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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Virtual Mind Holding Company Limited** (the “Company”), you should at once hand this circular together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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# Virtual Mind Holding Company Limited 天機控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1520)

## PROPOSED SHARE CONSOLIDATION AND CONNECTED TRANSACTIONS IN RELATION TO (1) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND (2) SALE AND PURCHASE OF SHARES UNDER SHARES TRANSFER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



紅日資本有限公司

RED SUN CAPITAL LIMITED

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Capitalised terms used in this cover page shall have the same meanings as defined in this circular.

A notice convening the EGM to be held at Room 2511-15, 25/F, Peninsula Tower, 538 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 11:00 a.m. on Monday, 18 November 2024, or in the event that a black rainstorm warning is issued, or typhoon signal no. 8 or above is hoisted, or “extreme conditions” are announced by the government of Hong Kong at or any time between 9:00 a.m. and 11:00 a.m. or remain in force in Hong Kong, at the same time and place on the second Business Day after Monday, 18 November 2024 or any adjournment thereof, is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

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## DEFINITIONS

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

“Announcements”	the announcements of the Company dated 10 October 2024 and 23 October 2024 in relation to, among others, the Share Consolidation, the Subscription under the Specific Mandate and the Shares Transfer under the Shares Transfer Specific Mandate
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm warning signal is hoisted or the Extreme Conditions is announced in Hong Kong between 9:00 a.m. to 5:00 p.m. which is not a day on which shares are traded on the Stock Exchange) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Company”	Virtual Mind Holding Company Limited, a company incorporated in the Cayman Islands, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.04 each in the share capital of the Company immediately after the Share Consolidation becomes effective
“Director(s)”	the director(s) of the Company
“Dreamtoys Group”	Dreamtoys Inc. and its subsidiaries

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## DEFINITIONS

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“EGM”	an extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Share Consolidation, the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate and the Shares Transfer Specific Mandate
“Existing Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company before the Share Consolidation becomes effective
“Extreme Conditions”	the extreme conditions as announced by any Hong Kong Government department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department of the Hong Kong Government in June 2019 in the event of serious disruption of public transport services or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Independent Board Committee”	the independent board committee of the Company comprising of all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a licenced corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, an independent financial adviser appointed by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Shareholders”	Shareholders who are not required under the Listing Rules to abstain from voting at the EGM for the resolutions to approve the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder
“King Castle”	King Castle Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“Latest Practicable Date”	31 October 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	the listing committee appointed by the Stock Exchange for considering applications for listing and approving the listing of and dealing with securities on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wong”	Mr. Wong Wai Kai Richard, an executive Director
“Previous Subscription”	the connected transaction in relation to subscription of 500,000,000 Shares under specific mandate pursuant to the conditional subscription agreement entered into between the Company and King Castle dated 20 October 2023, details of which were set out in the announcements of the Company dated 20 October 2023, 10 November 2023, 13 November 2023, 5 January 2024 and 2 February 2024
“Sale Price”	HK\$0.088 or HK\$0.352 (taking into account the Share Consolidation becomes effective) per Sale Share
“Sale Shares” or “Treasury Shares”	60,000,000 Existing Shares or 15,000,000 Consolidated Shares, as the case may be, held under the reserves of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every four (4) issued and unissued Existing Shares with par value of HK\$0.01 each in the share capital of the Company into one (1) Consolidated Share of HK\$0.04
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“Share Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investors Services Limited, the address of which is 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Shares Transfer”	the transfer of the Sale Shares by the Company to King Castle pursuant to the Shares Transfer Agreement
“Shares Transfer Agreement”	the conditional shares transfer agreement entered into between the Company and King Castle dated 10 October 2024 (as supplemented by the Supplemental Shares Transfer Agreement) in relation to the Shares Transfer
“Shares Transfer Completion”	Completion of the Shares Transfer
“Shares Transfer Completion Date”	any Business Day within a period of ten (10) Business Days after the fulfilment and/or satisfaction (or waiver, as appropriate) of the conditions precedent of the Shares Transfer Agreement
“Shares Transfer Longstop Date”	31 December 2024
“Shares Transfer Specific Mandate”	the specific mandate to be granted to the Board by the Independent Shareholders at the EGM for the sale and transfer of the Sale Shares
“Specific Mandate”	the specific mandate to be granted to the Board by the Independent Shareholders at the EGM for the allotment and issuance of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the issuing by the Company and the subscription by King Castle of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into between the Company and King Castle dated 10 October 2024 (as supplemented by the Supplemental Subscription Agreement) in relation to the Subscription
“Subscription Completion Date”	any Business Day within a period of ten (10) Business Days after the fulfilment and/or satisfaction (or waiver, as appropriate) of the conditions precedent of the Subscription Agreement
“Subscription Longstop Date”	31 December 2024
“Subscription Price”	HK\$0.40 per Subscription Share

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## DEFINITIONS

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“Subscription Shares”	25,000,000 Consolidated Shares to be allotted and issued by the Company to King Castle pursuant to the Subscription Agreement under the Specific Mandate
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supplemental Shares Transfer Agreement”	the supplemental agreement to the Shares Transfer Agreement entered into between the Company and King Castle dated 23 October 2024 to amend the number of Sale Shares and the Sale Price taking into account the Share Consolidation, as the case may be
“Supplemental Subscription Agreement”	the supplemental agreement to the Subscription Agreement entered into between the Company and King Castle dated 23 October 2024 to amend the number of Subscription Shares and the Subscription Price taking into account the Share Consolidation
“%”	per cent.

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## EXPECTED TIMETABLE

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Set out below is the expected timetable for the implementation of the Share Consolidation. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Share Consolidation and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this timetable refer to the Hong Kong local times and dates.

