, we were unable to obtain adequate and sufficient audit evidence to satisfy ourselves as to appropriateness of the recognition of full impairment loss of HK\$107,970,000 for the Period.

2. Interest in an associate and amount due from an associate

Included in the consolidated financial statements is interest in an associate, Chengde CITIC Securities Jinyu Investment Development Co., Ltd (the “Associate”) with carrying amount of approximately HK\$494,881,000 as at 30 June 2022 and share of loss of approximately HK\$83,747,000 for the Period. The Associate is engaged in primary land development in the People’s Republic of China (the “PRC”). The Associate incurred significant loss for the Period and had not repaid certain borrowings according to their scheduled repayment dates. The Associate’s continuing as a going concern is subject to the future sales of land and additional financing to be obtained. Due to the change in the condition of the property market in the PRC, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the estimated schedule for sales of land which is the major assumption adopted in the calculation of the value-in-use value of the Associate. As such, the value-in-use value of the Associate cannot be reliably measured. As a result, we are unable to ascertain the recoverable amount of the Associate as at 30 June 2022 and whether any impairment should be made for the Associate and the accuracy of the share of loss during

the Period. In addition, we are unable to ascertain that the amount due from the Associate of approximately HK\$332,568,000 as at 30 June 2022 can be recovered in full, whether any expected credit loss should be recognized for the Period and the validity of the interest income of approximately HK\$18,571,000 recognised during the Period.

3. Properties under development for sales and prepayments

As mentioned in notes 24 and 29 to the consolidated financial statements, subsequent to end of reporting period, a non-wholly owned subsidiary, Nanjing Yuanding Real Estate Co., Ltd (南京源鼎置業有限公司) (“Yuanding”) had defaulted the settlement of bank borrowings and the development of the properties (the “PUD”) was temporarily suspended since August 2022. The carrying amount of the PUD of Yuanding was approximately HK\$1,349,567,000 as at 30 June 2022. In estimating the net realizable value of the PUD, the management assumes that Yuanding is able to obtain further financing from financial institutes or potential investors and resume the development. However, due to the uncertainty in obtaining further financing from financial institute or potential investors, we were unable to evaluate the appropriateness of the estimation of future selling price and the costs to completion of the PUD. Thus, we are unable to determine whether the net realizable value of the PUD is higher than its carrying amount and any write down on PUD should be recognized for the Period. In addition, we are unable to determine the prepayments of approximately HK\$25,947,000 which related to the PUD can be recovered in full.

4. Other receivable

As set out in note 25 to the consolidated financial statements, there was a consideration receivable (the “Receivable”) of HK\$86,400,000 included in trade and other receivables as at 30 June 2022. As at the date of this report, the Group failed to reach a satisfactory settlement plan with the counterparty. The Group has engaged lawyers to commence legal proceedings to recover the Receivable. Due to the fact that the outcome of the legal actions is uncertain, we were unable to obtain adequate and sufficient audit evidence to satisfy ourselves as to the recoverability of the Receivables as at 30 June 2022, and whether any impairment loss should be made for the Period.

Any adjustments to the figures as described from points 1 to 4 above might have consequential effects on the Group’s results and cash flows for the Period and the financial position of the Group as at 30 June 2022, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements that the Group incurred a loss attributable to owners of the Company of approximately HK\$347,517,000 for the Period and as at 30 June 2022, the Group's current portion of bank and other borrowings amounted to approximately HK\$1,021,135,000, while its cash and bank balances and cash equivalents amounted to approximately HK\$167,450,000. Further, subsequent to the end of reporting period, the Group had not repaid certain borrowings according to their scheduled repayment dates as described in note 29 to the consolidated financial statements. These circumstances along with the situation as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

For the year ended 30 June 2023:

"BASIS FOR QUALIFIED OPINION***1. Exploration and evaluation assets***

As set out in note 18 to the consolidated financial statements, the mining license (the "Mining License") of the coal mine has been revoked and declared invalid by the Indonesian Government on 22 April 2022. The Group has submitted the application for the reinstatement. On 24 August 2023, the Group was notified by the Indonesian Government that the decision to the revocation of the Mining License has been cancelled. The Mining License has become valid and has legal force subject to the Group confirming its certain commitments to the authorities, including but not limited to that the Group has to carry out mining activities no later than six months after obtaining the approval of the work and budget plan. On 9 September 2023, the Group entered into an exclusive cooperation agreement with a company, which engaged in coal mining activities in Indonesia, to carry out mining production activities at the coal mine. The Group expected that the application of the work and budget plan will be made by December 2023 and actual production of coal shall commence upon the approval of the work and budget plan is obtained.

Since the application of the work and budget plan is not yet made and the approval of the work and budget plan is yet to be obtained up to the date of this report so that the final outcome of reinstatement of the Mining License is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of exploration and evaluation assets on the consolidated statement of financial position as at 30 June 2023 and 2022 of approximately HK\$Nil and HK\$Nil respectively, and to appropriateness of the recognition of the related impairment of exploration and evaluation assets on the consolidated statement profit or loss and other comprehensive income of approximately HK\$Nil and HK\$107,970,000 respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022.

2. Interest in an associate and amount due from an associate

Included in the consolidated financial statements is interest in an associate, Chengde CITIC Securities Jinyu Investment Development Co., Ltd (the “Associate”) with carrying amount of approximately HK\$347,610,000 and HK\$494,881,000, as at 30 June 2023 and 2022 respectively, impairment loss on interest in an associate of approximately HK\$75,860,000 and HK\$Nil respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022, share of loss of approximately HK\$37,331,000 and HK\$83,747,000 respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022 and share of associate’s exchange differences on translating foreign operations of approximately HK\$34,080,000 (loss) and HK\$5,141,000 (income) respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022. The Associate is engaged in primary land development in the People’s Republic of China (the “PRC”).

During the year ended 30 June 2023 and the period from 1 January 2021 to 30 June 2022, the Associate incurred significant loss and had not repaid certain borrowings according to their scheduled repayment dates. The Associate’s continuing as a going concern is subject to the future sales of land and additional financing to be obtained. Due to the change in the condition of the property market in the PRC, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the estimated schedule for sales of land which is the major assumption adopted in the calculation of the value in use of the Associate. As such, the value in use of the Associate cannot be reliably measured. In addition, the Associate temporarily suspended its business operations from February 2023, the management is unable to obtain complete accounting books and records of the Associate. As a result, we are unable to ascertain the recoverable amount of the Associate as at 30 June 2023 and 2022 and the accuracy of the share of loss, share of associate’s exchange differences on translating foreign operations and impairment loss on interest in an associate for the year ended 30 June 2023 and the period from 1 January 2021 to 30 June 2022.

In addition, we are unable to ascertain that the amount due from the Associate of approximately HK\$292,616,000 and HK\$317,549,000 respectively as at 30 June 2023 and 2022 can be recovered in full, whether any expected credit loss should be recognised for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022 and the validity of the interest income of approximately HK\$14,386,000 and HK\$18,571,000 recognised respectively for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022.

3. Properties under development for sales and prepayments

As mentioned in notes 24 and 29 to the consolidated financial statements, during the year ended 30 June 2023 and subsequent to the end of reporting period, a non-wholly owned subsidiary, Nanjing Yuanding Real Estate Co., Ltd (南京源鼎置業有限公司) (“Yuanding”) had defaulted the settlement of bank borrowings and the development of the properties under development for sales (the “PUD”) was temporarily suspended since August 2022. The carrying amount of the PUD of Yuanding as at 30 June 2023 and 2022 was approximately HK\$1,249,032,000 and HK\$1,349,567,000 respectively. In estimating the net realisable value of the PUD, the management assumes that Yuanding is able to obtain further financing from financial institutes or potential investors and resume the development. However, due to the uncertainty in obtaining further financing from financial institute or potential investors, we were unable to evaluate the appropriateness of the estimation of future selling price and the costs to completion of the PUD. Thus, we are unable to determine whether the net realisable value of the PUD is higher than its carrying amount and any write down on PUD should be recognised for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022. In addition, we are unable to determine the prepayments of approximately HK\$35,115,000 and HK\$25,947,000 respectively as at 30 June 2023 and 2022 which related to the PUD can be recovered in full.

