

# AmCap

*Ample Capital Limited*

豐盛融資有限公司

29 November 2024

*To the Independent Board Committee and  
the Independent Shareholders of  
Eminence Enterprise Limited*

Dear Sirs,

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

**INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to (i) advise the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned; (ii) give our recommendation as to whether the Rights Issue is in the interest of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the SGM. Details of the Rights Issue are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 29 November 2024, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context requires otherwise.

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Member of Ample Finance Group 豐盛金融集團成員

Reference is made to the Announcement, in relation to, among other things, the Rights Issue. The Company proposes to raise gross proceeds of up to approximately HK\$62.2 million by way of the issue of up to 676,296,232 Rights Shares at the Subscription Price of HK\$0.092 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date. The Rights Issue is not underwritten and is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

#### **LISTING RULES IMPLICATION**

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval by the Independent Shareholders at the SGM by poll in accordance with the requirements of Rule 7.19A(1) of the Listing Rules and any Controlling Shareholder and the respective associates or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue. As at the Latest Practicable Date, as there are no controlling Shareholders and none of the Directors and the chief executive of the Company and their respective associates hold any Shares, no Shareholder would be required to abstain from voting in favour of the ordinary resolution to approve the Rights Issue at the SGM.

#### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM.

#### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. In the last two years, we have not acted in any financial adviser role to the Company.

With regards to our independence from the Company, it is noted that (i) apart from the normal professional fees paid to us in relation to the current appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or other parties that could reasonably be regarded as relevant to our independence; and (ii) the aggregate professional fees paid/to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Rights Issue pursuant to Rule 13.84 of the Listing Rules.

## **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the Company's annual report for the financial year ended 31 March 2024 (the "**2024 Annual Report**"); (iii) other information provided by the Directors and/or the senior management of the Company (the "**Management**"); (iv) the opinions expressed by and the representations of the Directors and the Management; and (v) our review of the relevant public information. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. 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 the 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 Group, or any of its respective substantial shareholders, subsidiaries or associates.

We have assumed that the Rights Issue will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Rights Issue, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Rights Issue. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Rights Issue, we have taken into account the following principal factors and reasons:

### 1. Background information of the parties

#### *1.1 Background information and financial overview of the Group*

As stated in the Letter from the Board, the Group is principally engaged in property development, property investment, investment in securities and others and loan financing businesses. Certain summary financial information of the Group as extracted from the 2024 Annual Report for the two years ended 31 March 2024 and 2023 (“FY2024” and “FY2023” respectively) is set out below:

	For the year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	30,693	27,194
Gross profit	27,173	24,225
(Loss) profit attributable to owners of the Company	(213,149)	63,572

The Group's consolidated revenue increased from approximately HK\$27.2 million for FY2023 to approximately HK\$30.7 million for FY2024, representing an increase of approximately HK\$3.5 million or 12.9%. For FY2024, the Group recorded a loss attributable to owners of the Company of approximately HK\$213.1 million as compared to a profit attributable to owners of the Company of approximately HK\$63.6 million for FY2023. The loss during the year was mainly attributed to (i) recorded a write-down on properties held for development for sale, net of approximately HK\$102.9 million in FY2024 compared to a write-back on properties held for development for sale, net of approximately HK\$40.4 million in FY2023; (ii) increased in administrative expenses from continuing operations of the Group by approximately HK\$11.4 million; and (iii) increased in finance costs of approximately HK\$32.1 million.

	<b>As at 31 March</b>	
	<b>2024</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Cash and cash equivalents	299,717	354,002
Current assets	4,047,899	3,816,027
Net current assets	2,797,639	3,318,221
Total assets	5,408,807	5,624,267
Current liabilities	1,277,260	867,920
Total liabilities	2,361,611	2,389,101
Net assets attributable to owners of the Company	3,047,196	3,235,166

As at 31 March, 2024, the Group recorded cash and cash equivalents amounting to approximately HK\$299.7 million (31 March 2023: approximately HK\$354.0 million) and the net current asset value was approximately HK\$3,047.2 million (31 March 2023: approximately HK\$3,235.2 million).

As at 31 March 2024, the Group has total bank borrowings of approximately HK\$2,066.7 million (31 March 2023: approximately HK\$1,871.9 million). The Group's gearing ratio, which is calculated as a ratio of total bank borrowings to shareholders' equity, was approximately 0.7 (31 March 2023: approximately 0.6). As at 31 March 2024, the Group's current ratio was approximately 3.2 (31 March 2023: approximately 4.8).