<b>Event</b>	<b>Time and Date</b>
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Latest time for lodging share transfer documents in order to qualify for attending and voting at the EGM . . . . .	4:30 p.m. on Monday, 11 November 2024
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Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive) . . . . .	Tuesday, 12 November 2024 to Monday, 18 November 2024
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Latest time for lodging forms of proxy for the EGM . . . . .	11:00 a.m. on Saturday, 16 November 2024
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Date and time of the EGM . . . . .	11:00 a.m. on Monday, 18 November 2024
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Announcement of voting results of the EGM . . . . .	Monday, 18 November 2024
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Register of members re-opens . . . . .	Tuesday, 19 November 2024
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**The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation**

Effective date of the Share Consolidation . . . . .	Wednesday, 20 November 2024
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First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares . . . . .	Wednesday, 20 November 2024
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Commencement of dealings in the Consolidated Shares . . . . .	9:00 a.m. on Wednesday, 20 November 2024
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Original counter for trading in the Existing Shares in board lots of 6,000 Existing Shares (in the form of existing share certificates) temporarily closes . . . . .	9:00 a.m. on Wednesday, 20 November 2024
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Temporary counter for trading in the Consolidated Shares in board lots of 1,500 Consolidated Shares (in the form of existing share certificates) opens . . . . .	9:00 a.m. on Wednesday, 20 November 2024
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## EXPECTED TIMETABLE

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Original counter for trading in the Consolidated Shares  
in board lot of 6,000 Consolidated Shares (in the form  
of new share certificates for Consolidated Shares) re-opens . . . . . 9:00 a.m. on Wednesday,  
4 December 2024

Parallel trading in the Existing Shares and the Consolidated Shares  
(in the form of existing share certificates of the Existing  
Shares and new share certificates of the Consolidated Shares)  
commences . . . . . 9:00 a.m. on Wednesday,  
4 December 2024

Designated broker starts to stand in the market to provide  
matching services for sale and purchase of odd lots of  
the Consolidated Shares . . . . . 9:00 a.m. on Wednesday,  
4 December 2024

Designated broker ceases to stand in the market to provide  
matching services for sale and purchase of odd lots of  
the Consolidated Shares . . . . . 4:00 p.m. on Friday,  
27 December 2024

Temporary counter for trading in the Consolidated Shares  
in temporary board lot of 1,500 Consolidated Shares  
(in the form of existing share certificates) closes . . . . . 4:10 p.m. on Friday,  
27 December 2024

Parallel trading in the Existing Shares and the Consolidated  
Shares (in the form of existing share certificates of the  
Existing Shares and new share certificates of the  
Consolidated Shares) ends . . . . . 4:10 p.m. on Friday,  
27 December 2024

Last day for free exchange of existing share certificates of  
the Existing Shares for new share certificates for the  
Consolidated Shares . . . . . Tuesday, 31 December 2024

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LETTER FROM THE BOARD

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**Virtual Mind Holding Company Limited**  
**天機控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1520)**

*Executive Directors:*

Mr. MEI Weiyi (Chairman)  
Mr. LI Yang  
Ms. TIN Yat Yu Carol  
Mr. CHAN Ming Leung Terence  
Mr. GONG Xiaohan  
Mr. WONG Wai Kai Richard

*Independent non-executive Directors:*

Mr. TANG Shu Pui Simon  
Mr. HON Ming Sang  
Ms. LO Wing Sze BBS, JP

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

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

Room 2511-15, 25/F  
Peninsula Tower  
538 Castle Peak Road  
Cheung Sha Wan  
Kowloon, Hong Kong

1 November 2024

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED SHARE CONSOLIDATION  
AND  
CONNECTED TRANSACTIONS IN RELATION TO  
(1) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND  
(2) SALE AND PURCHASE OF SHARES  
UNDER SHARES TRANSFER SPECIFIC MANDATE**

**1. INTRODUCTION**

Reference is made to the Announcements.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation, the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM.

### 2. PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every four (4) issued and unissued Existing Shares with par value of HK\$0.01 each be consolidated into one (1) Consolidated Share with par value of HK\$0.04 each.

As at the Latest Practicable Date, the authorized share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Existing Shares with par value of HK\$0.01 each, of which 2,501,965,820 Existing Shares have been issued and are fully paid or credited as fully paid.

#### Effect of the Share Consolidation

Upon the Share Consolidation becoming effective, and assuming there will be no change in the number of Existing Shares in issue from the Latest Practicable Date to the effective date of the Share Consolidation, the authorized share capital of the Company will become HK\$100,000,000 divided into 2,500,000,000 Consolidated Shares with par value of HK\$0.04 each, of which 625,491,455 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

Upon the Share Consolidation becoming effective, all the Consolidated Shares will rank *pari passu* in all respects with each other.

The implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Group and the interests and rights of the Shareholders, save that any fractional Consolidated Shares will not be allocated to Shareholders who may otherwise be entitled thereto.

As at the Latest Practicable Date, the Company has no intention to carry out other corporate action or arrangement, including share consolidation, share sub-division and capital reduction, in the next 12 months.

#### Conditions of the Share Consolidation

The Share Consolidation is conditional on the following conditions being fulfilled:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;

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## LETTER FROM THE BOARD

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- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 20 November 2024, being the second Business Day immediately after the date of the EGM.

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

### **Adjustments in relation to other securities of the Company**

As at the Latest Practicable Date, there are (i) outstanding 255,804,995 options exercisable into 255,804,995 Existing Shares, and (ii) convertible bonds issued on 6 January 2022 in the outstanding principal amount of HK\$13,000,000 convertible into 86,898,395 Existing Shares at the conversion price of HK\$0.1496 per Existing Share. The Company will make further announcement regarding the adjustments in accordance with the Listing Rules in due course.

Save as disclosed above, as at the Latest Practicable Date, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange into Existing Shares or Consolidated Shares, as the case may be.