4. Other receivables

As set out in note 25 to the consolidated financial statements, there was a consideration receivable (the “Receivable”) of HK\$86,400,000 included in trade and other receivables as at 30 June 2023 and 2022. As at the date of this report, the Company failed to reach a satisfactory settlement plan with the counterparty. The Group has engaged lawyers to commence legal proceedings to recover the Receivable. Due to the fact that the outcome of the legal actions is uncertain, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Receivables as at 30 June 2023 and 2022, and whether any impairment loss should be made for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022.

Any adjustments to the figures as described from points 1 to 4 above might have consequential effects on the Group’s results and cash flows for the year ended 30 June 2023 and for the period from 1 January 2021 to 30 June 2022 and the financial position of the Group as at 30 June 2023 and 2022, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements that the Group incurred net operating cash outflow of approximately HK\$67,549,000 for the year ended 30 June 2023 and as at 30 June 2023, the Group's current portion of bank and other borrowings amounted to approximately HK\$1,061,812,000, while its cash and bank balances and cash equivalents amounted to approximately HK\$41,427,000. Further, during the year ended 30 June 2023 and subsequent to the end of reporting period, the Group had not repaid certain borrowings according to their scheduled repayment dates as described in note 29 to the consolidated financial statements. These circumstances along with the situation as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

For the year ended 30 June 2024:

"BASIS FOR QUALIFIED OPINION**1. Exploration and evaluation assets**

As set out in Note 18 to the consolidated financial statements, the mining license (the "Mining License") of the coal mine has been revoked and declared invalid by the Indonesian Government on 22 April 2022. Full impairment of HK\$107,970,000 was recognised for the period from 1 January 2021 to 30 June 2022. The Group has submitted the application for the reinstatement. On 24 August 2023, The Group was notified by the Indonesian Government that the decision to the revocation of the Mining License has been cancelled. The Mining License has become valid and has legal force subject to the Group confirming its certain commitments to the authorities, including but not limited to that the Group has to carry out mining activities no later than six months after obtaining the approval of the work and budget plan. On 9 September 2023, the Group entered into an exclusive cooperation agreement with a company, which engaged in coal mining activities in Indonesia, to carry out mining production activities at the coal mine. On 31 December 2023, the work and budget plan of the coal mining business was approved by the Indonesian Government and the actual coal production and coal sales began in the first half of 2024.

No valuation or other evidence was available for us to verify the nil balance of the exploration and evaluation assets as at 30 June 2023. Therefore, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of exploration and evaluation assets on the consolidated statement of financial position as at 30 June 2023 of Nil and as to appropriateness of the recognition of the impairment of exploration and evaluation assets on the consolidated statement of profit or loss and other comprehensive income of Nil for the year ended 30 June 2023. In consequence, we were unable to ascertain the appropriateness of the reversal of the impairment losses of approximately HK\$31,761,000 made during the year ended 30 June 2024.

2. Interest in an associate and amount due from an associate

Included in the consolidated financial statements is interest in an associate, Chengde CITIC Securities Jinyu Investment Development Co., Ltd (“Chengde Jinyu”) with carrying amount of approximately Nil and HK\$347,610,000, as at 30 June 2024 and 2023 respectively, share of loss of approximately HK\$59,985,000 and HK\$37,331,000 respectively for each of the years ended 30 June 2024 and 2023, share of associate’s exchange differences on translating foreign operations of approximately HK\$1,150,000 (income) and HK\$34,080,000 (loss) respectively for each of the years ended 30 June 2024 and 2023 and the impairment on interest in an associate of approximately HK\$288,775,000 and HK\$75,860,000 for each of the years ended 30 June 2024 and 2023. Chengde Jinyu is engaged in primary land development in the People’s Republic of China (the “PRC”).

During each of the years ended 30 June 2023 and 2024, Chengde Jinyu incurred significant loss and had not repaid certain borrowings according to their scheduled repayment dates. Chengde Jinyu’s continuing as a going concern is subject to the future sales of land and additional financing to be obtained. As a result, Chengde Jinyu incurred severe financial difficulties and temporarily suspended its business operations from February 2023. The management is unable to obtain complete accounting books and records of Chengde Jinyu. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the interest in an associate as at 30 June 2024 and 30 June 2023, share of loss, share of associate’s exchange differences on translating foreign operations and the impairment on interest in an associate for each of the years ended 30 June 2024 and 2023, as well as the related disclosure notes in relation to Chengde Jinyu, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

In addition, we are unable to ascertain the accuracy of the amount due from Chengde Jinyu of approximately HK\$235,994,000 and HK\$292,616,000 as at 30 June 2024 and 2023 respectively, whether the impairment loss on amount due from an associate of approximately HK\$68,155,000 have been accurately recorded and properly accounted for in the consolidated financial statements for the year ended 30 June 2024 and whether any impairment loss should be recognised for the year ended 30 June 2023 and the validity of the interest income of approximately HK\$10,403,000 and HK\$14,386,000 recognised for the years ended 30 June 2024 and 2023 respectively.

3. Properties under development for sales

As mentioned in note 2 to the consolidated financial statements, subsequent to the end of reporting period, the Group completed the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited, which held Chengde Jinyu and the property development projects in Nanjing and Dongguan in the PRC, and the shareholder’s loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. to a substantial shareholder of the Company for a consideration of HK\$53,700,000 (the “Consideration”). In estimating the net realisable value of the properties under development for sales, the Group allocated the Consideration to the assets (other than properties under development for sales) and liabilities disposed of, with the residual value being allocated to the properties under

development for sales. Therefore, a written down of approximately HK\$196,443,000 was provided for the year ended 30 June 2024. As mentioned in the second and fifth modifications, since we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy of the carrying amounts of interest in Chengde Jinyu, the amount due from Chengde Jinyu and certain bank borrowings as at 30 June 2024, any adjustment to these figures would affect the amount of written down of properties under development for sales. Therefore, we are unable to ascertain the properties under development for sales of approximately HK\$1,049,592,000 and HK\$1,249,032,000 as at 30 June 2024 and 2023 respectively and the written down of properties under development for sales of approximately HK\$196,443,000 and Nil has been accurately recorded in the consolidated financial statements for each of the years ended 30 June 2024 and 2023 respectively.

4. Other receivables

As set out in Note 25 to the consolidated financial statements, there was a consideration receivable (the “Receivable”) of HK\$20,466,000 and HK\$86,400,000 included in trade and other receivables as at 30 June 2024 and 2023 respectively. As at the date of this report, the Group failed to reach a satisfactory settlement plan with the counterparty. The Group has engaged lawyers to commence legal proceedings to recover the Receivable. However, due to the considerable amount of fees and time involved in the legal proceedings, the Group also considers selling the Receivable to a debt collection company or asset management company. Due to the fact that the outcome of the further actions taken by the management is uncertain, we were unable to obtain adequate and sufficient audit evidence to satisfy ourselves as to the recoverability of the Receivables as at 30 June 2024 and 2023, and whether the impairment loss of HK\$65,934,000 and Nil have been properly made for each of the years ended 30 June 2024 and 2023 respectively.