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

### 2.1 Funding needs

With reference to the Letter from the Board, the Group expected to make a total of approximately HK\$50.0 million for the partial repayment of the outstanding flipper term loan and other potential payment of the construction loan(s). The following table shows the breakdown of outstanding flipper term loan and other potential payment of the construction loan(s), including but not limited to, the outstanding balance, interest rates, and the maturity and the demanded repayment dates and amount.

	<b>Outstanding balance</b>	<b>Interest rates</b>	<b>Maturity</b>	<b>Repayment date and amount</b>
1	HK\$464.2 million	HIBOR + 1.8%	16 September 2025	February 2025 HK\$15 million
2	HK\$300.4 million	HIBOR + 1.75%	28 December 2024	December 2024 HK\$15 million
3	HK\$328.9 million	HIBOR + 1.48%	July 2026	First quarter 2025 HK\$20 million

Such repayments have been formally requested by the banks in August, September and October 2024. Also, the partial repayment and other partial repayment are a condition proposed by a bank or financial institution in refinancing the loan for extended loan tenors and refreshed repayment terms. The loans may not be refinanced if the Group does not agree to such repayments and the Group will have to repay the loan in full or seek other banks to refinance such loan.

Further, with reference to the Letter from the Board, assuming full subscription under the Rights Issue, the Company intends to use the net proceeds of approximately HK\$61.2 million as follows:

- approximately 81.7% of the net proceeds (approximately HK\$50.0 million) will be used for repayment of the Company's bank loan; and
- approximately 18.3% of the net proceeds (approximately HK\$11.2 million) will be used for general working capital of the Group.

In the event of an undersubscription of the Rights Issue, the net proceeds will be utilised on a pro-rata basis as set out above.

## *2.2 Our view on the reason for the Rights Issue and the intended use of proceeds*

With reference to the Letter from the Board, the cash and bank balances of the Group amounted to only approximately HK\$232.4 million as at 31 August 2024, of which approximately HK\$77.2 million was considered unavailable amount retained in the PRC (which was already used for loan settlement in October 2024), leaving available amount to be approximately HK\$155.2 million (of which HK\$35.0 million was used in September 2024 for the aforesaid partial repayment related to Matheson Project as disclosed in the circular related to the Previous Placing). Apart from the partial repayment of HK\$15.0 million and other partial repayments of around HK\$35.0 million mentioned above, the Company has to set aside funds to prepare for other partial repayments required, if any, to refinance other loans. Besides, sufficient funds should be retained to support the recurring operations of the Group and finance cost of the development projects. The approximately HK\$120.2 million which has to be set aside to support the recurring operations including (i) approximately HK\$67.3 million which has to be reserved for construction cost payments and construction loan interest payments for three construction projects; (ii) apart from the HK\$35.0 million used for Matheson Project partial repayment, an addition of approximately HK\$28.0 million loan repayment which was completed in September 2024; and (iii) the remaining amount mainly for other operation expense such as staff cost and administrative expenses. In addition, the net proceeds of approximately HK\$59.0 million from the disposal of a property in Singapore was planned for construction loans interest payments and other leasing properties interest payments with a total amount of approximately HK\$60.6 million for the coming six months. The Group considered that the above repayment financed out of internal available funds, the Group may not have sufficient funding to support its daily operations, principal and interest payments of loan, construction related costs as well as the partial repayments which may also be required for the other loans.

We understand from the Letter from the Board that, apart from the Rights Issue, the Board have considered other debt/equity fund-raising alternatives such as bank borrowings and placing or other various options to finance the proposed repayment of loan, including utilization of surplus funds, asset realization and demanding repayment of the Revolving Loan from Easyknit. On the other hand, the Board is of the view that the Rights Issue will strengthen the financial position of the Company and provide funding to the Company to repay part of the outstanding bank loan(s) and lower the gearing ratio of the Group. In addition, the Rights Issue will allow the Group to strengthen its capital base without incurring interest costs and will give the Qualifying Shareholders the opportunity to further invest in the equity of the Company at a favourable discount while maintaining their respective pro-rata shareholding interests and voting rights in the Company. On top of that, the Rights Issue will materially improve the net asset value per share of the Company. Hence, the Board considers that fund raising of this scale through the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

We understand that the Board is of the view that obtaining further debt financing, such as bank borrowings from other banks, will depend on the prevailing market condition, and may be subject to lengthy due diligence and loan application processes. In addition, debt financing will impose additional interest burden on the Group which will, in turn, worsen the Group's financial performance and position. According to the statement of indebtedness set out in Appendix I, the Company recorded carrying amount of the secured bank loan of approximately HK\$1,993 million and a 5% per annum coupon rate convertible note to Goodco in the principal amount of HK\$209 million. Moreover, in the prevailing high-interest-rate environment, we are of the view that the Company may not be able to secure favourable terms for debt financing during negotiations with financial institutions and such may not be beneficial to the Company and the Shareholders as a whole.