### **Fractional entitlement to the Consolidated Shares**

Any fractional Consolidated Share arising from the Share Consolidation, if any, will be aggregated and, if possible, sold for the benefit of the Company and will not be allocated to the Shareholders otherwise entitled thereto. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers the possibility of buying or selling the Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

### **Odd lots arrangements and matching services**

In order to alleviate the difficulties arising from the existence of odd lots of Consolidated Shares arising from the Share Consolidation, the Company has appointed Cinda International Securities Limited as its agent to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares on a best effort basis, to those Shareholders who wish to acquire odd lots of Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of

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## LETTER FROM THE BOARD

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Consolidated Shares during the period from 9:00 a.m. on Wednesday, 4 December 2024 to 4:00 p.m. on Friday, 27 December 2024 (both days inclusive). Shareholders who wish to take advantage of this service should contact Mr. Leung Siu Wa of Cinda International Securities Limited at 45/F., COSCO Tower, 183 Queen's Road Central, Hong Kong or at telephone number (852) 2235 7801 during normal office hours of such period.

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

### **Exchange of share certificates for Consolidated Shares**

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period from Wednesday, 20 November 2024 to Tuesday, 31 December 2024 (both days inclusive), submit the existing share certificates for the Existing Shares to the Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares.

Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration purposes.

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

### **Listing and dealings**

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

The Consolidated Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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## LETTER FROM THE BOARD

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

### REASONS FOR THE SHARE CONSOLIDATION

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the share approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the listed issuer to either change the trading method or to proceed with a consolidation or splitting of the Existing Shares. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 (and updated in June 2024) has further stated that (i) market price of the share at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account that the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

In view of the most of the recent trading price of the Shares at a level below HK\$0.10 and the value per board lot being substantially less than HK\$2,000, the Board considers that upon the Share Consolidation becoming effective, the share price of the Company would be adjusted to HK\$0.708 per Consolidated Share (based on the closing price of HK\$0.177 per Existing Share as at the Latest Practicable Date); and with a board lot size of 6,000 Consolidated Shares, the new board lot value would be HK\$4,248, which would enable the Company to comply with the trading requirements under the Listing Rules. Further, the Board considers that the Share Consolidation on the basis of four (4) Existing Shares into one (1) Consolidated Share would bring a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange, thus maintaining the trading amount for each board lot at a reasonable level to attract more investors and to broaden the shareholder base of the Company. It is expected that the Share Consolidation will increase the nominal value of the Shares. Accordingly, the Share Consolidation will reduce the overall transaction and handling costs of dealings in the Consolidated Shares as a proportion of the market value of each board lot, since most of the banks or securities houses will charge a minimum transaction cost for each securities trade. As a result, the Share Consolidation would not only enable the Company to comply with the trading requirements under the Listing Rules, but would also attract more investors and hence broaden the Shareholder base.

The Share Consolidation will not have any material adverse effect on the financial position of the Company nor result in change in the relative rights of the Shareholders and are in the interests of the Company and the Shareholders as a whole.

### 3. THE SUBSCRIPTION

The Company and King Castle entered into the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), pursuant to which the Company contemplates to allot and issue, and King Castle is desirous of subscribing for 25,000,000 Subscription Shares at the Subscription Price of HK\$0.40 per Subscription Share.

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## LETTER FROM THE BOARD

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### The Subscription Agreement

Principal terms of the Subscription Agreement are as follows:

**Date:** 10 October 2024 (after trading hours)

**Issuer:** the Company

**Subscriber:** King Castle

(each a “**Subscription Party**” and collectively, the “**Subscription Parties**”)

### Number of Subscription Shares

As at the Latest Practicable Date, the Company has 2,501,965,820 Shares in issue. Assuming the Share Consolidation becomes effective, the 25,000,000 Subscription Shares represent (i) approximately 4.00% of the existing issued share capital of the Company (as adjusted by assuming the Share Consolidation becomes effective) as at the Latest Practicable Date; and (ii) approximately 3.84% of the issued share capital of the Company as enlarged by the allotment and issue of the 25,000,000 Subscription Shares (assuming no other change in the issued share capital of the Company from the Latest Practicable Date to the Subscription Completion Date). The aggregate nominal value of the Subscription Shares under the Subscription will be HK\$1,000,000.

### Subscription Price

The Subscription Price of HK\$0.40 represents:-

- (i) a premium of approximately 13.64% over the adjusted closing price of HK\$0.352 per Consolidated Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 38.89% over the adjusted average closing price of approximately HK\$0.288 per Consolidated Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iii) a premium of approximately 47.06% over adjusted average closing price of approximately HK\$0.272 per Consolidated Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iv) a discount of approximately 43.50% to the adjusted closing price of HK\$0.708 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date;

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## LETTER FROM THE BOARD

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- (v) a premium of approximately 61.29% over the adjusted and unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.248 per Consolidated Share based on the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$155.2 million as at 30 June 2024 and 625,491,455 Consolidated Shares in issue as at the Latest Practicable Date; and
- (vi) A theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 3.2% represented by the cumulative theoretical diluted price of approximately HK\$0.364 per Consolidated Share to the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.376 per Consolidated Share, taking into account the higher of the adjusted closing price on the date of the placing agreement entered into on 20 October 2023 (being the first issue within the last 12 months) of HK\$0.368 per Consolidated Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the placing agreement entered into on 20 October 2023 (being the first issue within the last 12 months) of HK\$0.376 per Consolidated Share.