5. Borrowings

During each of the years ended 30 June 2023 and 2024 and subsequent to the end of reporting period, a non-wholly owned subsidiary, Yuanding had defaulted the settlement of bank borrowings of RMB319,740,000 (equivalent to approximately HK\$343,659,000) as at 30 June 2024. The bank has initiated legal proceedings at the PRC court against Yuanding to demand repayment of bank borrowings. On 29 December 2023, Yuanding received a judgement from The Intermediate People’s Court of Nanjing, Jiangsu Province, ruled that Yuanding was required to repay the outstanding loan principal, default charges on overdue bank borrowings of approximately HK\$34,627,000, as well as the loans interests and penalty loans interests within 10 days from the effective date of the judgement. It was further noted from a public notice in December 2023 issued by 廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services) that the debt had been disposed of by the bank as non-performing loans.

The Group is trying to contact with the bank and the buyer of non-performing loans for enquiring the current status of bank borrowings. Up to date of this report, no feedback is received from the bank and the buyer of non-performing loans. Thus, we are unable to obtain sufficient audit evidence and there are no other satisfactory audit procedures that we could adopt to ascertain the existence, completeness and accuracy of bank borrowings of HK\$343,659,000 as at 30 June 2024 and the completeness and accuracy of finance costs related to bank borrowings of approximately HK\$140,177,000 for the year ended 30 June 2024.

Any adjustments to the figures as described from points 1 to 5 above might have consequential effects on the Group's results and cash flows for each of the years ended 30 June 2024 and 2023 and the financial position of the Group as at 30 June 2024 and 2023, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements that the Group incurred net current liabilities of approximately HK\$473,718,000 as at 30 June 2024 and net operating cash outflow of approximately HK\$21,120,000 for the year ended 30 June 2024 and as at 30 June 2024, the Group's current portion of bank and other borrowings amounted to approximately HK\$1,037,595,000, while its cash and bank balances and cash equivalents amounted to approximately HK\$20,135,000. Further, during the year ended 30 June 2024 and subsequent to the end of reporting period, the Group had not repaid certain borrowings according to their scheduled repayment dates as described in note 29 to the consolidated financial statements. These circumstances along with the situation as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

2. STATEMENT OF INDEBTEDNESS

At the close of business on 30 April 2025, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group comprised the following liabilities:

	<i>HKD'000</i>
Secured and guaranteed:	
Bank borrowings	31,977
Unsecured and unguaranteed:	
Other borrowings	17,080
Shareholders loans	298,100
Lease liabilities	388
	315,568
	347,545

The secured and guaranteed bank borrowings represent loans which are secured by (i) individual guarantee of a related party of a subsidiary and (ii) certain land use rights and the loans are arranged at floating interest rate at 3% per annum.

The unsecured and unguaranteed other borrowings represent loans of approximately HK\$2.38 million which are interest free and repayment on demand and loans of HK\$14.7 million which are interest bearing at 6% per annum and repayable by July 2025.

The unsecured and unguaranteed shareholders loans of HK\$298.1 million comprised of two shareholder's loans due to Subscriber II in the principal amounts of HK\$230 million and HK\$20 million respectively are interest bearing at 5% and 2.2% per annum respectively and repayable by 31 December 2027, the shareholder's loan due to Subscriber I in the principal amount of HK\$32.6 million is interest bearing at 2.2% per annum and repayable by 31 December 2025 and other four shareholder's loans due to Subscriber I in the aggregate principal amounts of HK\$15.5 million are interest bearing at 5% per annum and repayable by 31 December 2025.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, the Directors were not aware of the Group having any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, after taking into account the present internal financial resources of the Group and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. MATERIAL CHANGE

The Directors confirmed that, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 30 June 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date:

- (i) As disclosed in the announcement of the Company dated 22 July 2024 and the interim report (the “**2024/25 Interim Report**”) of the Company for the six months ended 31 December 2024 (the “**6M2024**”), completion of the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited (together with its subsidiaries, the “**Disposal Group**”) and shareholder’s loans due from 深圳市中證瑞豐管理有限公司 (Shenzhen Zhongzheng Ruifeng Management Co., Ltd.*) (the “**Disposal**”) took place on 22 July 2024 (the “**Disposal Completion**”). Upon the Disposal Completion, the Group had discontinued its property development and primary land development businesses in the People’s Republic of China, and the financial results, assets and liabilities of the members of the Disposal Group would no longer be consolidated into the financial statements of the Group.

As disclosed in the 2024/25 Interim Report, during 6M2024, the Group recorded loss of discontinued operations of approximately HK\$7.6 million and loss on disposal of discontinued operations for approximately HK\$55.7 million.

As disclosed in the 2024/25 Interim Report, the net liabilities of the Disposal Group as at the date of the Disposal Completion of approximately HK\$134.5 million in aggregate were disposed of. Such net liabilities comprised property, plant and equipment of approximately HK\$0.7 million, properties under development for sales and properties held for sale of approximately HK\$1,210.4 million, trade and other receivables of approximately HK\$107.0 million, amounts due from associates of approximately HK\$238.3 million, current tax assets of approximately HK\$30,000, bank and cash balances of approximately HK\$16.1 million, trade and other payables of approximately HK\$532.1 million, borrowings of approximately HK\$1,036.6 million, current tax liabilities of approximately HK\$134.8 million and deferred tax liabilities of approximately HK\$3.7 million.

- (ii) As disclosed in the 2024/25 Interim Report, pursuant to the terms of the agreement regarding the Disposal, upon the Disposal Completion, Subscriber II extended the repayment date of the principal of the shareholders loans amounted to HK\$250,000,000 plus accrued interests from 31 December 2024 to 31 December 2027.

- (iii) As disclosed in the 2024/25 Interim Report, an impairment loss on other receivables of approximately HK\$16.1 million (6M2023: nil) and an impairment of loan and interest receivables of approximately HK\$2.6 million (6M2023: nil) were recognised for 6M2024, which were determined based on the assessment of expected credit loss in accordance with the Company's accounting policies.
- (iv) As disclosed in the 2024/25 Interim Report, in response to the uncertainties in the political and economic landscape, such as the imposition of U.S. tariffs on Chinese exports and the impacts of geopolitical conflicts and wars, the Group will diversify its product portfolio and reduce its reliance on the North American market by exploring new geographic markets.
- (v) Total borrowing of the Group increased from approximately HK\$28.9 million as at 31 December 2024 to approximately HK\$49.1 as at 30 April 2025 as a new loan facility was obtained from an Independent Third Party in January 2025 with remaining outstanding principal amount of approximately HK\$14.7 million and accrued interest of approximately HK\$0.1 million as at 30 April 2025.
- (vi) The Company announced the implementation of the Proposals comprising the Share Consolidation, the Share Premium Reduction, the Change in Board Lot Size, the Debt Capitalisation and the Rights Issue.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the business of manufacturing and sale of healthcare and household products, coal mining business and money lending business.

Healthcare and household products business

The Group has been manufacturing and trading healthcare and household products such as electrical toothbrushes and hair trimming devices. Such finished products are mostly exported to the U.S. being the largest exports market, followed by Germany, Hong Kong and others. The Group has been partnering with global brands and PRC brands as an original equipment manufacturer (the “OEM”) and a manufacturer of private label products. Under the OEM model, the Group produces the products according to the specifications (e.g. design, materials, technique, etc.) required by the customers. Under the private label model, the Group takes charge of the design and production process and sells the finished products to the customers under the customers' own brands.

In the first half of 2025, the Group strategically expanded its online B2B and B2C operations. Anchored by its B2B platforms, the Group enhanced product competitiveness and global client acquisition, securing enterprise-level orders through AI-driven customization tools and dynamic pricing models tailored to bulk procurement needs. Concurrently, leveraged B2C platforms (e.g., Taobao and direct-to-consumer channels) as a market intelligence lighthouse, establishing real-time communication with end-users in China and the U.S.