We understand from the Letter from the Board that the Board also considered various options to finance the proposed repayment of loan, including utilization of surplus funds, asset realization and demanding repayment of the Revolving Loan from Easyknit. The Group considers that asset realization may have to go through a lengthy process, the timing of which may not match with that required for the loan repayment to banks. Besides, the disposal of the assets may not be favourable and justified given the current market conditions. Offering the completed projects for sale whether by en bloc or strata sale anytime is always a key option taken by the Group when opportunities arise and as long as there is favourable offer. We concur the Company's view that the Company may not be able to disposal of the asset in a short time of period due to the Company mainly carrying properties which are an illiquid asset. According to FY2024 annual report, the Company recorded carrying amounts of properties held for development for sale and properties held for sale of approximately HK\$2,520.1 million and HK\$1,065.9 million as at 31 December 2023. During April 2024 to the Latest Practicable Date, the Company disposed properties and limited partnership interest reference to the related announcements dated 31 May 2024, 28 June 2024 and 24 July 2024 which required around at least a month to go through the disposal process. As a result, such approach to finance the loan repayment requirement may not be beneficial to the Company and the Shareholders as a whole.



We understand that the outstanding Revolving Loan balance drawn by the Easyknit Group under the Revolving Loan Agreement was HK\$70.0 million as at 31 August 2024, which should be repaid before the maturity date on 20 November 2025 and the Company has the ultimate right, which is a very common term for any loan agreement entered by lender including bank and financial institution in Hong Kong, to demand the borrower, Easyknit Group, to repay the Revolving Loan anytime before the maturity date. The Company has notified Easyknit Group at the maturity of interest period in October 2024 for repaying the Revolving Loan before the maturity date, 20 November 2025, and the Company has considered using all appropriate means (including sending a formal demand notice) to settle the Revolving Loan. We also understand that demanding repayment always goes with several rounds of negotiation, especially when the current uncertainties on the Hong Kong property industry, volatility in the Hong Kong financial market, inflationary pressures and interest rates are affecting the expectation on the overall Hong Kong economic prospects. In addition, as mentioned in the Letter from the Board, it is common that the amount to be recovered may be a partial repayment, like the construction loans related to Matheson Project, King Lam Street Project and Fung Wah Project. In view that the Company may not be able to recover the full amount of the Revolving Loan immediately and the negotiation process for the early repayment is expected to take considerable time which is not less lengthy than the process of Rights Issue, we consider that demand for the repayment of the Revolving Loan and the Right Issues shall proceed simultaneously, which is in the interests of the Company and the Shareholders as a whole.

Taken into account of the imminent funding needs for loan repayments, we are of the view that the Rights Issue is an appropriate fund raising option under the current circumstances.

We understand that the Board is of the view that it would cause a material dilution effect to the shareholding of the existing Shareholders regard to a private placing of equity as it would involve the issue of a substantial amounts of new Shares at a discount to external parties and the existing Shareholders would not have the opportunity to participate in the placing.

Considering (i) the feasibility of the fund raising methods above; (ii) that the Rights Issue offers all the Qualifying Shareholders an 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; (iii) the additional flexibility provided from the nil-paid rights options in the Rights Issue to the existing Shareholders and (iv) that the Rights Issue will strengthen the Company's capital base and liquidity without incurring interest costs and also enables the Company to reduce its gearing ratio; the Directors are of the view, and we concur, that the Rights Issue is an appropriate fund raising option under the current circumstances compared to the abovementioned alternative fund raising methods and it is in the interests of the Company and the Shareholders as a whole.

### 2.3 Fundraising activities in the past twelve months

The Company has conducted the following equity fundraising activities in the past twelve months immediately prior to the Latest Practicable Date:

Date	Equity fund raising activity	Net proceeds raised	Proposed use of net proceeds	Actual use of net proceeds
23 January 2024 (announcement) and 29 February 2024 (circular)	Placing of new shares under specific mandate	HK\$41,700,000	For repayment of the Group's bank loan(s)	All proceeds were fully utilized as intended

## 3 The proposed Rights Issue

### 3.1 Issue statistics

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) Shares held on the Record Date
Subscription Price:	HK\$0.092 per Rights Share
Number of the Shares in issue as at the Latest Practicable Date:	338,148,116 Shares
Maximum number of Rights Shares to be issued under the Rights Issue (assuming the Rights Issue is fully subscribed):	676,296,232 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK\$6,762,962 (assuming no change in the issued share capital of the Company on or before the Record Date other than the allotment and issue of the Rights Shares)
Maximum total number of issued Shares as enlarged by the Rights Issue (assuming the Rights Issue is fully subscribed):	Up to 1,014,444,348 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) be allotted and issued on or before completion of the Rights Issue)
Maximum amount to be raised before expenses (assuming the Rights Issue is fully subscribed):	Up to approximately HK\$62.2 million (assuming no changes in the number of Shares in issue on or before the Record Date)

Right of excess applications:                      Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments

Save for the outstanding 2023 Convertible Note, as at the Latest Practicable Date, the Company does not have any outstanding share options granted under any of its share option scheme or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares.