The Subscription Price was determined with reference to the prevailing market price of the Shares and in line with the subscription price of 330,000,000 Shares by King Castle at HK\$0.40 (adjusted for illustration purpose assuming the Share Consolidation becomes effective) per subscription share completed on 30 May 2024, and was negotiated on an arm's length basis between the Company and King Castle. The Directors (excluding Mr. Wong who abstained since he is considered to have material interest in the Subscription as described in the paragraph headed "**INFORMATION ON KING CASTLE**") and the independent non-executive Directors who will give their view on the Subscription Agreement and the transaction contemplated thereunder after taking into account the advice of the Independent Financial Adviser) considered that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent of the Subscription**

Completion of the Subscription shall be subject to the satisfaction and/or fulfilment of such conditions precedent as set out in the Subscription Agreement:

- (a) the Company having obtained all necessary consent and approval in respect of the Specific Mandate and the Subscription;
- (b) the Company having obtained from the Listing Committee the approval for the listing of, and permission to deal in, the Subscription Shares, and such permission remaining valid until the completion of the Subscription;
- (c) King Castle having obtained all necessary consent and approval in respect of the Subscription;
- (d) listing status of the Shares not having been revoked, cancelled, withdrawn or suspended, or further or in the alternative, threatened with any revocation, cancellation, withdrawal or suspension at any time prior to completion of the Subscription;



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## LETTER FROM THE BOARD

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- (e) all the representations and warranties of the Company pursuant to the Subscription Agreement having remained true, accurate and not misleading in all material aspects, and remaining so until the completion of the Subscription; and
- (f) all the representations and warranties of King Castle pursuant to the Subscription Agreement having remained true, accurate and not misleading in all material aspects, and remaining so until the completion of the Subscription.

Save and except that such condition precedent (e) above which may be waived by King Castle unilaterally at any time prior to the Subscription Longstop Date by notice in writing to the Company, and that such condition precedent (f) above which may be waived by the Company unilaterally at any time prior to the Subscription Longstop Date by notice in writing to King Castle, no other conditions precedent can be waived by any Subscription Party, and the Company shall use its best endeavour to ensure that the conditions precedent (a), (b), (d) and (e) above (in case such condition precedent (e) above has not been waived by King Castle in accordance with the Subscription Agreement) shall be fulfilled and satisfied as soon as possible after the execution of the Subscription Agreement, and in any event, no later than the Subscription Longstop Date, and likewise, King Castle shall use its best endeavour to ensure that such conditions precedent (c) and (f) above (in case such condition precedent (f) above has not been waived by the Company in accordance with the Subscription Agreement) shall be fulfilled and satisfied as soon as possible after the execution of the Subscription Agreement, and in any event, no later than the Subscription Longstop Date.

Save as otherwise stated, if any of the conditions precedent (a) to (f) above (save and except such conditions precedent having been waived in accordance with the above paragraph) shall not have been fulfilled by 5:00 p.m. on the Subscription Longstop Date, the Subscription Agreement shall, unless the Subscription Parties agree in writing to postpone the Subscription Longstop Date to a subsequent Business Day, automatically terminate and cease to be of any effect except for certain clauses in the Subscription Agreement which shall remain in force, and none of the Subscription Parties shall have any claim of any nature or liabilities thereunder whatsoever against the other Subscription Party save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled or waived.

### **Completion of the Subscription**

Completion of the Subscription shall take place at 4:00 p.m. on the Subscription Completion Date (or such other time as the Subscription Parties may otherwise agree) when each Subscription Party shall perform its respective obligations pursuant to the Subscription Agreement.

### **Specific Mandate**

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

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## LETTER FROM THE BOARD

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### Ranking of the Subscription Shares

The Subscription Shares will be issued fully paid up and ranking *pari passu* in all respects, including as to the right to receive all dividends and other distributions which may be declared, made or paid after completion of the Subscription and will be issued free and clear of all encumbrances.

### Listing Application

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

## 4. THE SHARES TRANSFER

The Company and King Castle entered into the Shares Transfer Agreement (as supplemented by the Supplemental Shares Transfer Agreement), pursuant to which the Company shall sell and King Castle shall purchase 60,000,000 Sale Shares (or 15,000,000 Consolidated Shares) at the Sale Price of HK\$0.088 (or HK\$0.352) per Sale Share (as the case may be).

### The Shares Transfer Agreement

Principal terms of the Shares Transfer Agreement are as follows:

**Date:** 10 October 2024 (after trading hours)

**Vendor:** the Company

**Purchaser:** King Castle

(each a “**Transfer Party**” and collectively, the “**Transfer Parties**”)

### Number of Sale Shares

As disclosed in the interim report of the Company for the six months ended 30 June 2024, the Group completed the acquisition of the entire issued share capital of Dreamtoys Inc. on 15 July 2022 pursuant to the acquisition agreement dated 25 January 2022 (the “**Acquisition Agreement**”) entered into between the Company and Dreamtoys Limited (the “**Acquisition**”). Dreamtoys Group is principally engaged in the sales of trendy and cultural products in Mainland China. The total consideration of the Acquisition was settled by way of issuance of (i) promissory note in the aggregate principal amount of HK\$4,400,000; (ii) 120,000,000 consideration shares of the Company; and (iii) 60,000,000 consideration shares of the Company subject to escrow arrangement, under which the vendor of Dreamtoys Inc. had guaranteed and undertaken that the net profit after tax of Dreamtoys Inc. for the year ended 31 December 2022 (the “**Profit Guarantee Period**”) should not be less than RMB3,600,000 (the “**Guaranteed Profit 2022**”) or if the Guaranteed Profit 2022 could not be met, the Group could exercise the right to extend the Profit Guarantee Period to the year ended 31 December 2023 and net profit after tax of Dreamtoys Inc. for the two years ended 31 December 2023 should not be less than RMB7,200,000 (the “**Guaranteed Profit 2023**”).

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## LETTER FROM THE BOARD

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As Dreamtoys Inc. did not perform as expected and recorded net profit of approximately RMB3,229,000 for the year ended 31 December 2022 and net losses of approximately RMB2,928,000 for the year ended 31 December 2023 respectively, the Guaranteed Profit 2022 and Guaranteed Profit 2023 were not achieved. The Company repurchased 60,000,000 Shares at nil consideration on 11 July 2024 pursuant to the escrow arrangement in respect of the Acquisition which were put in the reserves of the Company for future uses, including, but not limited, to (i) disposal to finance the funding needs of the Group; (ii) as shares incentives for the employees; or (iii) settlement of consideration for any possible merger and acquisition. The Company intends to dispose the said 60,000,000 Shares pursuant to the Shares Transfer Agreement.