Looking ahead, given the uncertainties in the political and economic landscape, such as the tariff policies of the U.S. on Chinese exports and the impacts of geopolitical conflicts and wars, the Group anticipates outlook for the healthcare and household products business is challenging. To address such uncertainties, the Group will refine its market strategies and adjust its product portfolio by accelerating the phase-out of low-margin products, reducing reliance on the North American market, and exploring new markets in Europe, the Middle East, India, Southeast Asia, and Africa. In addition, the Group will forge a B2B2C ecosystem based on a closed-loop framework. This virtuous cycle will amplify economies of scale while reducing customer acquisition costs. Within the next three to five years, the Group aims to increase the proportion of online sales revenue to 20% or more of its total revenue. Ultimately, the Group's new hybrid model will drive a beneficial synergy between the predictability of institutional procurement and consumer brand equity, offering itself greater potential for innovation and growth in the personal care industry. Furthermore, the Group's will gradually introduce its flagship product, Sonic-Oscillation PTB, to global markets through integrated online and offline channels to generate new revenue streams and to further sustain innovation in personal care in the coming years.

Coal mining business

The Group holds a mining license in respect of the coal mine (“**PT Bara Mine**”) in the Republic of Indonesia. On 31 December 2023, the work and budget plan of the coal mining business was approved by the Indonesian Government and the Group commenced its coal production and sales business in the first half of 2024.

However, in light of the recent drop in Indonesian coal prices, the Group maintains a cautious stance toward the near future of the coal mining business. Furthermore, in light of global coal supply surplus and the slowdown in China's coal import growth, Indonesian coal prices are expected to remain at depressed levels in the near future, which will negatively impact its revenue.

Money lending business

The Group's money lending business involves provision of loans to borrowers, including individuals, and small and medium-sized enterprises. In view of the recent market sentiment, the Group had not granted any new loans in the first half of 2025 and expects no new loans in the near future.

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

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix D1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Share Consolidation, the Debt Capitalisation and the Rights Issue on the consolidated net tangible assets of the Group as if the Share Consolidation, the Debt Capitalisation and the Rights Issue had taken place on 31 December 2024.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Share Consolidation, the Debt Capitalisation and the Rights Issue.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 31 December 2024, adjusted as described below:

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024 (Note 1) HK'000	Estimated increase in net tangible assets of the Group upon the Debt Capitalisation (Note 2) HK'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2024 immediately after completion of the Debt Capitalisation and before completion of the Rights Issue HK'000	Estimated net proceeds from the Rights Issue (Note 3) HK'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2024 immediately after completions of the Debt Capitalisation and the Rights Issue HK'000
250,479	100,915	351,394	111,885	463,279
Unaudited consolidated net tangible assets per Existing Share before implementations of the Share Consolidation, the Debt Capitalisation and the Rights Issue (Note 4)				HK\$0.02
Unaudited consolidated net tangible assets per Consolidated Share immediately after the implementation of the Share Consolidation and before completions of the Debt Capitalisation and the Rights Issue (Note 5)				HK\$0.39
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share immediately after the implementation of the Share Consolidation, immediately after the completion of the Debt Capitalisation and before completion of the Rights Issue (Note 6)				HK\$0.31
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share immediately after the implementation of the Share Consolidation and completions of the Debt Capitalisation and the Rights Issue (Note 7)				HK\$0.27

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2024 are based on the consolidated net assets of approximately HK\$281,880,000 as extracted from the published unaudited condensed consolidated statement of financial position of the Group as at 31 December 2024 after deduction of the exploration and evaluation assets of approximately HK\$31,401,000.
2. The estimated increase in the net tangible assets of the Group upon the Debt Capitalisation are based on the capitalisation of all or part of the outstanding shareholders' loans of approximately HK\$57,915,000 and HK\$43,000,000 owing by the Company to Subscriber I and Subscriber II respectively pursuant to the Debt Capitalisation Agreements.
3. The estimated net proceeds from the Debt Capitalisation and the Rights Issue are based on 572,899,170 Rights Shares at the Rights Issue Price of HK\$0.20 per Rights Share, after deduction of the underwriting fees and other share issue related expenses payable by the Company of approximately HK\$2,695,000.
4. Based on 12,824,484,010 Existing Shares in issue as at 31 December 2024 before implementations of the Share Consolidation, the Debt Capitalisation and the Rights Issue.
5. Based on 641,224,200 Consolidated Shares immediately before completions of the Debt Capitalisation and the Rights Issue, assuming that the Share Consolidation had become effective as at 31 December 2024.
6. Based on 1,145,798,340 Consolidated Shares, on which 504,574,140 Capitalisation Shares were in issue as at 31 December 2024, assuming that the Share Consolidation and Debt Capitalisation had been completed on 31 December 2024.
7. Based on 1,718,697,510 Consolidated Shares, on which 504,574,140 Capitalisation Shares and 572,899,170 Rights Shares were in issue as at 31 December 2024, assuming that the Share Consolidation, Debt Capitalisation and Rights Issue had been completed on 31 December 2024.
8. Save as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2024.

B. ACCOUNTANT’S REPORT ON 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 independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



ZHONGHUI ANDA CPA Limited
Certified Public Accountants

19 June 2025

The Board of Directors
Zhongzheng International Company Limited
Room 1005, 10/F,
Bank of East Asia Harbour View Centre,
56 Gloucester Road, Wanchai, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Zhongzheng International Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 31 December 2024 as set out on pages II-1 to II-3 of the investment circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on pages II-1 to II-3.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Share Consolidation, the Debt Capitalisation and the Rights Issue on the Group’s net tangible assets as at 31 December 2024 as if the transaction had been taken place at 31 December 2024. As part of this process, information about the Group’s net tangible assets has been extracted by the directors from the Group’s interim condensed consolidated financial statements as included in the interim report for the six months ended 31 December 2024, on which no audit or review report has been published.

Directors’ Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 13 of Appendix D1B and paragraph 29 of Chapter 4 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 (“AG”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “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.

The firm applies Hong Kong Standard on Quality Management 1, 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the 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 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 accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" 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 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 event or transaction at 31 December 2024 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

We make no comments regarding the reasonableness of the amounts of the Debt Capitalisation and net proceeds from the Rights Issue, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for and benefits of the Proposals and use of proceeds" set out on page 36 of the investment circular.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

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 Group. 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.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) upon the Share Consolidation becoming effective; (iii) upon completion of the Debt Capitalisation (assuming no further issue or repurchase of the Shares on or before completion of the Debt Capitalisation); and (iv) upon completion of the Rights Issue (assuming no further issue or repurchase of the Shares on or before completion of the Rights Issue save for the allotment and issue of the Capitalisation Shares) will be as follows:

(i) As at the Latest Practicable Date

Authorised share capital: HK\$

<u>25,000,000,000,000</u> Existing Shares of HK\$0.00004 each	<u>1,000,000,000</u>
---	----------------------

Issued and paid-up share capital:

<u>12,824,484,010</u> Existing Shares of HK\$0.00004 each	<u>512,979</u>
---	----------------

(ii) Immediately upon the Share Consolidation becoming effective

Authorised share capital: HK\$

<u>1,250,000,000,000</u> Consolidated Shares of HK\$0.0008 each	<u>1,000,000,000</u>
---	----------------------

Issued and paid-up share capital:

<u>641,224,200</u> Consolidated Shares of HK\$0.0008 each	<u>512,979</u>
---	----------------

(iii) Immediately upon completion of the Debt Capitalisation (assuming no further issue or repurchase of the Shares on or before completion of the Debt Capitalisation)

Authorised share capital: *HK\$*

1,250,000,000,000	Consolidated Shares of HK\$0.0008 each	1,000,000,000

Issued and paid-up share capital:

