

26 July 2024

To: the Independent Board Committee of Southwest Securities International Securities Limited

Dear Sirs/Madams,

SPECIAL DEAL IN RELATION TO THE REPAYMENT OF SSII LOAN

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Special Deal in relation to the Repayment of SSII Loan. Details of the Special Deal in relation to the Repayment of SSII Loan is set out in the Letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 26 July 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Special Deal

Reference is made to the announcements of the Company dated 31 January 2024 and 28 March 2024 in relation to the SSII Term Loan Agreement (the “**SSII Term Loan Announcement**”) and the SSII Revolving Facility Agreement (the “**SSII Revolving Facility Announcement**”), the Joint Announcement in relation to, among others, the Repayment of SSII Loan and the announcement of the Company dated 2 July 2024 in relation to the execution of the Financing Agreement (the “**Independent Financing Announcement**”).

As referred to in the SSII Term Loan Announcement, on 31 January 2024, the Company had announced that SSII, being the immediate controlling Shareholder and the wholly-owned subsidiary of SWSC, had entered into the SSII Term Loan Agreement with the Company. Pursuant to the SSII Term Loan Agreement, the Company may drawdown no more than HK\$120,000,000 or equivalent from SSII on 1 February 2024, being the drawdown date for the purpose of repayment of debts arising from the USD Bonds.

As referred to in the SSII Revolving Facility Announcement, on 28 March 2024, SSII and the Company had further entered into the SSII Revolving Facility Agreement, pursuant to which, the Company shall be entitled to drawdown a maximum of HK\$25,000,000 or equivalent from the SSII Revolving Facility, to provide general working capital in supporting the daily operation of the Group.

As referred to in the Joint Announcement, on 21 June 2024 (after trading hours), SSII and the Offeror had entered into the Sale and Purchase Agreement in respect of the Sale and Purchase Transactions. It is one of the Sale and Purchase Conditions (i.e. the Sale and Purchase Condition (iii)) that the Offeror shall procure the Independent Lender to enter into the Financing Agreement with the Company within seven business days after the execution of the Sale and Purchase Agreement to provide, in accordance with the terms of the Financing Agreement, the Independent Financing to the Company within five business days upon fulfillment of each of the Sale and Purchase Conditions (i), (ii), (iv), (v), (vi) and (vii), and the Company having received the Independent Financing.

As referred to in the Independent Financing Announcement, on 2 July 2024 (after trading hours) (being a date within seven business days after the execution of the Sale and Purchase Agreement), the Financing Agreement had been entered into between the Company (as the borrower) and the Independent Lender (as the lender). The terms of the Financing Agreement are set out in the section headed “3. Information of the Independent Financing and the Repayment of SSII Loan” below.

As disclosed in the Joint Announcement, it is one of the Sale and Purchase Conditions (i.e. the Sale and Purchase Condition (iv)) that the consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code shall have been obtained, in order for the Sale and Purchase Transactions to proceed to Completion.

Based on the terms of the Financing Agreement, the purpose of the Independent Financing is designated solely for the purpose of repaying part of the SSII Loan, and SSII is the sole recipient of the Independent Financing. Furthermore, the SSII Loan Balance, which shall be settled by the Company using its internal resources within six months after Completion, shall be repayable only to SSII. As the Repayment of SSII Loan is not extended to all the other Shareholders, such transaction shall constitute a “special deal” under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code.

An application has been made to the Executive for its consent to the Special Deal pursuant to Note 5 to Rule 25 of the Takeovers Code. The Executive will normally consent to the Special Deal provided that: (i) we as the Independent Financial Adviser publicly states in our opinion that the Special Deal is an arm’s length transaction on normal commercial terms and that its terms are fair and reasonable; and (ii) the Special Deal is approved at the SGM by way of poll by the Independent Shareholders. SSII and its associates and parties acting in concert with it will abstain from voting on the proposed resolution in respect of the Special

Deal at the SGM. Any other Shareholders who are involved in or interested in the Special Deal or any transactions contemplated therein will abstain from voting on the proposed resolution in respect of the Special Deal at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive Directors, who have no direct or indirect interest in the Offer, namely Mr. Meng Gaoyuan, Mr. Liang Jilin and Mr. Cao Ping, has been established by the Board to make a recommendation to the Independent Shareholders as to, among others, whether the terms of the Special Deal are fair and reasonable and as to voting at the SGM. We have been appointed by the Company, pursuant to Rule 2.1 of the Takeovers Code and with the approval of the Independent Board Committee, to advise the Independent Board Committee with respect to the same.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any connection, financial or otherwise with the Group, Mr. Wong, the Offeror, SSII, or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, except the normal independent financial advisory fees paid or payable to us in connection with this appointment regarding the Special Deal and the Offer, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Offeror, SSII or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Special Deal pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have reviewed, amongst other things:

- (i) the information and facts contained, referred to in the SSII Term Loan Announcement, SSII Revolving Facility Announcement, the Independent Financing Announcement, the Joint Announcement and the Circular;
- (ii) the information supplied by the Directors and the management of the Group (collectively, the “**Management**”);
- (iii) the opinions expressed by and the representations of the Directors and the Management;

- (iv) the Company’s annual report for the year ended 31 December (“FY”) 2022 (the “**2022 Annual Report**”);
- (v) the Company’s interim report for the six months ended 30 June 2023 (the “**2023 Interim Report**”);
- (vi) the Company’s annual report for the year ended 31 December 2023 (the “**2023 Annual Report**”);
- (vii) the Sale and Purchase Agreement (including the principal terms of the Deed of Amendment as set out in the relevant appendix therein);
- (viii) the SSII Loan Agreements; and
- (ix) the Financing Agreement.

We have also discussed with and reviewed the information provided to us by the Company, the Management regarding the business and outlook of the Group.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive (i) at the time when they were provided; (ii) at the time they were made; or (iii) as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us and the contents of this letter after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code. Shareholders will also be informed of our opinion in relation to such material changes, if any, as soon as possible.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has 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 Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information (save for examining numerical figures and conducting cross-checking the relevant information, data and disclosures against the contents of our letter) provided by the Management, and nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular (including the relevant information concerning the Group provided by the Management set out in our letter) and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

This letter is issued to the Independent Board Committee solely in connection with and for their consideration of the Special Deal, 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 purpose without our prior written consent.