Given that the repurchase of 60,000,000 Shares were made pursuant to the Acquisition Agreement which has been approved by the then Shareholders at the extraordinary general meeting of the Company held on 2 June 2022, the Directors are of the opinion that the repurchase of the Sale Shares was made in compliance with the relevant rules and regulations.

As at the Latest Practicable Date, the Company has 2,501,965,820 Shares in issue. The 60,000,000 Sale Shares represent approximately 2.40% of the existing issued share capital of the Company as at the Latest Practicable Date.

### **Sale Price**

The Sale Price of HK\$0.088 or HK\$0.352 (taking into account the Share Consolidation becomes effective):–

- (i) is equal to the closing price of HK\$0.088 per Share (or adjusted closing price of HK\$0.352 per Consolidated Share) as quoted on the Stock Exchange on the date of the Shares Transfer Agreement;
- (ii) represents a premium of approximately 22.22% over the average closing price of approximately HK\$0.072 per Share (or adjusted average closing price of HK\$0.288 per Consolidated Share) as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Shares Transfer Agreement;
- (iii) represents a premium of approximately 29.41% over the average closing price of approximately HK\$0.068 per Share (or adjusted average closing price of HK\$0.272 per Consolidated Share) as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Shares Transfer Agreement;
- (iv) represents a discount of approximately 50.28% to the closing price of HK\$0.177 per Share (or adjusted closing price of HK\$0.708 per Consolidated Share) as quoted on the Stock Exchange on the Latest Practicable Date; and

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## LETTER FROM THE BOARD

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- (v) represents a premium of approximately 41.94% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.062 per Share (or HK\$0.248 per Consolidated Share) based on the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$155.2 million as at 30 June 2024 and 2,501,965,820 Shares (or adjusted 625,491,455 Consolidated Shares) in issue as at the Latest Practicable Date.

The Sale Price meets the benchmark price requirement in Rule 13.36(5) of the Listing Rules.

Upon signing of the Shares Transfer Agreement, King Castle has paid to the Company a deposit in the amount of HK\$528,000, being 10% of the total consideration of the Sale Shares. The deposit shall be refunded to King Castle if the Shares Transfer Agreement was terminated pursuant to the terms of the Shares Transfer Agreement.

The Sale Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and King Castle. The Directors (excluding Mr. Wong who abstained since he is considered to have material interest in the Shares Transfer as described in the paragraph headed "**INFORMATION ON KING CASTLE**" and the independent non-executive Directors who will give their view on the Shares Transfer Agreement and the transaction contemplated thereunder after taking into account the advice of the Independent Financial Adviser) considered that the terms of the Shares Transfer Agreement (including the Sale Price) are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent of the Shares Transfer**

Completion shall be subject to the satisfaction and/or fulfilment of the following conditions precedent:

- (a) the Company having obtained all necessary consent and approval in respect of the Shares Transfer Agreement and the Shares Transfer Specific Mandate;
- (b) King Castle having obtained all necessary consent and approval in respect of the Shares Transfer;
- (c) listing status of the Shares not having been revoked, cancelled, withdrawn or suspended, or further or in the alternative, threatened with any revocation, cancellation, withdrawal or suspension at any time prior to the Shares Transfer Completion;
- (d) all Company's warranties having remained true, accurate and not misleading in all material aspects, and remaining so until the Shares Transfer Completion; and
- (e) all King Castle's warranties having remained true, accurate and not misleading in all material aspects, and remaining so until the Shares Transfer Completion.

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## LETTER FROM THE BOARD

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Save and except that such condition precedent (d) above which may be waived by King Castle unilaterally at any time prior to the Shares Transfer Longstop Date by notice in writing to the Company, and that such condition precedent (e) which may be waived by the Company unilaterally at any time prior to the Shares Transfer Longstop Date by notice in writing to King Castle, no other conditions precedent can be waived by any Transfer Party.

Save as otherwise stated, if any of the above conditions precedent (save and except such conditions precedent having been waived in accordance with the above paragraph) shall not have been fulfilled by 5:00 p.m. on the Shares Transfer Longstop Date, the Shares Transfer Agreement shall, unless the Transfer Parties agree in writing to postpone the Shares Transfer Longstop Date to a subsequent Business Day, automatically terminate and cease to be of any effect except for certain clauses in the Shares Transfer Agreement which shall remain in force, and none of the Transfer Parties shall have any claim of any nature or liabilities thereunder whatsoever against the other Transfer Party save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled or waived.

### **Completion of the Shares Transfer**

Completion of the Shares Transfer shall take place at 4:00 p.m. on the Shares Transfer Completion Date (or such other time as the Transfer Parties may otherwise agree) when each Transfer Party shall perform its respective obligations pursuant to the Shares Transfer Agreement.

### **Shares Transfer Specific Mandate**

The Shares Transfer will be subject to the approval to be sought from the Independent Shareholders at the EGM.

## **5. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE SHARES TRANSFER**

The Subscription and the Shares Transfer reflect the confidence and support for the development of the Company by King Castle. The Subscription and the Shares Transfer will further strengthen the capital base and financial position of the Company. In particular, it is expected that the proceeds from the Subscription and the Shares Transfer will be used for the purpose as set out in the paragraph headed “**USE OF PROCEEDS FROM THE SUBSCRIPTION AND THE SHARES TRANSFER**” below.

There was a difference in the Subscription Price of HK\$0.40 each and the Sale Price of HK\$0.088 each (or HK\$0.352 each if the Share Consolidation becomes effective), the Directors consider that (1) the recent low level of trading volume of the Shares on the Stock Exchange, it may be difficult to dispose the 60,000,000 Shares (or 15,000,000 Consolidated Shares, as the case may be) on the market, the Sale Price of HK\$0.088 per Share (or HK\$0.352 each if the Share Consolidation becomes effective) reflects an opportunity to dispose the said Shares efficiently and effectively; (2) the Subscription Price represents a premium to the recent market prices of the Shares and in line with the subscription price of 330,000,000 Shares by King Castle completed on 30 May 2024 (where discount was offered

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## LETTER FROM THE BOARD

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to King Castle in the last subscription). The Subscription Price and the Sale Price represent premium to the recent market prices of the Shares which reflect the confidence and support by King Castle. The Directors consider the Subscription Price and the Sale Price are fair and reasonable, and the difference between the Subscription Price and Sale Price is justifiable and in the best interests of the Company.