Assuming no change in the number of issued Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 676,296,232 Rights Shares proposed to be provisionally allotted and issued pursuant to the Rights Issue represents approximately 200.00% of the issued share capital of the Company as at the Latest Practicable Date and will represent approximately 66.67% of the total number of issued Shares of the Company as enlarged by the issue of the Rights Shares.

### *3.2 The Subscription Price*

The Subscription Price of HK\$0.092 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a premium of approximately 8.24% to the closing price of HK\$0.085 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 8.00% to the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 24.34% to the average closing price of approximately HK\$0.1216 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 25.99% to the average closing price of approximately HK\$0.1243 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 2.85% to the theoretical ex-rights price of HK\$0.0947 per Share after the Rights Issue, based on the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (vi) a discount of approximately 98.98% to the audited net asset value per Share of the Group of approximately HK\$9.011 per Share, which is calculated by dividing the audited net asset value of the Group of approximately HK\$3,047 million as at 31 March 2024 as shown in the Company's annual report for the year ended 31 March 2024 by the number of Shares in issue as of the date of the Announcement;
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 21.30%, represented by the theoretical diluted price of approximately HK\$0.1064 per Share to the benchmarked price of approximately HK\$0.1352 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on 15 October 2024, being the date of the Announcement of HK\$0.100 per Share and the average of the closing prices as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.1352 per Share); and
- (viii) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) in aggregation with the Previous Placing represented by a discount of approximately 23.17%, represented by the cumulative theoretical diluted price of approximately HK\$0.1504 per Share to the theoretical benchmarked price of approximately HK\$0.1958 per Share in respect of the Previous Placing (as defined under Rule 7.27B of the Listing Rules).

According to the Letter from the Board, the Subscription Price was determined with reference to (i) the existing financial condition and imminent funding requirements of the Group; (ii) the recent market price of the Shares under the prevailing market conditions; (iii) the recent volatility of the capital market in Hong Kong; (iv) the necessity to increase the attractiveness of the Rights Issue by offering Qualifying Shareholders the opportunity to participate in the Rights Issue at a considerable discount to the current market price of the Shares of the Company; and (v) the equal opportunity being offered to each of the Qualifying Shareholders for the subscription of the Rights Shares at the Subscription Price in proportion to his/her/its existing shareholding in the Company.

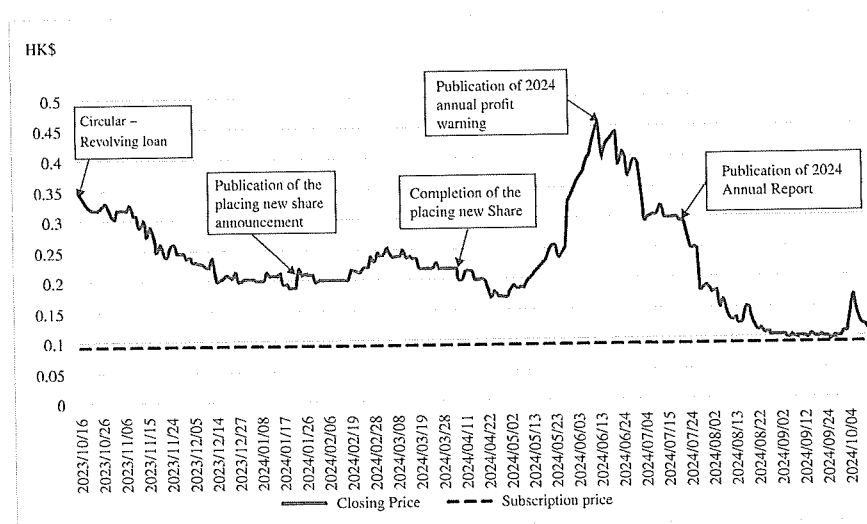
### **3.3 Non-Underwriting Basis**

Given that the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. In the event that the provisional allotments for the Rights Issue are not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders and aggregated fractions of Rights Shares will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue. It is noted that 14 of the 19 Comparable Transactions were conducted on a non-underwritten basis. Further analysis is set out in the below section.