6,641,224,200	Consolidated Shares of HK\$0.0008 each	512,979
504,574,140	Capitalisation Shares of HK\$0.0008 each to be allotted and issued pursuant to the Debt Capitalisation	403,659
1,145,798,340	Consolidated Shares of HK\$0.0008 each immediately following completion of the Debt Capitalisation	916,638

(iv) Immediately following completion of the Rights Issue (assuming no further issue or repurchase of the Shares on or before completion of the Rights Issue save for the allotment and issue of the Capitalisation Shares and the Rights Shares)

Authorised share capital: *HK\$*

1,250,000,000,000	Consolidated Shares of HK\$0.0008 each	1,000,000,000

Issued and paid-up share capital:

641,224,200	Consolidated Shares of HK\$0.0008 each	512,979
504,574,140	Capitalisation Shares of HK\$0.0008 each to be allotted and issued pursuant to the Debt Capitalisation	403,659
572,899,170	Rights Shares of HK\$0.0008 each to be allotted and issued pursuant to the Rights Issue	458,320
1,718,697,510	Consolidated Shares of HK\$0.0008 each immediately following completion of the Rights Issue	1,374,958

All Shares rank *pari passu* with each other in all respects including the rights as to dividends, voting and return of capital. The Company had not issued any Shares since 30 June 2024, being the end of the last financial year of the Company, and up to the Latest Practicable Date.

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

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

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 Shares, as the case may be. The Company had no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. MARKET PRICES

Table below shows the closing price of the Existing Shares as quoted on the Stock Exchange (i) on the Last Trading Day; (ii) at the end of each calendar months for the Relevant Period; and (iii) on the Latest Practicable Date:

Date	Closing price per Existing Share (HK\$)
29 November 2024	0.011
31 December 2024	0.010
28 January 2025	0.010
28 February 2025	0.010
31 March 2025	0.010
30 April 2025	0.010
14 May 2025 (i.e. the Last Trading Day)	0.010
30 May 2025	0.010
17 June 2025 (i.e. the Latest Practicable Date)	0.010

The highest and lowest closing prices per Existing Share as quoted on the Stock Exchange during the period commencing from 15 November 2024, being the first day of the Relevant Period, and ending on the Latest Practicable Date are HK\$0.011 on 15, 18, 20, 21 and 29 November 2024, 2 to 5 and 9 December 2024, 19 and 28 March 2025, and 2 May 2025 and HK\$0.010 on the remaining trading days of the Relevant Period, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Shares and underlying Shares

As at the Latest Practicable Date, except for Mr. Lim Kim Chai, the non-executive Director of the Company, none of the Directors and chief executive of the Company nor their associates had any interests and short positions in any Shares, underlying Shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

The interests of Mr. Lim Kim Chai in Shares as at the Latest Practicable Date, was disclosed in the section titled "Substantial Shareholders' interests in the Shares and underlying Shares."

(b) Substantial Shareholders' interests in the Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' and chief executives' interests in the Shares and underlying Shares", the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions of Substantial Shareholders in the Shares and underlying Shares

Name of Shareholders	Capacity	Number of Shares held	Approximate % of shareholding ¹
Low Thiam Herr	Beneficial owner	2,206,750,364	17.21%
Yang Bin ²	Beneficial owner	2,102,817,178	16.40%
Lim Kim Chai, J.P. ³	Beneficial owner	1,569,420,951	12.24%
Qiu Qing ⁴	Interest of controlled corporation	1,259,861,773	9.82%
CITIC Securities Co., Ltd ⁵	Interest of controlled corporation	678,387,108	5.29%

Notes

1. Based on 12,824,484,010 Shares in issue as at the Latest Practicable Date.
2. On 1 August 2023, the Company and Mr. Yang Bin entered into an agreement, pursuant to which, among others, the Company agreed to allot and issue, and Mr. Yang Bin has agreed to subscribe for an aggregate of 2,102,817,178 Shares at the issue price of HK\$0.01 per Share. The amount of the total consideration was fully set off against the other loan principal and accrued interest of approximately HK\$21,028,000 owed by the Company to Mr. Yang Bin. The debt capitalisation was completed on 11 August 2023. For details, please refer to the announcements of the Company dated 1 August 2023 and 11 August 2023.
3. Mr. Lim Kim Chai, *J.P.* is the non-executive Director of the Company and Subscriber II.
4. The 1,259,861,773 Shares were held by Hong Kong Zhongzheng Investment Co. Ltd., which was controlled as to 38.46% by 深圳天基南聯投資合夥企業(有限合夥), which was in turn controlled as to 64% by Mr. Qiu Qing. Accordingly, Mr. Qiu Qing is deemed to be interested in the Shares by virtue of Part XV of the SFO.
5. CITIC Securities Co., Ltd. holds 100% direct interest in GoldStone Investment Co., Ltd* (金石投資有限公司) and accordingly deemed to have an interest in the Shares held by GoldStone Investment Co., Ltd* by virtue of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, no other person had any interest or short position in the shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

5. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective 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. DIRECTORS' SERVICE CONTRACTS

Saved as disclosed below, as at the Latest Practicable Date, (i) none of the Directors had entered or proposed to enter into a service contract with the Company or any of its subsidiaries or associated companies which (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation):

Ms. Yang Yan Tung Doris has entered into a service contract with the Company on 29 November 2024 as an independent non-executive Director for an initial term of 3 year commencing from the conclusion of the annual general meeting held on 29 November 2024 with a remuneration of HK\$180,000 per annum, which shall continue thereafter until terminated by either party by one month's notice. Save as disclosed above, Ms. Yang is not entitled to any variable remuneration under her service agreement.

7. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, save for:

- (a) the loan agreement dated 5 August 2019 (as amended and supplemented by the extension letter dated 4 November 2022, 31 October 2023 and 22 July 2024, respectively) entered into between Subscriber II and the Company pursuant to which, among others, Subscriber II has agreed to grant a loan facility to the Company with a principal amount of HK\$20,000,000, bearing interest at a rate of 2.2% per annum and with the present due date falling on 31 December 2027; and
- (b) the loan agreement dated 11 November 2019 (as amended and supplemented by the extension letters dated 4 November 2022, 31 October 2023 and 22 July 2024, respectively) entered into between Subscriber II and the Company pursuant to which Subscriber II has agreed to grant a loan facility to the Company with a principal amount of HK\$230,000,000, bearing interest at a rate of 5% per annum and with the present due date falling on 31 December 2027,

there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group, since 30 June 2024, being the date to which the latest published audited consolidated accounts of the Group were made up.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, no litigation or claims of material importance is pending or threatened by or against the Company or any of its subsidiaries.