The Directors (excluding Mr. Wong who abstained since he is considered to have material interest in the Subscription and the Shares Transfer as described in the paragraph headed “**INFORMATION ON KING CASTLE**” and the independent non-executive Directors who will give their view on the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder after taking into account the advice of the Independent Financial Adviser) considered that the respective Subscription Agreement and the Shares Transfer Agreement is on normal commercial terms, the terms of the Subscription Agreement (including the Subscription Price) and the Shares Transfer Agreement (including the Sale Price) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Completion of the Subscription Agreement and the Shares Transfer Agreement is not inter-conditional upon each other.

### **6. USE OF PROCEEDS FROM THE SUBSCRIPTION AND THE SHARES TRANSFER**

The gross proceeds from the Subscription will be HK\$10,000,000. The net proceeds from the Subscription (after deduction of relevant expenses of the Subscription) will amount to approximately HK\$9.85 million. The net price per Subscription Share upon the completion of the Subscription will be approximately HK\$0.394 per Subscription Share (as adjusted by the Share Consolidation). The Company intends to apply the net proceeds as general working capital of the Group.

The gross proceeds from the Shares Transfer will be HK\$5,280,000. The net proceeds from the Shares Transfer (after deduction of relevant expenses of the Shares Transfer) will amount to approximately HK\$5.13 million. The Company intends to apply the net proceeds as general working capital of the Group.

### **7. INFORMATION ON THE GROUP**

The Group is principally engaged in (i) design, manufacturing and trading of apparels; (ii) provision of money lending business; and (iii) sale of trendy and cultural products business.

### **8. INFORMATION ON KING CASTLE**

King Castle is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the Latest Practicable Date, King Castle is a substantial shareholder of the Company holding 330,000,000 Shares, representing approximately 13.19% of the total issued Shares, and is wholly and beneficially owned by Mr. Wong Kin Ting, the father of Mr. Wong who is an executive Director, and therefore King Castle is an associate of Mr. Wong and regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### 9. EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below is a summary of the equity fund raising activities of the Company during the past 12 months immediately before the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of the net proceeds	Actual use of the net proceeds
29 November 2023, 18 January 2024 and 4 March 2024	Issue of new shares under general mandate by way of subscription	approximately HK\$3.45 million	approximately HK\$3.45 million for provision of general working capital of the Group	Used the net proceeds of approximately HK\$3.45 million for provision of general working capital of the Group
20 October 2023, 10 November 2023, 13 November 2023, 5 December 2023, 5 January 2024 and 2 February 2024	(I) Placing of new shares under general mandate; and	approximately HK\$10.9 million	(i) approximately HK\$19 million for repayment of outstanding liabilities; and (ii) approximately HK\$20.2 million for provision of general working capital (as disclosed in the announcement dated 5 December 2023, as the Placing Shares were not fully placed, the Group proposed to use the net proceeds of HK\$9.1 million for repayment of outstanding liabilities and the balance of HK\$1.8 million as general working capital)	Used the net proceeds of HK\$9.1 million for repayment of outstanding liabilities and the balance of HK\$1.8 million as general working capital
	(II) Previous Subscription	Nil	(i) approximately HK\$37 million for existing projects' business development; and (ii) approximately HK\$12.5 million for future possible investment opportunities	The subscription agreement was lapsed on 31 January 2024

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## LETTER FROM THE BOARD

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Date of announcement	Fund raising activity	Net proceeds raised	Intended use of the net proceeds	Actual use of the net proceeds
2 February 2024, 27 February 2024, 8 April 2024, 16 May 2024 and 30 May 2024	(I) Issue of new shares under specific mandate by way of subscription; and	Nil	(i) approximately HK\$9.79 million for repayment of outstanding liabilities; (ii) approximately HK\$11.88 million for provision of general working capital; and (iii) approximately HK\$18.05 million for existing projects' business development	The conditions precedent of the subscription agreement were not fulfilled, satisfied and/or waived, and the subscription was not completed on 30 May 2024
	(II) Connected transaction in relation to the issue of new shares under specific mandate by way of subscription	approximately HK\$32.4 million	(i) approximately HK\$9.79 million for repayment of outstanding liabilities; (ii) approximately HK\$11.88 million for provision of general working capital; and (iii) approximately HK\$18.05 million for existing projects' business development (as disclosed in the announcement dated 30 May 2024, as the subscription was under subscribed, the Group re-allocated the net proceeds of (i) HK\$5.4 million for repayment of outstanding liabilities; (ii) HK\$10.6 million for provision of general working capital; and (iii) HK\$16.4 million for existing projects' business development)	Used the net proceeds of (i) approximately HK\$5.4 million for repayment of outstanding liabilities; (ii) approximately HK\$10.6 million for provision of general working capital; and (iii) approximately HK\$16.4 million for existing projects' business development

Save as disclosed above, the Company has not carried out any other equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

### 10. EFFECTS ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) assuming immediately upon the Share Consolidation becoming effective, (iii) assuming immediately upon the allotment and issue of 25,000,000 Subscription Shares (assuming the Share Consolidation becoming effective and there is no other change to the number of the issued Shares from the Latest Practicable Date to the Subscription Completion Date); (iv) assuming immediately upon the Shares Transfer Completion (assuming the Share Consolidation becoming effective and there is no other change to the number of the issued Shares from the Latest Practicable Date to the Shares Transfer Completion Date); and (v) assuming immediately upon the allotment and issue of 25,000,000 Subscription Shares and the Shares Transfer Completion (assuming the Share Consolidation becoming effective and there is no other change to the number of the issued Shares from the Latest Practicable Date to the Subscription Completion Date and the Shares Transfer Completion Date).