PRINCIPAL TERMS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regards to the Special Deal, we have taken into account the following principal factors and reasons:

1. Information of the Company

a. Principal activities of the Group

The Company is incorporated in Bermuda with limited liability. The Group, through its subsidiaries principally engages in businesses covering brokerage and margin financing, corporate finance, asset management and proprietary trading.

b. Historical financial information of the Company

The following is a summary of the financial results of the Group for each of FY2021, FY2022 and FY2023, as extracted from the 2022 Annual Report and the 2023 Annual Report:

Table 1: Highlights of the financial results of the Group

	FY2023	Audited	
	(HK\$'000)	FY2022	FY2021
		(HK\$'000)	(HK\$'000)
Revenue	31,192	(102,042)	129,633
— Brokerage	98	1,473	7,970
— Corporate finance	5,522	10,983	8,774
— Margin finance	5	810	4,803
— Net gain/(losses) from proprietary trading	25,567	(115,308)	108,086
Loss for the year attributable to the Shareholders	(15,943)	(241,138)	(63,786)

Sources: the 2022 Annual Report and the 2023 Annual Report

FY2023 vs FY2022

During FY2023, the revenue of the Group was approximately HK\$31.2 million, representing a significant turnaround from a loss of approximately HK\$102.0 million for FY2022. The increase in revenue was mainly due to the net gain from proprietary trading of approximately HK\$25.6 million during FY2023, in comparison to a net loss of approximately HK\$115.3 million during FY2022.

The Group recorded loss attributable to the Shareholders for FY2023 of approximately HK\$15.9 million, representing a significant reduction from the loss position of approximately HK\$241.1 million for FY2022, by approximately 93.4%. The decrease in the loss position of the Group for FY2023 was in line with the increase in revenue as abovementioned, which was mainly due to the Group continuing its investment strategy since the 2nd half of FY2022, strengthening its risk control management, and focusing on high-level fixed income investments and the Group sold fixed income securities to lock in profits when the respective prices recovered. As referred to the 2023 Annual Report, the Company had sold fixed income securities issued by: (i) Bi Hai Co., Ltd. (a subsidiary of Yunnan Provincial Investment Holdings Group Co., Ltd.) with a principal amount of US\$3,000,000 for approximately US\$2,809,969 in the open market; (ii) GF Financial Holdings BVI Ltd. (a subsidiary of GF Holdings (Hong Kong) Corporation Limited) with a principal amount of US\$2,650,000 for approximately US\$2,531,595 in the open

market; and (iii) Central Plaza Development Ltd. (a subsidiary of Beijing Capital Land Ltd.) with a principal amount of US\$5,500,000 for approximately US\$4,885,161 in the open market. The sale of fixed income securities ensued following 31 December 2023, the Company sold more notes with a combined principal amount US\$5,100,000 in January 2024.

Furthermore, as referred to in the 2023 Annual Report, in order to adapt to the market, the Company was focusing on controlling risks and reducing costs, actively introducing business teams and strategic investors, gradually adjusting its business structure and realising a comprehensive restructuring in 2023. In addition, as highlighted in the 2023 Annual Report, the Group, in order to enhance cost efficiency, has ceased the direct operation of futures and options business since December 2021 and has suspended the direct operation of brokerage business of “Securities Brokerage and Margin Business Segment” and discontinued the insurance brokerage business was discontinued in 2022, with a view to focusing existing resources on business strengths.

FY2022 vs FY2021

During FY2022, the revenue of the Group was a loss of approximately HK\$102.0 million, representing a significant deterioration from the positive revenue recorded of approximately HK\$129.6 million for FY2021. The significant decrease in revenue was mainly attributable to: (i) the net losses from proprietary trading of approximately HK\$115.3 million; (ii) the decrease in the revenue from brokerage segment from approximately HK\$8.0 million in 2021 to approximately HK\$1.5 million in 2022; and (iii) the decrease of revenue from margin finance from approximately HK\$4.8 million in 2021 to HK\$0.8 million in 2022.

The Group recorded loss attributable to the Shareholders for FY2022 of approximately HK\$241.1 million, representing a significant increase in its loss position of HK\$63.8 million for FY2021, by approximately 277.9%. The increase in the loss position of the Group for FY2022 was in line with the drop in revenue from the brokerage, margin finance and the net losses from proprietary trading, which was mainly due to the underwent perplexing fluctuations and continued weakness of the Hang Seng Index, geopolitical instability and the remaining impact brought by COVID-19 to the economies of both the PRC and Hong Kong.

The following is a summary of the financial positions of the Group as at 30 June 2023 and 31 December 2023, as extracted from the 2023 Interim Report and the 2023 Annual Report:

Table 2: Highlights of the financial positions of the Group

	Audited	Unaudited
	As at	As at
	31 December	30 June
	2023	2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Non-current assets	913	1,301
— Fixed assets	613	901
— Other non-current assets	300	400
Current assets	708,804	720,673
— Financial assets at fair value through profit or loss	99,090	317,306
— Accounts receivable	678	12,108
— Prepayments, other receivables and other assets	5,072	3,836
— Cash and bank balances	603,964	387,423
Current liabilities	746,794	748,669
— Bonds payable	722,422	723,841
— Other payables and accrued charges	15,163	15,382
— Provisions	9,209	9,446
Net liabilities attributable to the Shareholders	(37,077)	(26,695)

Sources: the 2023 Interim Report and the 2023 Annual Report

The non-current assets of the Group were mainly comprised of fixed assets and other non-current assets. The total non-current assets experienced a decrease of approximately 30.8% from approximately HK\$1.3 million as at 30 June 2023 to approximately HK\$0.9 million as at 31 December 2023, which was primarily attributable to the decrease in fixed assets by approximately HK\$0.3 million.