9. MATERIAL CONTRACTS

During the two years preceding the date of the Announcement and up to the Latest Practicable Date, the Group entered into the following contracts, not being contracts entered into in the ordinary course of business of the Group carried on or intended to be carried on by the Group, and which are, or may be, material:

- (a) the extension letters dated 3 November 2022 and 3 August 2023, respectively entered into between the Company and Mr. Leung Chung Shan (“**Mr. Leung**”), pursuant to which, among others, Mr. Leung has agreed to extend the loan in the amount of HK\$300 million owed to him to 31 December 2024; the novation agreement dated 17 November 2023 entered into among the Company, Mr. Leung and Subscriber I, pursuant to which, among others, the then outstanding balance of the said loan in the amount of HK\$32.6 million together with interest accrued thereon of approximately HK\$8.2 million was assigned to Subscriber I; and the extension letter dated 23 September 2024 entered into between the Company and Subscriber I, pursuant to which, among others, Subscriber I has agreed to extend the said loan in the amount of HK\$32.6 million together with interest accrued thereon of approximately HK\$8.9 million to 31 December 2025;

- (b) the subscription agreement dated 1 August 2023 between the Company and Mr. Yang Bin (“**Mr. Yang**”) relating to, among others, the capitalisation of the outstanding loan principal and the interests accrued thereof owing by the Company to Mr. Yang in the sum of approximately HK\$21.0 million, details of which are set out in the announcement of the Company dated 1 August 2023;
- (c) the extension letters dated 31 October 2023 and 22 July 2024, respectively entered into between the Company and Subscriber II, pursuant to which, among others, Subscriber II has agreed to extend the loans in the aggregate amount of HK\$250 million to 31 December 2027, details of which are set out under the section headed “7. INTERESTS IN THE GROUP’S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP” above;
- (d) the conditional sale and purchase agreement dated 6 May 2024 entered into among the Company, Grand Prominent International Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company as at the time of that agreement and Subscriber II as the purchaser in relation to, among others, the disposal of the entire issued share capital of Hong Kong Zhongzheng City Investment Limited at consideration of approximately HK\$53.7 million by way of offsetting the relevant shareholder’s loans owed by the Group to Subscriber II, details of which are set out in the announcement of the Company dated 6 May 2024;
- (e) the loan agreements dated 28 May 2024, 23 July 2024, 20 September 2024 and 20 November 2024, respectively, entered into between the Company and Subscriber I, respectively, pursuant to which, among others, Subscriber I has agreed to grant the loans to the Company in an aggregate principal amount of HK\$15.5 million; and the extension letter dated 23 September 2024 to extend the said loans to 31 December 2025;
- (f) the loan agreement dated 7 January 2025 entered into between the Company and Sky Treasure Group (Development) Limited, pursuant to which, among others, Sky Treasure Group (Development) Limited has agreed to grant a loan facility to the Company in a principal amount of HK\$27 million;
- (g) the Debt Capitalisation Agreements;
- (h) the Underwriting Agreement; and
- (i) the Placing Agreement.

10. EXPERTS AND CONSENTS

The following are the names and qualifications of the experts who have given its opinions and advice which are included in this circular:

Name	Qualification
Merdeka Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
ZHONGHUI ANDA CPA Limited	Certified Public Accountants

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

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

As at the Latest Practicable Date, none of the experts above had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 30 June 2024, being the date to which the latest published audited financial statements of the Group were made up.

11. EXPENSES

The expenses payable by the Company in connection with the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$2.6 million.

12. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Address
<i>Executive Directors</i>	
Mr. Tam Lup Wai, Franky	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
Mr. Liu Liyang	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
<i>Non-executive Directors</i>	
Mr. Lim Kim Chai, J.P.	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
<i>Independent non-executive Directors</i>	
Mr. Hau Chi Kit	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
Mr. Leung Chi Hung	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
Mr. Li Hon Kuen	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
Ms. Yang Yan Tung Doris	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
<i>Senior management</i>	
Mr. Sugahara Toshio	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong

Name	Address
Mr. Wong Sze Yat, Robert	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
Mr. Situ Min	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong

Executive Directors*Mr. Tam Lup Wai, Franky*

Mr. Tam, aged 77, was appointed as an executive Director of the Company on 17 December 2001 and the Chairman of the Board on 21 July 2011. He was also appointed as a member of the remuneration committee of the Company (the “**Remuneration Committee**”) on 3 July 2007 and the chairman of the Nomination Committee on 29 March 2012. Mr. Tam was re-designated as the deputy chairman of the Board and ceased to be the chairman of the Nomination Committee with effect from 18 January 2018. He is also the director of the following subsidiaries of the Company, namely, Smart Guard Limited, Big Advanced Holdings Limited, Dongguan Weihang Electrical Product Co. Limited, eForce Management Limited, Fairform Group Limited, Fairform Manufacturing Co. Limited, Qesco International (HK) Limited, and Fairform Innovation Technology Company Limited. Mr. Tam holds a BA in Applied Mathematics from the University of California at Berkeley, USA. He has diversified management experiences in the fields of property, retail and technology. He also specializes in formulating and executing business strategies for companies and has experience in the investment of technology start-up. He was previously an administration director of a conglomerate comprises four listed companies in Hong Kong and directly oversaw the administration of the group and responsible in managing several subsidiaries’ operations, including properties acquisition, strategic investments and hotel start-up project. Mr. Tam also served as executive director of a Hong Kong publicly listed fashion retail chain store with over 200 outlets in Hong Kong and China and was instrumental in setting up the franchise operation in the PRC before joining the Company in 2001.

Mr. Liu Liyang

Mr. Liu, aged 64, was appointed as an executive Director, deputy chairman of the Board, the CEO and a member of the Remuneration Committee on 19 August 2010. He was further appointed as a member of the Nomination Committee on 29 March 2012. He ceased to be the deputy chairman of Board with effect from 18 January 2018. And he ceased to be the CEO and a member of each of the Remuneration Committee and the Nomination Committee with effect from 16 July 2020. He is also the director of the following subsidiaries of the Company, namely Yixin Holdings Limited, Fastport Investment Holdings Limited, Access Sino Investment Limited and Vision South Limited. Mr. Liu has 17 years of experience in the investment banking industry. Before joining the Company, he was the co-head of the China Investment Banking of Nomura International (HK) Limited. He had also worked in the Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc. Mr. Liu holds an MBA degree from Columbia University. Mr. Liu was an independent non-executive director of Beautiful China Holdings Company Limited (stock code: 706), a company listed on the Main Board of the Stock Exchange, before February 2022.

*Non-executive Directors**Mr. Lim Kim Chai, J.P.*

Mr. Lim, aged 57, was appointed as a non-executive Director of the Company on 20 December 2019. He has over 19 years of experience in investment and property development business. He is the founder and the chairman of Yuk Tung Group, which focuses on the property development in Malaysia. Since the founding of the Yuk Tung Group in 2005, Mr. Lim has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd. (“**Pacific Memory**”) respectively, primarily responsible for the overall management and strategic development of the Yuk Tung Group. Mr. Lim was also appointed as Justice of the Peace (JP) in Malaysia in 2007.

*Independent non-executive Directors**Mr. Hau Chi Kit*

Mr. Hau, aged 53, was appointed as an independent non-executive director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 7 March 2014. Mr. Hau was a barrister-at-law in private practice in Hong Kong SAR from 2001 to 2008. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Mr. Hau is a solicitor.

Mr. Hau was an independent non-executive director of hmvod Limited (formerly known as Trillion Grand Corporate Company Limited) (stock code: 8103), a company listed on GEM of the Stock Exchange, between March 2016 and August 2022, an independent non-executive director of Fresh Express Delivery Holdings Group Co Ltd (stock code: 1175), a company listed on the Main Board of the Stock Exchange between January and August 2022, and an independent non-executive director of China Zenith Chemical Group Limited (formerly known as Xinyang Maojian Group Limited) (stock code: 362), a company listed on the Main Board of the Stock Exchange between December 2013 and April 2025.

Mr. Leung Chi Hung

Mr. Leung Chi Hung, aged 69, was appointed as an independent non-executive director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 13 December 2013. Mr. Leung Chi Hung was further appointed as the chairman of the Remuneration Committee on 4 June 2018. Mr. Leung Chi Hung commenced his accountancy professional training since 1976 and is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung Chi Hung is also a fellow of The Taxation Institute of Hong Kong and a Certified Tax Adviser and a member of the Society of Registered Financial Planners in Hong Kong. Mr. Leung Chi Hung is a Certified Public Accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited (CPA).