#### 4 Historical price and trading volume of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 16 October 2023 up to and including the Last Trading Day (the “Review Period”) (being a period of 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that the Review Period is adequate and representative to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders had expected, while that after the Announcement, the value may have taken into account the potential effect of the Rights Issue which may distort the analysis.

##### 4.1 Closing price movement of the Share during the Review Period



Source: the website of the Stock Exchange

During the Review Period, the closing prices of the Shares were fluctuated between a low of HK\$0.092 per Share and a high of HK\$0.46 per Share, with an average closing price of approximately HK\$0.228 per Share.

Starting from the Review Period, the Share prices showed a general decreasing trend before reaching a low of HK\$0.2 on 14 December 2023. After that the Share prices showed a remained generally stable until the completion of the placing new Shares on 17 April 2024. Since then, the Shares were traded until the closing price of the Shares reached its highest point at HK\$0.46 per Share on 13 June 2024. After that, the Company announced the (i) the profit warning on 13 June 2024, (ii) an annual result for FY2024 on 27 June 2024, and (iii) the annual report for FY2024 on 22 July 2024. The prices of the Shares had dropped since 13 June 2024 and closed at HK\$0.1 per Share on the Last Trading Day.

In light of the declining share price of the Company and as discussed in the section headed “Comparative analysis on the proposed terms of the Rights Issue” below, we note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue. Accordingly, we are of the view that the Subscription Price being set at a discount to the prevailing market prices of the Shares is in line with the general market practice and is acceptable.

#### **4.2 Average daily trading volume for each month during the Review Period**

The table below sets out the average daily trading volume of the Shares for each month during the Review Period.

<b>Month</b>	<b>Number of trading days</b>	<b>Average daily trading volume of the Shares during the month/period</b>	<b>Average daily trading volume of the Shares during the month/period to the total number of issued Shares</b>
<b>2023</b>			
October	11	776,741	0.23%
November	22	993,674	0.29%
December	19	294,764	0.09%
<b>2024</b>			
January	22	154,795	0.05%
February	19	110,000	0.03%
March	20	591,250	0.17%
April	20	291,413	0.09%
May	21	7,187,444	2.13%
June	19	11,341,046	3.35%
July	22	4,925,074	1.46%
August	22	4,847,067	1.43%
September	19	5,241,697	1.55%
October (up to and including the Last Trading Day)	9	18,436,667	5.45%

*Source: website of the Stock Exchange*

During the Review Period, the average daily trading volume of the Shares in each month ranged from a low of approximately 0.23% and up to a maximum of 5.45% to the total number of issued Shares as at the Latest Practicable Date. Given the thin trading volume of the Shares, we consider that a substantial discount to the prevailing Share price is crucial for the Company to be able to raise equity funds from third parties. 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, the Rights Issue is an appropriate equity financing method for the Group allowing existing Shareholders to participate and the discount of the Subscription Price thereunder is reasonable.

## **5 Comparative analysis on the proposed terms of the Rights Issue**

### ***5.1 The Comparables***

In order to assess the fairness and reasonableness of the proposed terms of the Rights Issue, we have identified an exhaustive list of 19 companies (the “Comparable(s)”) listed on the Main Board and GEM of the Stock Exchange which announced a rights issue or an open offer during three-month period prior to the date of the Announcement, i.e. 15 October 2024.

Although the Comparables include rights issues and open offer in different scale or engaged in different business from the Company, having considered (i) all of the Comparables and the Group are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issues and open offer and we are not aware of any established evidence showing any correlation between the principal business and the fund-raising exercise’s underlying principal terms; (iii) a 3-month period for the selection of the Comparables has generated a reasonable and meaningful number of samples size of 19 Hong Kong listed issuers to reflect the market practice regarding recent rights issue or open offer, the Comparables were included without any artificial selection or filtering on our part so the Comparables represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers, we consider that the Comparables are fair and representative samples.

It should be noted that all the subject companies constituting the Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the rights issues or open offer may also be different from that of the Company.