The current assets of the Group mainly consisted of cash and bank balances, financial assets at fair value through profit or loss (“FAFVTPL”), accounts receivable, prepayments, other receivables and other assets. The total current assets slightly decreased from approximately HK\$720.7 million as at 30 June 2023 to approximately HK\$708.8 million as at 31 December 2023, which was due to the decrease in FAFVTPL as a result of the sale of fixed income securities.

The major components of the current liabilities of the Group as at 31 December 2023 were bonds payable, other payables and accrued charges, provisions and lease liabilities. As at 31 December 2023, the current liabilities stood at approximately HK\$746.8 million which mainly represented the payable balance of the USD Bonds. Details of the USD Bonds are set out below.

USD Bonds

On 9 February 2021, the Group issued the USD Bonds with an aggregate principal amount of US\$178,000,000 due on 9 February 2024 which bear a fixed interest rate of 4.00% per annum and listed on the Stock Exchange (previous bond stock code: 40594). The USD Bonds were guaranteed by SWSC, the ultimate holding company of the Company and the sole shareholder of SSII. Interest on the USD Bonds was payable semi-annually in arrears. As disclosed in circular dated 10 February 2021 in relation to the USD Bonds, a deed of guarantee had been executed by SWSC (as the guarantor) and the trustee relating to the USD Bonds. According to the terms of the deed of guarantee, SWSC as the guarantor is obligated to and shall unconditionally and irrevocably guarantee the due and punctual payment of all sums expressed to be payable by the Company under the USD Bonds and the trust deed. Since the issuance of the USD Bonds, the Company had repurchased and subsequently cancelled various portions of the USD Bonds, representing approximately 48.0% of the initial aggregate principal amount of the USD Bonds. During FY2022, the Company completed the repurchase of a portion amounting to US\$75.5 million of the USD Bonds and during FY2023, the Company completed the repurchase of yet another US\$10 million worth of the USD Bonds. As referred to in the Letter from the Board, the USD Bonds have been fully repaid by the Company upon maturity in February 2024. Following such repayment, the cash and bank balances as well as the fixed income securities accounted for as the FAFVTPL are expected to be exhausted, while a new payable balance would be recorded in relation to the drawdown of the SSII Loan.

Gearing ratio

The gearing ratios of the Group (ratio(s) of total borrowings to the total equity of the Group) were approximately 1,948.4% in 31 December 2023 and approximately 2,711.5% in 30 June 2023. Given that the USD Bonds have been fully repaid by the Company upon maturity in February 2024, the gearing ratio of the Group is expected to revert to nil and be recomputed in the future.

Net liabilities

Based on above, the net liabilities attributable to the Shareholders as at 31 December 2023 amounted to approximately HK\$37.1 million, representing an increase of approximately 39.0% as compared to the net liabilities attributable to the Shareholders as at 30 June 2023 of approximately HK\$26.7 million.

c. Prospects of the Group

As referred to in the 2023 Annual Report, the global economy saw a mix of opportunities and challenges in 2023 as it transitioned towards normalcy, with the PRC's economy thriving but facing weak manufacturing and trade recovery. Central banks in the United States and Europe raised interest rates, causing regional divergence in stock markets globally, while emerging markets struggled due to tight financial conditions and sluggish demand. Meanwhile, Hong Kong experienced economic improvement driven by tourism and local demand, and with measures introduced to support citizens and businesses. Despite concerns over the global economic outlook, Hong Kong's stock market showed volatility, with the Hang Seng Index fluctuating throughout 2023 due to uncertainties in the global markets.

Further, according to the 2023 Annual Report, the Company mentioned that the PRC has actively advanced the two-way openness of its capital market in recent years, emphasising deeper systematic integration. Initiatives like the Shanghai-Shenzhen-Hong Kong Stock Connect have broadened the range of interconnected stocks. The Shanghai-London Stock Connect mechanism has been enhanced, now encompassing the Shenzhen Stock Exchange and other overseas markets. With established rules for domestic enterprises listing overseas, regulatory cooperation has improved, leading to a more open capital market. Amid the PRC's heightened market openness, the link between international and domestic markets is strengthening.

Moreover, as disclosed in the 2023 Annual Report and as discussed in section below, the operation of the brokerage and margin financing business and the corporate finance business, being the primary business operations of the Company had significantly scaled down and had been loss-making in recent years. Although the Company considers that the reforms introduced by the Stock Exchange during 2023 are expected to have a positive impact in 2024, the recovery of the Hong Kong stock market will also depend on regaining investor confidence and the economic recovery of the PRC. Currently, the Company is focusing on controlling risks and reducing costs, actively introducing business teams and strategic investors, gradually adjusting business structure and realising a comprehensive restructuring, with a view to seizing the opportunity of the market rebound to enhance its profitability and overall competitiveness.

d. Going Concern Issue

We note that the Company received an unqualified audit opinion on the Group's consolidated financial statements for FY2023 as set out in the 2023 Annual Report. However, the auditor of the Company, SHINEWING (HK) CPA Limited (the "**Auditor**"), has drawn the attention of the readers of the 2023 Annual Report indicating that a material uncertainty existed that might cast doubt on the Group's ability to continue as a going concern (the "**Going Concern Issue**") pointing to the financial conditions that the Group has reported (i) a consolidated loss of approximately HK\$15.9 million for FY2023; (ii) net current liabilities of approximately HK\$38.0 million as at 31

December 2023; and (iii) a capital deficiency of approximately HK\$37.1 million as at 31 December 2023. The Auditor explained that the liabilities and deficiency were primarily due to the outstanding balance of the USD Bonds of approximately HK\$722.4 million due for repayment on 9 February 2024, while the Group's cash and bank balances stood at approximately HK\$604.0 million as at 31 December 2023.

As set out in the corporate governance report (the “**2023 Corporate Governance Report**”) enclosed in the 2023 Annual Report, it was stated that in the preparation of the Group's consolidated financial statements for FY2023, the Directors had considered the on-going cash flow situation and the continuous financial support that might have from SSII covering a period of not less than twelve months from 31 December 2023 and have given careful consideration to the Group's future liquidity and performance and its available sources of financing to resolve the Going Concern Issue.