Mr. Leung Chi Hung was an independent non-executive director of WT Group Holdings Limited (stock code: 8422) between December 2017 and May 2022, and of Finet Group Limited (stock code: 8317) between February 2011 and October 2022, both being listed on GEM of the Stock Exchange; and he was also an independent non-executive director of Evergreen International Holdings Limited (stock code: 238) between October 2020 and January 2022, which was a companies listed on the Main Board of the Stock Exchange. Currently, he is an independent non-executive director of Daido Group Limited (stock code: 544), and REF Holdings Limited (stock code: 1631), both of which are companies listed on the Main Board of the Stock Exchange.

Mr. Li Hon Kuen

Mr. Li, aged 58, was appointed as an independent non-executive director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee on 19 July 2013. Mr. Li is a Certified Public Accountant (Practising) in Hong Kong with general assurance experience in clients operating in a variety of industries, including textile, construction, property development, freight forwarding, golf club, jewelry manufacturing and trading, application software development and installation, website design and development, manufacturing and ATM operation business. Moreover, Mr. Li has extensive experience in public listings and due diligence in Hong Kong. Mr. Li had worked in Deloitte and as senior audit manager in RSM Nelson Wheeler before setting up Alfred H.K. Li & Co., CPA, in 2013.

Ms. Yang Yan Tung Doris

Ms. Yang, aged 55, was appointed as an independent non-executive director on 29 November 2024. Ms. Yang has substantial experiences in handling company secretarial and internal control matters of listed companies in Hong Kong. She is a fellow member of The Hong Kong Institute of Chartered Secretaries with practitioner's endorsement, a fellow member of The Chartered Governance Institute and a member of ACCA (the Association of Chartered Certified Accountants). She holds the Certificate in Risk Management Assurance designation granted by the Institute of Internal Auditors. Ms. Yang is currently a director of Bloomy Corporate Consultant Limited, a company mainly engaged in providing company secretarial and management consultancy services, and a director of CWY Group Company Limited, a company incorporated in Hong Kong and engaged in trading of food and beverages. Ms. Yang was an independent non-executive director of each of Kontafarma China Holdings Limited (stock code: 1312) from December 2011 to July 2014 and Kaisa Capital Investment Holdings Limited (stock code: 936) from December 2014 to November 2019, both companies listed on the main board of the Stock Exchange.

Ms. Yang graduated from University of Leicester, England with a Bachelor of Science (Economics) in 1993 and then obtained her Master of Science from the Chinese University of Hong Kong in 2003.

*Senior Management**Mr. Sugahara Toshio*

Mr. Sugahara, aged 61, joined the Group in 2007. Mr. Sugahara is the General Manager of Fairform Manufacturing Company Limited, a wholly owned subsidiary of the Group, and is responsible for the overall production management and quality control of the Group's manufacturing of health and household products. Mr. Sugahara has obtained a Bachelor's Degree in Mechanical Engineering from the University of Brighton (UK) and a Master Degree of Business Administration from the University of South Australia. He is a member of the Institution of Engineering and Technology (UK) and has extensive working experience in project engineering, product research and development and production management.

Mr. Wong Sze Yat, Robert

Mr. Wong, aged 61, joined the Group in 1998. Mr. Wong is the marketing director of Fairform Manufacturing Company Limited and is responsible for sales and marketing function of the Group's manufacturing and sales of health and household products. Mr. Wong has a Diploma in Business Studies from the Salford Technology College (UK). Mr. Wong has over 20 years of working experience in marketing small household electrical appliances and household products.

Mr. Situ Min

Mr. Situ, aged 55, is currently the Company Secretary and Chief Financial Officer of the Company. Before he joined the Company in June 2019, Mr. Situ served respectively as director of investment and Chief Financial Officer of China Traditional Chinese Medicine Holdings Co. Limited (Stock Code: 570) from October 2013 to December 2018. From September 2001 to February 2013, he served as the executive director and Chief Financial Officer for the same company with former name of Wing Shan International Limited and Winteam Pharmaceutical Group Limited. Mr. Situ is a fellow member of the Association of Chartered Certified Accountants and is also a member of Chinese Institute of Certified Public Accountants. He has extensive experience in financial management, corporate finance and corporate governance.

13. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and Principal place of business in Hong Kong	Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
Principal share registrar and transfer office	Appleby Global Corporate Services (Bermuda) Limited Canon's Court 22 Victoria Street PO Box HM 1179 Hamilton HM EX Bermuda
Hong Kong branch share registrar and transfer office	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong
Company secretary	Mr. Situ Min
Authorised representatives	Mr. Tam Lup Wai Franky Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong

	Mr. Liu Liyang Room 1005 Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
Principal bankers	Hang Seng Bank Limited Head Office Business Banking Centre 6th Floor 83 Des Voeux Road Central Central, Hong Kong The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Central, Hong Kong
Auditors and reporting accountants	ZHONGHUI ANDA CPA Limited 23/F, Tower 2 Enterprise Square Five 38 Wang Chiu Road Kowloon Bay, Hong Kong
Financial adviser to the Company	Optima Capital Limited Room 2101, 21/F Shui On Centre 6-8 Harbour Road Wanchai, Hong Kong
Legal adviser to the Company as to Hong Kong laws	KS NG Law Office Room 2502, 25/F China Insurance Group Building 141 Des Voeux Road Central, Hong Kong
Legal adviser to the Company as to Bermuda laws	CONYERS DILL & PEARMAN 29th Floor One Exchange Square 8 Connaught Place Central, Hong Kong

**Independent Financial Adviser to the
Independent Board Committee and
the Independent Shareholders**

Merdeka Corporate Finance Limited
Room 1108, 11/F
Wing On Centre
111 Connaught Road Central
Central, Hong Kong

Placing Agent

VC Brokerage Limited
6th Floor
Centre Point
181-185 Gloucester Road
Wanchai, Hong Kong

The Underwriter

Mr. Low Thiam Herr
Room 1005
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Subscriber II

Mr. Lim Kim Chai, *J.P.*
Room 1005
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

14. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Situ Min who is a fellow member of the Association of Chartered Certified Accountants and a member of Chinese Institute of Certified Public Accountants.
- (b) 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.
- (c) This circular and the accompanying form of proxy have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

15. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection (i) at the principal place of business of the Company in Hong Kong at Room 1005, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any weekday, except Saturday, Sunday and public holidays; (ii) on the website of the Stock Exchange (www.hkexnews.hk); (iii) on the website the SFC (www.sfc.hk); and (iv) on the website of the Company (www.zhongzheng.com.hk), from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the year ended 30 June 2023 and the year ended 30 June 2024;
- (c) the interim report of the Company for the six months ended 31 December 2024;
- (d) the letter from the Board as set out in this circular;
- (e) the letter from the Independent Board Committee containing its advice to the Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (f) the letter from Merdeka Corporate Finance containing its advice to the Independent Board Committee and the Shareholders, the text of which is set out in the section headed “Letter from Merdeka Corporate Finance” in this circular;
- (g) the report by ZHONGHUI ANDA CPA Limited on the unaudited pro forma financial information of the Group as set out in Appendix II to this circular;
- (h) the letters of consent as referred to in the paragraph headed “10. EXPERTS AND CONSENTS” in this appendix;
- (i) the service contracts as referred to in the paragraph headed “6. DIRECTORS’ SERVICE CONTRACTS” in this appendix;
- (j) the material contracts as referred to in the paragraph headed “9. MATERIAL CONTRACTS” in this appendix; and
- (k) this circular.