The following table sets forth the relevant details of the Comparables:

Date of announcement	Company name (Stock code)	Principle Activities	Basis of entitlement	(Discount)/Premium of subscription price (to)/over				Potential maximum dilution of shareholding (%) (Note 1)	Theoretical dilution effect (%) (Note 1)	Excess Application (EA)/Compensatory Arrangement (CA) (EA/CA)	Underwriting arrangement (Yes/No)
				Closing price (%) (Note 1)	5-day average (%) (Note 1)	the theoretical ex-rights entitlement price (%) (Note 1)	consolidated net asset value per share (%) (Note 1)				
12/7/2024	Guan Chao Holdings Limited (1872)	Selling new parallel-import motor vehicles and pre-owned motor vehicles	4 to 1	(20.00)	(29.08)	(4.76)	(89.86)	80.0	20.07	CA	No
19/7/2024	Trendzon Holdings Group Limited (1865)	Infrastructural pipeline construction and related engineering services	4 to 1	(14.30)	(17.40)	(4.30)	(93.70)	80.0	14.60	CA	No
22/7/2024	Roma (Meia) Group Limited (8072)	Valuation and advisory services, financing services and securities broking, placing and underwriting and investment advisory and asset management services	3 to 1	(23.08)	(24.24)	(7.41)	(97.23)	75.0	18.18	CA	Yes
30/7/2024	Modern Living Investments Holdings Limited (8426)	Property management services	1 to 10	(28.57)	(27.75)	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	9.1	15.60	EA	Yes
31/7/2024	Emperor International Holdings Limited (163)	Property investments and property development in the Greater China	1 to 2	(30.60)	(31.50)	(23.60)	(96.10)	33.3	10.50	EA	Yes



Date of announcement	Company name (Stock code)	Principle Activities	Basis of entitlement	(Discount)/Premium of subscription price (to)/over						Excess Application (EA)/Compensatory Arrangement (CA) (EA/CA)	Underwriting arrangement (Yes/No)
				Closing price (%) (Note 1)	5-day average (%) (Note 1)	the theoretical ex-rights entitlement price (%) (Note 1)	consolidated net asset value per share (%) (Note 1)	Potential maximum dilution of shareholding (%) (Note 1)	Theoretical dilution effect (%) (Note 1)		
2/8/2024	Asia Television Holdings Limited (707)	Mainly the processing, printing and sales of finished fabrics and subcontracting services and the trading of fabric and clothing business and the media, cultural and entertainment business	1 to 2	(46.80)	2.00 <sup>(4)</sup>	(37.00)	Net liabilities <sup>(7)</sup>	33.3	15.60	CA	No
22/8/2024	Beijingwest Industries International Limited (2339)	Manufacture, sales and trading of automotive parts and components and provision of technical services, with the core products being suspension products	1 to 2	(13.85)	(13.85)	(9.68)	(88.72)	33.3	4.62	EA	No
2/9/2024	Guangdong – Hong Kong Greatbay Area Holdings Limited (1396)	Development, sales and operation of residential properties, commercial trade and logistics centers in the PRC	1 to 2	(22.30)	(21.70)	(15.85)	(94.87)	33.3	8.28	EA	No
4/9/2024	China New Consumption Group Limited (8275)	Foundation contractor primarily specialising in bored piling works as well as other foundation works, also engaged in leasing of machinery and money lending business	1 to 2	(5.66)	(7.41)	(4.76)	(61.09)	33.3	2.47	CA	No

Date of announcement	Company name (Stock code)	Principle Activities	Basis of entitlement	(Discount)/Premium of subscription price (to)/over					Potential maximum dilution of shareholding (%) (Note 1)	Theoretical dilution effect (%) (Note 1)	Excess Application (EA)/Compensatory Arrangement (CA) (EA/CA)	Underwriting arrangement (Yes/No)
				Closing price (%) (Note 1)	5-day average (%) (Note 1)	the theoretical ex-rights entitlement price (%) (Note 1)	consolidated net asset value per share (%) (Note 1)	theoretical ex-rights entitlement price (%) (Note 1)				
9/9/2024	Crown International Corporation Limited (727)	Property investment, property development, hotel operations, financial consultancy service, provision of comprehensive healthcare planning and management services and trading and developing of premium white	2 to 1	2.27	14.80 <sup>(4)</sup>	1.50 <sup>(5)</sup>	162.35 <sup>(6)</sup>	33.3	Less than 25%	EA	No	
13/9/2024	Shougang Century Holdings Limited (103)	Manufacturing and sales of steel cords for radial tyres; manufacturing and sales of sawing wires and hose wires	1 to 5	10.00	8.20 <sup>(4)</sup>	8.20 <sup>(5)</sup>	(62.50)	16.7	Premium	EA	No	
13/9/2024	Dragon Rise Group Holdings Limited (6829)	Undertaking foundation works in Hong Kong as a subcontractor	1 to 1	(48.70)	(48.20)	(33.10)	(89.20)	50.0	24.90	CA	Yes	
23/9/2024	Shougang Fusan Resources Group Limited (639)	Mining of coking coal, production and sales of raw and clean coking coal	1 to 30	1.96 <sup>(3)</sup>	2.52 <sup>(4)</sup>	1.90 <sup>(5)</sup>	(21.21)	3.2	Premium	EA	No	
23/9/2024	Hatcher Group Limited (8365)	Licensed corporation carrying out regulated activities under SFO and other financial services such as ESG advisory services, accounting and taxation services, and human resources services in Hong Kong	3 to 1	(31.50)	(24.00)	(10.40)	(94.10)	75.0	23.60	CA	No	