In the 2023 Corporate Governance Report, the Directors have cited that they have taking into account the following considerations, before preparing the Group's consolidated financial statements for FY2023 on a going concern basis to resolve the Going Concern Issue:

- (i) subsequent to the end of the FY2023 reporting period, on 9 February 2024, the USD Bonds were fully settled with the proceeds from the disposal of all the Group's FAFVTPL of approximately HK\$99.0 million and the SSII Term Loan Agreement;
- (ii) the repayment of the SSII Term Loan Agreement could be negotiated and further agreed upon in writing as stipulated in the SSII Term Loan Agreement, if necessary; and
- (iii) as of the date on which the Group's consolidated financial statements for FY2023 are being approved by the Directors, SSII also provided a written letter to the Company to confirm its intention to provide adequate financial support to ensure that the Group has sufficient working capital to maintain its operations until 30 June 2025.

The Directors also explained that notwithstanding the above, material uncertainties exist that may cast significant doubt on the Group's ability to continue as going concern, which depends on (i) the financial ability of SSII (being the controlling shareholder of the Company) to ensure the Group is able to continue as a going concern and has sufficient working capital for the Group's requirements till 30 June 2025; and (ii) the final settlement date of the shareholders' loan as further mutually agreed upon with SSII, if necessary.

If the Group fails to meet the abovementioned measures, it might not be able to continue in business as a going concern and adjustments to assets and liabilities of the Group may be needed to address the Going Concern Issue.

e. LRC Decision, Suspension and Resumption Guidance

On 15 September 2023, the Company received a letter from the Stock Exchange notifying the Company of the decision of the Listing Division of the Stock Exchange that the Company has failed to maintain a sufficient level of operations and assets of sufficient value as required under Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares. The Company subsequently requested both the Listing Committee as well as the Listing Review Committee of the Stock Exchange to review the relevant decisions made by the Listing Division and the Listing Committee of the Stock Exchange, respectively. On 18 March 2024, the Company received a letter from the Listing Review Committee of the Stock Exchange notifying that it, having considered all submissions (both written and oral) made by the Company and the Listing Division, was of the view that the Company failed to maintain a sufficient level of operations and assets as required under Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares and decided to uphold the relevant subsequent decisions to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules (the “**LRC Decision**”). It was worthwhile noting that the Listing Review Committee of the Stock Exchange noted that many of the Company’s plans depended on the completion of the Sale and Purchase Transactions, the completion of which as of the time of the hearing to arrive at the LRC Decision remained uncertain, and, further business to be introduced by and generated from the Mr. Wong which had not yet materialised and the full impact of which on the Company’s business remained uncertain. For details of the relevant decisions made by the Listing Division, the Listing Committee and the Listing Review Committee of the Stock Exchange, please refer to the announcements of the Company dated 7 September 2023, 9 November 2023 and 19 March 2024.

In light of the LRC Decision, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 4 March 2024 (the “**Suspension**”) and remained suspended as at the Latest Practicable Date.

On 25 March 2024, the Company received a letter from the Stock Exchange setting out the following guidance for the resumption of trading in the Shares on the Stock Exchange (the “**Resumption Guidance**”): (i) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; and (ii) inform the market of all material information for the Shareholders and investors to appraise the Company’s position. The Company must meet all the Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in its securities is allowed to resume. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 3 September 2025. If the Company fails to remedy the issues causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its Shares by 3 September 2025, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company’s listing.

As set out in the announcement of the Company dated 27 June 2024 in relation to the quarterly update on the Company’s resumption status (the “**First Quarterly Update Announcement**”), it has been the common goal of the Company and Mr. Wong to improve the business and financial performance of the Group so as to comply with Rule 13.24 of the Listing Rules. Mr. Wong is expected to introduce new business opportunities and engagements to the Group and revitalise the Company’s businesses with a particular focus on the corporate finance and asset management segments. Furthermore, as stated in the First Quarterly Update Announcement, the Company believes that with the support from Mr. Wong, it will be able to more effectively implement its resumption plan and demonstrate the viability and sustainability of its business operations. The Company is of the view that with the successful implementation of the resumption plan, the Company’s business operation and financial performance will record a significant improvement thereby enabling the Company to comply with the Rule 13.24 of the Listing Rules and fulfil the Resumption Guidance.

f. Our assessment

After going through testing times during the past few years, we note the Group is heading towards a crossroad with challenges presented by the Going Concern Issue and the Resumption Guidance, which in our view, are essentially the same set of hardship besetting the Group. We note however the Group does not sit idly by and has been proactively overcoming the relevant challenges by restructure its assets and liabilities and paying off significant debts while implementing other cost reduction and rationalisation measures. Following the repayment of the USD Bonds, at the center of the resumption plan is the Sale and Purchase Transactions with the introducing of Mr. Wong and his resources and networks to help reinvigorate and instill new dynamics to the Group.

Independent Shareholders should note that the introduction of Mr. Wong as the new controlling shareholder of the Company is subject to Completion, which is in turn conditional upon, among others, the consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code having been obtained (i.e. Sale and Purchase Condition (iv)) and the passing of the necessary ordinary resolution by the Independent Shareholders at the SGM, namely with more than 50% of the votes cast by all Independent Shareholders who had attended the SGM in person or by proxy, to approve the Repayment of SSII Loan (i.e. Sale and Purchase Condition (v), together with Sale and Purchase Condition (iv), the “**Special Deal Conditions**”). If the consent from the Executive is not obtained or the relevant resolution is not passed, the Special Deal will not proceed, and the Sale and Purchase Transactions will not complete. Consequently, the Company may need to explore alternative resumption plan(s) to meet the Resumption Guidance and to resolve the Going Concern Issue.

2. SSII Loan Agreements and repayment of the USD Bonds

As referred to in the SSII Term Loan Announcement, on 31 January 2024, the Company had announced that SSII, being the immediate controlling Shareholder and the wholly-owned subsidiary of SWSC, had entered into the SSII Term Loan Agreement with the Company. Pursuant to the SSII Term Loan Agreement, the Company may drawdown no more than HK\$120,000,000 or equivalent from SSII on 1 February 2024, being the drawdown date for the purpose of repayment of debts arising from the USD Bonds. The SSII Term Loan is unsecured, unguaranteed, interest bearing at fixed rate of 6.1475% per annum and repayable on or before 31 December 2024. We understood from the Management that the entire loan amount of HK\$120,000,000 has been drawn down together with the Group’s cash and bank balances amounted to approximately HK\$603,964,000 as at 31 December 2023 to repay the USD Bonds.