## LETTER FROM THE BOARD

	(i) As at the Latest Practicable Date		(ii) Assuming immediately upon the Share Consolidation becoming effective		(iii) Assuming immediately after completion of the Subscription		(iv) Assuming immediately after the Shares Transfer Completion		(v) Assuming immediately after completion of the Subscription and the Shares Transfer Completion	
	Number of Existing Shares	Approx. %	Number of Consolidated Shares	Approx. %	Number of Consolidated Shares	Approx. %	Number of Consolidated Shares	Approx. %	Number of Consolidated Shares	Approx. %
<b>Directors</b>										
Mei Weiyi	15,000,000	0.60	3,750,000	0.60	3,750,000	0.58	3,750,000	0.60	3,750,000	0.58
Tang Shu Pui Simon (Note 1)	5,000,000	0.20	1,250,000	0.20	1,250,000	0.19	1,250,000	0.20	1,250,000	0.19
Chan Ming Leung Terrence (Note 2)	15,840,000	0.63	3,960,000	0.63	3,960,000	0.61	3,960,000	0.63	3,960,000	0.61
<b>Substantial Shareholders</b>										
King Castle	330,000,000	13.19	82,500,000	13.19	107,500,000	16.53	97,500,000	15.59	122,500,000	18.83
World Field Industries Limited (Note 3)	283,994,000	11.35	70,998,500	11.35	70,998,500	10.91	70,998,500	11.35	70,998,500	10.91
<b>Others</b>										
Treasury Shares	60,000,000	2.40	15,000,000	2.40	15,000,000	2.30	-	-	-	-
Public Shareholders	1,792,131,820	71.63	448,032,955	71.63	448,032,955	68.88	448,032,955	71.63	448,032,955	68.88
<b>Total</b>	<b>2,501,965,820</b>	<b>100.00</b>	<b>625,491,455</b>	<b>100.00</b>	<b>650,491,455</b>	<b>100.00</b>	<b>625,491,455</b>	<b>100.00</b>	<b>650,491,455</b>	<b>100.00</b>

*Notes:*

- These 5,000,000 Shares are beneficially owned by Tang Shu Pui Simon, an independent non-executive Director. He is also the beneficial owner of 2,000,000 options of the Company.
- These 15,840,000 Shares are beneficially owned by Chan Ming Leung Terrence, an executive Director. He is also the beneficial owner of 2,060,000 options of the Company.
- Based on the disclosure of interests forms filed on 19 July 2022, World Field Industries Limited is owned as to 100% by Green Astute Limited, which is in turn owned as to 100% by Hao Tian Media & Culture Holdings Limited, which is in turn owned as to 100% by Aceso Life Science Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 474).

### 11. LISTING RULES IMPLICATIONS

As at the date of the Subscription Agreement and the Shares Transfer Agreement, King Castle is a substantial shareholder of the Company holding 330,000,000 Shares, representing approximately 13.19% of the total issued Shares, and is wholly and beneficially owned by Mr. Wong Kin Ting, the father of Mr. Wong who is an executive Director. As such, King Castle is an associate of Mr. Wong and regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription and the Shares Transfer respectively constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and are subject to Independent Shareholders' approval by way of poll at the EGM. As Mr. Wong is considered to have material interest in the Subscription and the Shares Transfer, he had abstained from voting on the Board resolutions of the Company in relation to the Subscription, the Shares Transfer and the transactions contemplated thereunder. King Castle has a material interest in the Subscription and the Shares

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## LETTER FROM THE BOARD

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Transfer, is required to abstain from voting at the EGM on the resolutions in respect of the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder.

The Shares Transfer contemplated under the Shares Transfer Agreement (as supplemented by the Supplemental Shares Transfer Agreement) regarded as the sale of treasury shares under Rule 13.36 of the Listing Rules which is subject to the approval by the Independent Shareholders at the EGM.

As no Shareholders have a material interest in the Share Consolidation, no Shareholders will be required to abstain from voting on the resolution to approve the Share Consolidation.

### **12. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze *BBS, JP*, being all independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder.

The Company has, with the approval of the Independent Board Committee, appointed Red Sun Capital as the Independent Financial Adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder.

### **13. EGM**

The EGM is to be held at Room 2511-15, 25/F, Peninsula Tower, 538 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 11:00 a.m. on Monday, 18 November 2024 for the purpose of considering and, if thought fit, approving the Share Consolidation, the Subscription Agreement, the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, the Shares Transfer Agreement, the grant of the Shares Transfer Specific Mandate for the sale and transfer of the Sale Shares and the transactions contemplated thereunder.

The notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof to the Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

Shareholders who are interested in the Subscription and/or the Shares Transfer will be required to abstain from voting in respect of the relevant resolution(s) to approve (i) the grant of the Specific Mandate to allot and issue the Subscription Shares pursuant to the Subscription Agreement and the

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## LETTER FROM THE BOARD

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transaction contemplated under the Subscription Agreement; and (ii) the grant of the Shares Transfer Specific Mandate to sell and transfer the Sale Shares pursuant to the Shares Transfer Agreement and the transaction contemplated under the Shares Transfer Agreement at the EGM.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, King Castle and its associates (including Mr. Wong) (to the extent they have an existing interest in the Shares) will abstain from voting at the EGM on the resolutions in respect of the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the aforementioned, as at the Latest Practicable Date, no other Shareholder is required to abstain from voting on the relevant resolutions at the EGM.

To determine the entitlement of the members of the Company to attend and vote at the EGM to be held on Monday, 18 November 2024, the register of members of the Company will be closed from Tuesday, 12 November 2024 to Monday, 18 November 2024, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with the Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 11 November 2024.

All the resolutions proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

### 14. RECOMMENDATION

The Directors consider that the Share Consolidation, the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms and transactions contemplated are fair and reasonable so far as the Shareholders are concerned.