Date of announcement	Company name (Stock code)	Principle Activities	Basis of entitlement	(Discount)/Premium of subscription price (to)/over					Potential maximum dilution of shareholding (%) (Note 1)	Theoretical dilution effect (%) (Note 1)	Excess Application (EA)/Compensatory Arrangement (CA) (EA/CA)	Underwriting arrangement (Yes/No)
				Closing price (%) (Note 1)	5-day average (%) (Note 1)	the theoretical ex-rights entitlement price (%) (Note 1)	consolidated net asset value per share (%) (Note 1)	theoretical ex-rights entitlement price (%) (Note 1)				
26/9/2024	Innovax Holdings Limited (2680)	Licensed corporation carrying out regulated activities under SFO	1 to 2	(67.93)	(68.35)	(59.02)	(88.59)	33.3	22.78	CA	No	
2/10/2024	China National Culture Group Limited (745)	Design services and advertising through mobile devices, e-commerce relating to the sale of products over the internet and trading and production of films and provision of other film related services	1 to 2	(31.97)	(31.51)	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	66.7	21.31	CA	No	
4/10/2024	Palinda Group Holdings Limited (8179)	Wine trading; and production and sales of food products in Hong Kong	1 to 2	(18.70)	(9.42)	(13.29)	(60.86)	33.3	6.23	EA	No	
7/10/2024	China Water Industry Group Limited (1129)	Provision of water supply, sewage treatment and construction services; exploitation and sale of renewable energy in the PRC; and property investment and development	1 to 1	(49.44)	(49.21)	(32.84)	(91.65)	50.0	21.72	CA	No	
8/10/2024	V & V Technology Holdings Limited (8113)	Sale of electronic components for consumer electronic products	1 to 2	(31.50)	(26.40)	(23.47)	(32.23)	33.3	10.50	EA	No	

Date of announcement	Company name (Stock code)	Principle Activities	Basis of entitlement	(Discount)/Premium of subscription price (to)/over					Potential maximum dilution of shareholding (%) (Note 1)	Theoretical dilution effect (%) (Note 1)	Excess Application (EA)/Compensatory Arrangement (CA) (EA/CA)	Underwriting arrangement (Yes/No)
				Closing price (%) (Note 1)	5-day average (%) (Note 1)	the theoretical ex-rights entitlement price (%) (Note 1)	consolidated net asset value per share (%) (Note 1)	theoretical maximum dilution of shareholding (%) (Note 1)				
			Maximum discount	(67.9)	(68.4)	(59.0)	(97.2)	(24.9)				
			Minimum discount	(5.7)	(7.4)	(4.3)	(21.21)	(2.47)				
			Average discount	(30.3)	(28.7)	(20.0)	(77.5)	(15.4)				
15/10/2024	The Company		1 to 2	(8.0)	(24.3)	(2.9)	(99.0)	66.7	(21.3)	EA	No	

Source: website of the Stock Exchange

*Notes:*

1. Information has been extracted from the relevant announcements or circulars of the rights issue of the respective Comparables.
2. "N/A" denotes that the announcement did not disclose such information.
3. denotes that premium of subscription price over the closing price is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount and average discount.
4. denotes that premium of subscription price over the five-day average is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount and average discount.
5. denotes that premium of subscription price over the theoretical ex-rights entitlement price is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount and average discount.
6. denotes that premium of subscription price over the consolidated net asset value per share is not applicable due to the Company recorded a discount of subscription price to the closing price, and has been excluded from the analysis or calculation for the maximum discount, minimum discount and average discount.
7. denotes that comparison to net asset value is not applicable due to the net liabilities position of the respective Comparable, and has been excluded from the analysis.