As referred to in the SSII Revolving Facility Announcement, on 28 March 2024, SSII and the Company had further entered into the SSII Revolving Facility Agreement, pursuant to which, the Company shall be entitled to drawdown a maximum of HK\$25,000,000 or equivalent from the SSII Revolving Facility, to provide general working capital in supporting the daily operation of the Group. The SSII Revolving Facility is unsecured, unguaranteed, interest bearing at fixed rate of 6.18774% per annum and repayable on or before 31 December 2024. We understood from the Management that the SSII Loan amount of HK\$125,349,324.28 has been drawn down up to and including the Latest Practicable Date, and the amount of interest payable by the Company to SSII as of the Latest Practicable Date is HK\$3,609,272.41.

As advised by the Management, SWSC was obligated to fulfil its guarantee responsibilities for the USD Bonds and the assets of the Company were insufficient to cover the repayment of the USD Bonds, necessitating SWSC to act and address the possible default risk vis a vis the USD Bonds. Additionally, challenges in cross-border fund transfers may arise due to regulatory requirements and the defaulting on the USD Bonds will potentially lead to negative public opinion on both the Company and SWSC. Therefore, SWSC proactively sought to address the possible risk of defaulting on the USD Bonds by extending the SSII Loan to the Company.

Furthermore, as advised by the Management, the Company had considered other alternative financing and its internal resources to satisfy the repayment of the USD Bonds and working capital needs. Given the current loss-making and net liability position of the Group, we concur with the Directors' view that it was challenging for the Company to obtain debt financing without incurring high interest rates and fixed assets as collateral to the relevant borrowing. Furthermore, the Management advised that as the cash and cash balances of the Licensed Corporations are restricted under the Securities and Futures (Financial Resources) Rules and form the backbone of the business operation of the Group, the Company was unable to freely utilise such resources to repay the USD Bonds in February 2024.

Pursuant to the terms of the SSII Term Loan Agreement and the SSII Revolving Facility Agreement, the Company shall, unless otherwise agreed by SSII and the Company in writing, repay the entire principal amount and the corresponding interest under each of the SSII Term Loan Agreement and the SSII Revolving Facility Agreement to SSII on or before 31 December 2024, being the final repayment date. Should Completion shall take place later than 31 December 2024, it is the intention of SSII, being the lender of the aforesaid SSII Loan, to extend the final repayment date in respect of the SSII Loan to 30 June 2025 (and in any event no later than the expected Completion Date).

We regard the loan transactions under the SSII Loan Agreements to be arm's length transactions which carried normal commercial terms or better that were entered into at the relevant times to facilitate the timely repayment of the USD Bonds by the Company.

Given the USD Bonds have been fully repaid by the Company in February 2024, we further understood from the Management that the only material outstanding borrowing of the Group as at the Latest Practicable Date was the SSII Loan, particularly the SSII Term Loan. As of the Latest Practicable Date, the Company had made drawdown from the SSII Term Loan Agreement and the SSII Revolving Facility Agreement in the total amount of approximately HK\$125,349,324.28 or equivalent, and the amount of interest payable by the Company to SSII as of the Latest Practicable Date is HK\$3,609,272.41. As of the Latest Practicable Date, other than the SSII Term Loan Agreement and the SSII Revolving Facility Agreement, no other loan agreement had been entered into between the Company as the borrower and SSII as the lender.

3. Information of the Independent Financing and the Repayment of SSII Loan

a. Terms of the Financing Agreement

As referred to in Letter from the Board, the Company (as the borrower) and the Independent Lender had entered into the Financing Agreement on 2 July 2024. Pursuant to the terms of the Financing Agreement, the Independent Lender shall, subject to the fulfilment of the following the Advance Conditions as set out in the table below, offer a term loan in the amount of HK\$70,000,000 to the Company. The principal terms of the Financing Agreement, which has been disclosed in the Joint Announcement dated 21 June 2024 and announcement of the Company dated 2 July 2024, are summarised as follows:

Date:	2 July 2024
Parties:	The Company (as the borrower) The Independent Lender (as the lender)
Facility amount:	HK\$70,000,000
Interest rate:	15% per annum
Purpose:	Solely for the purpose of repayment of the SSII Loan
Conditions precedent:	The grant of the Independent Financing under the Financing Agreement is conditional upon the fulfilment of the following the Advance Condition(s): (i) The SFC granting approval to Mr. Wong in becoming a substantial shareholder of the Company and the Licensed Corporations, as a result of the acquisition of the Sale Shares; (ii) The consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code having been obtained;

- (iii) The Independent Financial Adviser having issued the opinion that the Special Deal is of normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the passing of the necessary ordinary resolution by the Independent Shareholders at a special general meeting, namely with more than 50% of the votes cast by all Independent Shareholders who had attended the SGM in person or by proxy, to approve the Repayment of SSII Loan;
- (iv) Mr. Wong, SSII and the Group having obtained all the necessary approvals, consents (and/or if necessary, waivers) from the relevant governmental or regulatory authorities (including but not limited to Chongqing SASAC, Chongqing CSRC and CSRC) and/or the relevant written consent of other third parties (including the banks) in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (v) If necessary, SWSC having convened a general meeting and obtained the approval from its shareholders in respect of the transactions contemplated under the Sale and Purchase Agreement.

Under the Financing Agreement, the Company and the Independent Lender have further acknowledged and agreed that there are no other conditions precedent (implied or otherwise) to the obligation of the Independent Lender to make the Independent Financing on the Drawdown Date other than the Advance Conditions.