NOTICE OF SGM

ZHONGZHENG INTERNATIONAL COMPANY LIMITED

中證國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**” or the “**Meeting**”) of Zhongzheng International Company Limited (the “**Company**”) will be held at 11:00 a.m. on Thursday, 10 July 2025 at Unit 5, 10/F, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments), the following resolutions as resolutions of the Company (words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular of the Company dated 19 June 2025 (the “**Circular**”)):

SPECIAL RESOLUTIONS

1. “**THAT** subject to and conditional upon, among others, the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the Consolidated Shares (as defined below) arising from the Share Consolidation (as defined below):
 - (a) every twenty (20) issued and unissued shares of par value of HK\$0.00004 each in the share capital of the Company be and are hereby consolidated into one (1) share of par value of HK\$0.0008 (the “**Consolidated Shares**”) (the “**Share Consolidation**”);
 - (b) all fractional entitlements to the issued 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 and the net proceeds shall be retained for the benefit of the Company in such manner and on such terms as the board (the “**Board**”) of directors of the Company (the “**Directors**”) may think fit;
 - (c) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and
 - (d) any one of the Directors be and is hereby authorised to do all such acts and things and execute all documents he/she considers necessary, desirable or expedient to give effect to any or all of the foregoing arrangements, the Share Consolidation and the transactions contemplated thereunder.”

NOTICE OF SGM

2. **“THAT:**

- (a) subject to compliance with the Companies Act 1981 of Bermuda and with effect immediately upon passing of this special resolution, the entire amount standing to the credit of the share premium account of the Company of approximately HK\$899.1 million standing be cancelled (the **“Share Premium Reduction”**) and the Directors be and are hereby authorised to transfer the credit arising from the Share Premium Reduction to the contributed surplus account of the Company to be applied towards setting off part of the accumulated losses of the Company; and
- (b) the Directors be and are hereby authorised to do all such acts and things and execute all documents which they consider necessary, desirable or expedient for the implementation of and giving effect of the Share Premium Reduction and the transactions contemplated thereunder.”

3. **THAT**, subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the waiver (the **“Whitewash Waiver”**) of the obligation on the part of Mr. Low Thiam Herr (**“Subscriber I”**), Mr. Lim Kim Chai, J.P. (**“Subscriber II”**), together with Subscriber I as the **“Subscribers”**) and parties acting in concert with them to make a mandatory general offer to the shareholders of the Company for all the issued shares of the Company (other than those already owned or agreed to be acquired by the Subscribers and parties acting in concert with them) which might otherwise arise as a result of the Subscribers subscribing for the Capitalisation Shares (as defined below) under the Debt Capitalisation Agreements (as defined below) pursuant to Note 1 on Dispensations from Rule 26 of The Code on Takeovers and Mergers be and is hereby approved, and that any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents under seal where applicable as he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

NOTICE OF SGM

ORDINARY RESOLUTIONS

4. **“THAT**

- (a) the conditional debt capitalisation agreement (the **“Debt Capitalisation Agreement I”**) dated 15 May 2025 and entered into between the Company as issuer and Subscriber I as subscriber in relation to, among others, the subscription of the 289,574,140 new Consolidated Shares of HK\$0.0008 each in the share capital of the Company (the **“Capitalisation Shares I”**) at the subscription price of HK\$0.2 per Capitalisation Share I (a copy of which is produced to the Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Capitalisation Shares I, the allotment and issue of the Capitalisation Shares I in accordance with the terms and conditions of the Debt Capitalisation Agreement I and the transactions contemplated thereunder be and is hereby approved;
- (c) the Board be and is hereby granted with a specific mandate to allot and issue the Capitalisation Shares I to Subscriber I; and
- (d) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Debt Capitalisation Agreement I and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his opinion to implement and/or give effect to the allotment and issue of the Capitalisation Shares I and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its Shareholders as a whole.”

5. **“THAT**

- (a) the conditional debt capitalisation agreement (the **“Debt Capitalisation Agreement II”**, together with the Debt Capitalisation Agreement I as the **“Debt Capitalisation Agreements”**) dated 15 May 2025 and entered into between the Company as issuer and Subscriber II as subscriber in relation to, among others, the subscription of the 215,000,000 new Consolidated Shares of HK\$0.0008 each in the share capital of the Company (the **“Capitalisation Shares II”**, together with the Capitalisation Shares I as the **“Capitalisation Shares”**) at the subscription price of HK\$0.2 per Capitalisation Share II (a copy of which is produced to the Meeting marked “B” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF SGM

- (b) conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Capitalisation Shares II, the allotment and issue of the Capitalisation Shares II in accordance with the terms and conditions of the Debt Capitalisation Agreement II and the transactions contemplated thereunder be and is hereby approved;
 - (c) the Board be and is hereby granted with a specific mandate to allot and issue the Capitalisation Shares II to Subscriber II; and
 - (d) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Debt Capitalisation Agreement II and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his opinion to implement and/or give effect to the allotment and issue of the Capitalisation Shares II and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its Shareholders as a whole.”
6. **“THAT** subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue” in the circular of the Company dated 19 June 2025 (the “**Circular**”):
- (a) the issue by way of rights shares (the “**Rights Issue**”) of up to 572,899,170 new Consolidated Shares (the “**Rights Shares**” and each a “**Rights Share**”) at a subscription price of HK\$0.2 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on Monday, 28 July 2025 or such other date as may be determined by the Company for the determination of the entitlements under the Rights Issue (the “**Record Date**”) (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the Directors of the Company, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of one (1) Rights Share for every two (2) Consolidated Shares of the Company then held on the Record Date and pursuant to the terms and conditions as set out in the Circular of which this notice convening the Meeting forms part, be and is hereby approved;
 - (b) the conditional underwriting agreement (the “**Underwriting Agreement**”) dated 15 May 2025 and entered into among the Company and Subscriber I as underwriter (a copy of which has been produced to the Meeting marked “C” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF SGM

- (c) any one of the Directors be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Non-Qualifying Shareholders as he deems necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong; and
- (d) any one of the Directors be and is hereby authorised to do all such acts and things, as he may in his discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Rights Issue and the Underwriting Agreement and the implementation of all transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole.”

By order of the Board
Zhongzheng International Company Limited
Liu Liyang
Executive Director

Hong Kong, 19 June 2025

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Unit 5, 10/F
Bank of East Asia Harbour View Centre
No.56 Gloucester Road
Wanchai
Hong Kong

NOTICE OF SGM

Notes:

1. The register of members of the Company will be closed from Monday, 7 July 2025 to Thursday, 10 July 2025 (both dates inclusive) for the purpose of ascertaining entitlement of shareholders of the Company (the “**Shareholder(s)**”) to attend and vote at the SGM. No transfer of the shares of the Company (the “**Shares**”) will be registered on those dates. In order to qualify for the Shareholders’ entitlement to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 4 July 2025.
2. The Company will not serve or provide refreshments drinks or souvenirs at the SGM. Any Shareholder entitled to attend and vote at the SGM may choose to vote by filling in and submitting the relevant proxy form of the SGM, and appoint the chairman of the SGM as a proxy to vote on relevant resolution on his/her/its behalf as instructed in accordance with the relevant proxy form instead of attending the SGM in person. For details, please refer to the proxy form of the SGM.
3. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the SGM is entitled to appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company. Completion and return of the proxy form will not preclude a member of the Company from attending the SGM and vote in person if the member so wishes, but the proxy’s authority to vote on a resolution is to be regarded as revoked if the member attends in person at the SGM and votes on that particular resolution.
4. A proxy form for the SGM is enclosed with the Company’s circular. Such proxy form is also published on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.zhongzheng.com.hk. In order to be valid, a proxy form together with a power of attorney or other authority, if any, under which it is signed or a certified copy thereof, must be deposited at the Company’s Hong Kong branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 48 hours before the time appointed for holding the meeting or adjourned meeting.
5. Where there are joint holders of any shares, any one of such joint holders may vote, either in person or by proxy in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the SGM, 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.
6. Any voting at the SGM shall be taken by poll.
7. If Typhoon Signal No. 8 or above is hoisted, or a “black” rainstorm warning signal or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in force in Hong Kong at or at any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will publish an announcement on the website of the Company at (www.zhongzheng.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.