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

- (a) the discount of subscription price to the closing price on the last trading day of the Comparables ranged from approximately 67.9% to approximately 5.7%, with the average of discounts being approximately 30.3%. The Subscription Price represents a discount of approximately 8.0% to the closing price on the Last Trading Day, which is within the range and near to the minimum discount of the Comparables;
- (b) the discount of subscription price to the theoretical ex-rights price of the Comparables ranged from approximately 59.0% to approximately 4.3%, with the average of discounts of approximately 20.0%. The Subscription Price represents a discount of approximately 2.9% to the theoretical ex-rights price per Consolidated Share on the Last Trading Day which is lower than the lowest in the Comparables;
- (c) the discount of the subscription price to the Comparables' net asset value per share ranged from 21.2% to approximately 97.2%. The discount of the subscription price to the Company's net asset value per share is the highest among the discounts of the Comparables;
- (d) the theoretical dilution effect of the Rights Issue Comparables ranged from 2.5% to approximately 24.9%. The theoretical dilution effect of the Rights Issue of approximately 21.3% is within the theoretical dilution range of the Comparables;
- (e) 8 out of 19 Comparables have facilitated excess application arrangements. Despite that the arrangement of excess application is less popular among the Comparables, such arrangement is permissible under Rule 7.21(1)(a) of the Listing Rules and allows fair participation of all Shareholders in the subscription of untaken rights should they wish to; and

- (f) the Rights Issue is on a non-underwritten basis, which is considered to be in line with market practice, given that 14 out of 19 Comparables were also conducted on a non-underwritten basis.

We noted that the Subscription Price represents a significant discount to the Company's net asset value as at 31 March 2024 and understand from the Letter from the Board that the huge discount to the Company's unaudited net asset value per Share is due to the fact that the Shares have been traded at a price representing a low price-to-book ratio (PB ratio), which is not uncommon for the property developers listed in Hong Kong. If the Subscription Price is set at a level close to the Company's audited net asset value per Share (i.e. approximately HK\$9.011 per Share), it will represent a huge premium of almost 90 times as compared to the price of Shares of HK\$0.100 on the Last Trading Day. We considered the fact that Shares were continuously trading at deep discount to the net asset value of the Company throughout the Review Period, we are of the view that it is not relevant and practical to set a subscription price that benchmarks against the net asset value of the Company which would be significantly higher than the prevailing market price and defeat the purpose of attracting the Shareholders to participate in this fund raising exercise.

In view of (i) the recent general downward trend of the closing price of the Shares and the trading volume of the Shares during the Review Period was generally thin as discussed in the section headed "4. Historical price and the trading volume of the Shares" above; (ii) the discounts represented by the Subscription Price all fall within the range of the Comparables, except for the theoretical ex-rights price which is lower than the minimum discount of the Comparables; and (iii) the Rights Issue is available to all Qualifying Shareholders, we consider that the principal terms of the Rights Issue (including the Subscription Price) to be fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

## **6 Possible dilution effect on interests of other public Shareholders**

The Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 66.67%.

As shown in the table above, the theoretical dilution effect of the Comparables ranged from approximately 2.5% to 24.9%, with an average of 15.4%. The theoretical dilution effect of the Rights Issue of approximately 21.30% falls within range of the Comparables and is close to the highest theoretical dilution effect of the Comparables.

We are aware of the potential dilution effect as a result of the Rights Issue. However, after taking into consideration that (i) the theoretical dilution effect of the Rights Issue falls within range of those of the Comparables; (ii) the Rights Issue would strengthen the capital structure and financial position of the Group; (iii) all Qualifying Shareholders are offered an equal opportunity to maintain their shareholding interests in the Company and allowed to participate in the development of the Company; (iv) the inherent dilutive nature of rights issues in general if the existing shareholders do not take up their entitlements thereunder in full; and (vi) Qualifying Shareholders who are not taking up their entitlements are given the flexibility to dispose of the nil-paid Rights Shares in open market, we consider that the potential dilution effect of the Rights Issue is justifiable.

## **7 Financial effects of the Rights Issue**

It should be noted that the Rights Issue is subject to the conditions as set out in the Letter from the Board and on a non-underwritten basis, the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

### ***7.1 Net tangible asset***

Based on the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024 was approximately HK\$3,047 million. Upon completion of the Rights Issue, the Group will have unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company being approximately HK\$3,150 million.

### ***7.2 Liquidity***

The estimated net proceeds from the Rights Issue are expected to enhance the Group's current assets by approximately HK\$61.2 million (assuming full acceptance by Qualifying Shareholders) and the Rights Issue is expected to improve the Group's liquidity position immediately after its completion.


## RECOMMENDATION

We are of the opinion that the terms of the Rights Issue (including the Subscription Price and the potential dilution effect) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,  
for and on behalf of  
**Ample Capital Limited**



**H.W. Tang**  
President



**Jenny Law**  
Vice President

*Mr. H.W. Tang is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. Tang has over 20 years' experience in the corporate finance industry.*

*Ms. Jenny Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Ample Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Law has over 10 years' experience in the corporate finance industry.*