Notwithstanding any other provision of the Financing Agreement, during the availability period, the Independent Lender shall not, and shall not be entitled to:

- (i) invoke any other conditions precedent which is not set out in the Financing Agreement as a ground for refusing to make the Independent Financing other than the Advance Conditions;
- (ii) cancel all or any part of the Independent Financing;
- (iii) rescind, terminate or cancel the Financing Agreement or the Independent Financing or exercise any similar right or remedy or make or enforce any claim under the Financing Agreement or otherwise that it may have;
- (iv) refuse to fund, or prevent or limit or delay, the making of the Independent Financing if the Advance Conditions are satisfied;
- (v) exercise any right of set-off or counterclaim in respect of any disbursement under the Independent Financing; or
- (vi) cancel, accelerate or cause repayment or prepayment of any amounts owing under the Financing Agreement.

Security:

None

Availability period:

From the date of the Financing Agreement to the date on which the Sale and Purchase Agreement is lapsed or terminated (and if such date is not a bank business day, the first bank business day immediately after the date on which the Sale and Purchase Agreement is lapsed or terminated).

Drawdown: The Company may submit a drawdown notice to the Independent Lender within five business days commencing from the date on which all the Advance Conditions are satisfied (or, if applicable, waived) to make a one-time drawdown of the fund available under the Independent Financing.

Repayment and prepayment: The Company shall repay the entire principal amount and the corresponding interest to the Independent Lender on or before the Final Repayment Date.

Upon prior consent of Independent Lender, the Company may from time to time prepay all or any portion of the Independent Financing, including interest accrued up to the date of prepayment on the amount prepaid and any other amount then payable under the Financing Agreement.

b. Utilisation of the Independent Financing to repay the SSII Loan

To facilitate the Repayment of SSII Loan, it has been agreed between SSII and Mr. Wong, as a Sale and Purchase Condition (i.e. Sale and Purchase Condition (iii)), that Mr. Wong shall procure the Independent Lender to enter into the Financing Agreement with the Company within seven business days after the execution of the Sale and Purchase Agreement to provide, in accordance with the terms of the Financing Agreement, the Independent Financing to the Company within five business days upon fulfilment of each of the Sale and Purchase Conditions (i), (ii), (iv), (v), (vi) and (vii), and the Company having received the Independent Financing.

Accordingly, it was a material term as agreed between the Company (as the borrower) and the Independent Lender (as the lender and as procured by the Offeror) that the purpose of the Independent Financing shall be designated solely for the Repayment of SSII Loan.

On 2 July 2024, the Financing Agreement had been entered into between the Company (as the borrower) and the Independent Lender (as the lender). Once each of the Sale and Purchase Conditions (i), (ii), (iv), (v), (vi) and (vii) (which mirrors with the Advance Conditions) have been fulfilled, the Independent Lender shall be obligated to advance the Independent Financing to the Company in accordance with the terms of the Financing Agreement. Once the Independent Financing is received by the Company, the Sale and Purchase Condition (iii) is considered fulfilled.

c. Settlement of the SSII Loan Balance

As disclosed therein, pursuant to the terms of the Sale and Purchase Agreement, Mr. Wong has made a specific post-completion undertaking to SSII that subject to:

- (a) the consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code having been obtained;
- (b) the passing of the necessary ordinary resolution by the Independent Shareholders at a special general meeting, namely with more than 50% of the votes cast by Independent Shareholders who had attended the SGM in person or by proxy, to approve the Repayment of SSII Loan; and
- (c) SSII having discharged the repayment obligation of the Company in respect of the SSII Dischargeable Balance,

Mr. Wong shall procure the Company to repay the SSII Loan Balance within six months after the Completion Date (in any event no later than 30 June 2025).

For illustration:

SSII Loan Balance is calculated in accordance with the formula as follows:

SSII Loan Balance = SSII Loan (inclusive of the corresponding interests) –
Independent Financing – SSII Dischargeable Balance

SSII Loan

As of the Latest Practicable Date, the outstanding balance of the SSII Loan was approximately HK\$129 million (of which comprising (i) HK\$120.0 million or equivalent drawn down from SSII Term Loan Agreement, (ii) approximately HK\$5.4 million or equivalent drawn down from the SSII Revolving Facility Agreement, and (iii) approximately HK\$3.6 million or equivalent being the corresponding interests payable as of the date of the Latest Practicable Date pursuant to the terms of SSII Term Loan Agreement and SSII Revolving Facility Agreement).

The Company may, depending on its general working capital need, further draw down the entire or part of the remaining facility amount of approximately HK\$19,650,675.72 or equivalent from the SSII Revolving Facility Agreement as of the Latest Practicable Date.

Independent Financing

Pursuant to the terms of the Financing Agreement, the amount of Independent Financing that may be drawn down from the Financing Agreement upon satisfaction or waiver of all Advance Conditions is HK\$70,000,000.

SSII Dischargeable Balance

SSII Dischargeable Balance shall be a balance to be ascertained between the Company and SSII before the Completion Date, whereby the Deed of Amendment in respect of the SSII Loan shall be entered into between the Company (as the borrower under the SSII Term Loan Agreement and the SSII Revolving Facility Agreement) and SSII (as the lender under the aforesaid agreements), pursuant to which SSII shall unequivocally discharge, prior to the Completion Date, the obligation of the Company to repay part of the principal sum and the corresponding interest under the SSII Term Loan Agreement and the SSII Revolving Facility Agreement, in the amount to be calculated by deducting (a) the SSII Loan and the interests thereof with (b) the balance of the restricted capital of the Licensed Corporations as of the Completion Date pursuant to Securities and Futures (Financial Resources) Rules and the requirement of the SFC (the “**Regulatory Balance**”).

For illustration:

$$\text{SSII Dischargeable Balance} = \text{SSII Loan (inclusive of the corresponding interests)} - \text{the Regulatory Balance}$$

Balance of the restricted capital of the Licensed Corporations

“The balance of the restricted capital of the Licensed Corporations as of the Completion Date pursuant to Securities and Futures (Financial Resources) Rules and the requirement of the SFC (i.e. the Regulatory Balance)” refers to the aggregate cash balance expected to be held by the Licensed Corporations, namely SWS Asset Management, SWS Brokerage, SWS Capital and SWS Futures, as of the Completion Date. As of the Latest Practicable Date, the amount of cash balance held by the Licensed Corporations in total was approximately HK\$80 million.

Furthermore, the Company is in the process of recovering approximately HK\$20 million from an ongoing litigation dispute between SWS Brokerage and an individual concerning recovery of outstanding margin loan. It is also expected that the Licensed Corporations would generate net cash income of around HK\$5 million from business operations and other litigation settlements prior to Completion. Accordingly, the approximate balance of restricted capital as of the Completion Date is estimated to range from approximately HK\$100 million to HK\$105 million.

Having considered the above and assuming no further drawdown from the SSII Revolving Facility Agreement prior to the Completion Date, the approximate amount for the SSII Dischargeable Balance is estimated in the range of:

HK\$129 million – HK\$100 million = HK\$29 million

to

HK\$129 million – HK\$105 million = HK\$24 million

Accordingly, it is estimated that immediately prior to the Completion Date, the SSII Loan Balance, calculated by deducting the SSII Loan and the interests thereof of approximately HK\$129 million with (a) the Independent Financing of HK\$70 million and (b) the estimated range of the SSII Dischargeable Balance as set out above, shall be in the range of HK\$30 million to HK\$35 million.

d. Principal terms of the Deed of Amendment

As stated in the Letter from the Board, the principal terms of the Deed of Amendment, which is expected to be entered into between SSII (as the lender), the Company (as the borrower) and Mr. Wong (as the guarantor) before the Completion Date, are as follows:

Partial discharge

SSII (as the lender) agrees to partially discharge the Company (as the borrower) from the principal and corresponding interest that should be repaid according to the SSII Loan Agreements signed by both parties from the date of this Sale and Purchase Agreement up to the Completion Date that are entered into for the purpose of maintaining the daily operations of the Group, so that as of the date of signing the Deed of Amendment, the amount the Company (as the borrower) should repay or pay to SSII (as the lender) shall become an amount equivalent to the SSII Loan Balance.

Guarantee by the Offeror

Mr. Wong (as the guarantor) agrees to unconditionally and irrevocably guarantee to SSII (as the lender) from the date of signing the Deed of Amendment that the Company (as the borrower) will properly and timely perform all its responsibilities and obligations under the SSII Loan Agreements and the Deed of Amendment, and to cause the Company (as the borrower) to repay the SSII Loan Balance to SSII within six months after the Completion Date (and in any case no later than 30 June 2025). Should the Company fail to properly and timely perform any responsibility or obligation, Mr. Wong as the guarantor must immediately perform such responsibilities and obligations of the Company upon SSII's request and ensure the Company's responsibilities and obligations are fulfilled.

Default interest in the event of failure by the Company to repay the SSII Loan Balance

If the Company fails to repay the SSII Loan Balance within six months after the Completion Date (and in any case no later than 30 June 2025) according to the terms of the Deed of Amendment, the Company shall additionally pay default interest on the overdue unpaid amount. The interest rate for overdue interest will be the Hong Kong Interbank Offered Rate (HIBOR) plus one percent, calculated daily until the overdue amount and interest are paid in full, from the due date of the overdue payment until the actual payment date.

e. Our assessment

We have obtained and reviewed the Financing Agreement and the principal terms of the Deed of Amendment (being an annexure to the Sale and Purchase Agreement), which are consistent with the disclosure above. As advised by the Management, the principal terms of the Financing Agreement, including the interest rates applicable, were arrived at after arm's length negotiations between the Company and the Independent Lender having taken into account the prevailing market interest rates and practices.

Independent Shareholders should note that the fixed interest rates of the unsecured and unguaranteed SSII Loan Agreements were in the range of 6.1475% to 6.18774% per annum while the Independent Financing carries a fixed interest rate of 15% per annum. Given the difficult circumstances of the Group, we understood from the Management,

such interest rate from the Independent Financing can be considered the only available benchmark from the market. SSII in fact provided the much-needed financing to the Group as early as in February 2024 to assist the Group to pay down the USD Bonds in a timely manner, whereas the Independent Financing was secured in July 2024, nearly five months after the maturity of the USD Bonds. In addition, SSII (as the lender) has agreed to partially discharge the Company (as the borrower) from the principal and corresponding interest that should be repaid according to the SSII Loan Agreements signed by both parties from the date of the Sale and Purchase Agreement up to the Completion Date that are entered into for the purpose of maintaining the daily operations of the Group, so that as of the date of signing the Deed of Amendment, the amount the Company (as the borrower) should repay or pay to SSII (as the lender) shall become an amount equivalent to the SSII Loan Balance. The entire commercial arrangement which will end with the Repayment of SSII Loan can be seen as SSII's goodwill towards to the Group during the transitional period of the Sale and Purchase Transactions to provide the bridging loan (i.e. the SSII Loan) to the Company to pay down the USD Bonds so as to mitigate the default risks of the USD Bonds until the Group receives financings arranged by Mr. Wong (i.e. the Independent Financing) to refinance such bridging loan following Completion.

We regard the loan transactions under the Financing Agreement to be arm's length transactions which carried normal commercial terms or better that were entered into at the relevant times to facilitate the repayment of a part of the SSII Loan by the Company on a dollar-to-dollar basis following Completion. We also regard the repayment of the SSII Loan Balance, being the remainder of the SSII Loan following a partial discharge pursuant to the Deed of Amendment and on a dollar-to-dollar basis, to be arm's length transactions which carried normal commercial terms or better to enable the repayment of the SSII Loan Balance by the Company within six months after the Completion Date.

4. Alternative financing to repayment of the USD Bonds

As informed by the Management, prior to the entering into the SSII Loan Agreements and the Financing Agreement, the Company has explored other financing alternatives such as debt financing, rights issue, open offer or internal cash resources of the Group, if appropriate and taking into consideration the then financial position, capital structure and cost of funding of the Group. Back in December 2023, the Company had reached out to other financial institutions to discuss on bank loan to meet the needs of repayment of the USD Bonds, however after discussions, the other financial intuitions concluded that they are unable to provide borrowing due to the loss-making position of the Company and the lack of fix assets as a collateral.

Furthermore, as advised by the Management, SSII and Mr. Wong had been in talks for the sale of the Sale Shares since the end of 2022, therefore any new Share issuances during the Offer Period would need Mr. Wong's consent. In addition, rights issue or open offer may also involve substantial time and cost to complete as compared to obtaining a

shareholder's loan. Although rights issue and open offer would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, lengthy discussion with potential commercial underwriters may be required and the Company had an urgent need to repay the USD Bonds by the maturity date (i.e. 9 February 2024). In addition, carrying out rights issue and open offer may incur certain transaction costs such as underwriting commission and involve extra administrative work and cost. Furthermore, due to the suspension of trading in the Shares since 4 March 2024, rights issue and open offer had become difficult and shall require further consent from regulatory authorities.

Based on the above, we concur with the Directors' view that the entering into the SSII Loan Agreements and subsequently the Independent Financing provides the Company a simpler financing alternative with less negotiation time process, as well as the Company do not need to provide guarantee and/or collateral. Further, given the current financial position of the Group and the high gearing ratio, it is extremely difficult for the Company to obtain debt financing with financial institutions without incurring unfavourable terms such as high interest rates and tightened collateral requirements.

5. Reasons for and benefits of the Special Deal

As referred to in the Letter from the Board, the Special Deal, which refers to the obligation of the Company (as the borrower) to repay, in accordance with the terms of the SSII Loan Agreements and the proposed Deed of Amendment, to SSII (as the lender and the controlling shareholder of the Company) the SSII Loan by utilising the Independent Financing and by the internal resources of the Company, is an integral part of the Sale and Purchase Transactions.

The settlement of a portion of the SSII Loan following Completion and the settlement of the SSII Loan Balance within six months after the Completion Date are on a dollar-to-dollar basis. SSII, being the only major debtor to the Group as at the Latest Practicable Date, have been extending its goodwill to the Group by providing the much-needed financing to the Group to fund the repayment of the USD Bonds in February 2024. SSII will also partially discharge the indebtedness under the SSII Loan Agreements through the entering into of the Deed of Amendment. The Repayment of SSII Loan, in this context, is about honoring the repayment obligation as set out in the relevant SSII Loan Agreements and not extending any favourable conditions to SSII.

The Sale and Purchase Transactions, the completion of which is conditional upon, among others, the Special Deal Conditions as discussed in the sub-section above. If the consent from the Executive is not obtained; or the relevant resolution is not passed, the Special Deal will not proceed, and the Sale and Purchase Transactions will not complete.

Based on the discussions in the sub-section above, we concur with the Directors' view that as the Special Deal forms an integral part of the Sale and Purchase Transactions, that consent from the Executive is determinant to the completion of the Sale and Purchase Transactions, the proposed change of control of the Company, and the

possible eventual resumption of trading in the Shares on the Stock Exchange upon change of control, which will be vital as part of the process of fulfilling the Resumption Guidance and resolving the Going Concern Issue. The reason why we state that the Special Deal is part of the process of fulfilling the Resumption Guidance and resolving the Going Concern Issue is because it remains unknown whether Mr. Wong will be able to turn around the business of the Group and to do so before the 3 September 2025, being the deadline for the Resumption Guidance. But it can be viewed as a positive critical step towards fulfilling the Resumption Guidance.

In fact, the Independent Shareholders should also be aware that the Special Deal along with Completion can also be regarded as the precursors to the Offer, should the Company fail to attain the Special Deal Conditions, Completion will not take place and the Offer will not be made. As the Shares are currently under the Suspension, and without opining on the fairness and reasonableness of the Offer (which would be set out in a separate opinion letter to be issued by us to the Independent Board Committee as and when a composite offer and response document of the Offer is to be despatched), the Offer can be viewed as a valuable exit opportunity for those Independent Shareholders who intend to dispose of the Shares held by them during the period of the Suspension.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular:

- (i) following a full repayment of the USD Bonds in February 2024, the Group is racing against time, by 3 September 2025, to restructure and reinvigorate its business operations as to fulfil the Resumption Guidance and to resolve the Going Concern Issue;
- (ii) the Company believes that with the support from Mr. Wong, it will be able to more effectively implement its resumption plan and demonstrate the viability and sustainability of its business operations. The Company is of the view that with the successful implementation of the resumption plan, the Company's business operation and financial performance will record a significant improvement thereby enabling the Company to comply with the Rule 13.24 of the Listing Rules and fulfil the Resumption Guidance;
- (iii) the introduction of Mr. Wong as the new controlling shareholder of the Company is subject to Completion and the Special Deal is an integral part of the Sale and Purchase Transactions and the Special Deal is in turn subject to the Special Deal Conditions;
- (iv) should the Company fail to attain the Special Deal Conditions, Completion will not take place and therefore the Offer will not be made, the Independent Shareholders may lose a valuable opportunity to dispose of the Shares held by them during the period of the Suspension;

- (v) given the current financial conditions of the Group, it had explore various alternative financing sources but was unable to obtain financing more favorable than the entering into the SSII Loan Agreements for the timely repayment of the USD Bonds in February 2024;
- (vi) the entire commercial arrangement which will end with the Repayment of SSII Loan can be seen as SSII's goodwill towards to the Group during the transitional period of the Sale and Purchase Transactions to provide the bridging loan (i.e. the SSII Loan) to the Company to pay down the USD Bonds so as to mitigate the default risks of the USD Bonds until the Group receives financings arranged by Mr. Wong (i.e. the Independent Financing) to refinance such bridging loan following Completion;
- (vii) the loan transactions under the SSII Loan Agreements and the Financing Agreements are arm's length transactions and are on normal commercial terms or better to the Company;
- (viii) the Repayment of SSII Loan is on a dollar-to-dollar basis and would follow a partial discharge pursuant to the Deed of Amendment; and
- (ix) the Repayment of SSII Loan, is about honoring the repayment obligation as set out in the relevant SSII Loan Agreements and not extending any favourable conditions to SSII,

we consider that the Special Deal in relation to the Repayment of SSII Loan is an arm's length transaction on normal commercial terms and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM to approve the Special Deal in relation to the Repayment of SSII Loan.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director



Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Mr. Cheung has over 16 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.