Accordingly, the Directors recommend that the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Share Consolidation, the Subscription Agreement, the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, the Shares Transfer Agreement, the grant of the Shares Transfer Specific Mandate for the sale and transfer of the Sale Shares and the transactions contemplated thereunder.

The Directors (excluding Mr. Wong who had abstained from voting on the Board resolutions of the Company since he is considered to have material interest in the Subscription and the Shares Transfer as described in the paragraph headed "**INFORMATION ON KING CASTLE**") and the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms and transactions contemplated are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription

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## LETTER FROM THE BOARD

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Agreement, the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, the Shares Transfer Agreement, the grant of the Shares Transfer Specific Mandate for the sale and transfer of the Sale Shares and the transactions contemplated thereunder.

### 15. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 27 to 28 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from the Independent Financial Adviser set out on pages 29 to 52 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the additional information set out in the appendix and the notice of EGM, which form part of this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Virtual Mind Holding Company Limited**  
**Li Yang**  
*Executive Director*



**Virtual Mind Holding Company Limited**

**天機控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1520)**

1 November 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS IN RELATION TO  
(1) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND  
(2) SALE AND PURCHASE OF SHARES UNDER SHARES TRANSFER  
SPECIFIC MANDATE**

We refer to the circular of the Company dated 1 November 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings herein.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Shares Transfer Agreement (as supplemented by the Supplemental Shares Transfer Agreement) and the transactions contemplated thereunder (including the grant of the Specific Mandate and Shares Transfer Specific Mandate) are fair and reasonable so far as the Company and the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Red Sun Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We would like to draw your attention to the letter from the Board set out on pages 8 to 26 of the Circular which contains, among other things, information on the Subscription and the Shares Transfer, and the letter from Red Sun Capital set out on pages 29 to 52 of the Circular which contains its advice in respect of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Shares Transfer Agreement (as supplemented by the Supplemental Shares Transfer Agreement) and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Shares Transfer Agreement (as supplemented by the Supplemental Shares Transfer Agreement) and the transactions contemplated thereunder as well as the advice of Red Sun Capital, we are of the opinion that the terms of the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Shares Transfer Agreement (as supplemented by the Supplemental Shares Transfer Agreement) and the transactions contemplated thereunder (including the grant of the Specific Mandate and the Shares Transfer Specific Mandate) are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Although the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Shares Transfer Agreement (as supplemented by the Supplemental Shares Transfer Agreement) and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Company, they are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), the Shares Transfer Agreement (as supplemented by the Supplemental Shares Transfer Agreement) and the transactions contemplated thereunder (including the grant of the Specific Mandate and the Shares Transfer Specific Mandate).

Yours faithfully,  
For and on behalf of  
Independent Board Committee of  
**Virtual Mind Holding Company Limited**

**Mr. Tang Shu Pui Simon**  
*Independent non-executive  
Director*

**Mr. Hon Ming Sang**  
*Independent non-executive  
Director*

**Ms. Lo Wing Sze BBS, JP**  
*Independent non-executive  
Director*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the Shares Transfer and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 310, 3/F.,  
China Insurance Group Building,  
141 Des Voeux Road Central,  
Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

1 November 2024

*To: The independent board of committee and the independent shareholders of  
Virtual Mind Holding Company Limited*

**PROPOSED SHARE CONSOLIDATION  
AND  
CONNECTED TRANSACTIONS IN RELATION TO  
(1) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND  
(2) SALE AND PURCHASE OF SHARES UNDER SHARES TRANSFER  
SPECIFIC MANDATE**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Shares Transfer and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 1 November 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Letter from the Board, (i) the Company (as the issuer) and King Castle (as the subscriber) entered into the Subscription Agreement on 10 October 2024 (as supplemented by the Supplemental Subscription Agreement), pursuant to which the Company contemplates to allot and issue, and King Castle is desirous of subscribing for 25,000,000 Subscription Shares at the Subscription Price of HK\$0.40 per Subscription Share; and (ii) the Company (as the vendor) and King Castle (as the purchaser) entered into the Shares Transfer Agreement on 10 October 2024 (as supplemented by the Supplemental Shares Transfer Agreement), pursuant to which the Company shall sell and King Castle shall purchase 60,000,000 Sale Shares (or 15,000,000 Consolidated Shares) at the Sale Price of HK\$0.088 (or HK\$0.352) per Sale Share (as the case may be)..

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### LISTING RULES IMPLICATIONS

As at the date of the Subscription Agreement and Shares Transfer Agreement, King Castle is a substantial shareholder of the Company holding 330,000,000 Shares, representing approximately 13.19% of the total issued Shares, and is wholly and beneficially owned by Mr. Wong Kin Ting, the father of Mr. Wong who is an executive Director. As such, King Castle is an associate of Mr. Wong and regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription and the Shares Transfer respectively constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and are subject to Independent Shareholders' approval by way of poll at the EGM. As Mr. Wong is considered to have material interests in the Subscription and the Shares Transfer, he had abstained from voting on the Board resolutions of the Company in relation to the Subscription, the Shares Transfer and the transactions contemplated thereunder. King Castle has a material interest in the Subscription and the Shares Transfer, is required to abstain from voting at the EGM on the resolutions in respect of the Subscription Agreement, the Shares Transfer Agreement and the transactions contemplated thereunder.

The Shares Transfer contemplated under the Shares Transfer Agreement (as supplemented by the Supplemental Shares Transfer Agreement) regarded as the sale of treasury shares under Rule 13.36 of the Listing Rules which is subject to the approval by the Independent Shareholders at the EGM.

As no Shareholders have a material interest in the Share Consolidation, no Shareholders will be required to abstain from voting on the resolution to approve the Share Consolidation.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze *BBS, JP*, has been established to advise the Independent Shareholders as to whether the terms of the Subscription and the Shares Transfer are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. We have been appointed as the Independent Financial Adviser and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with or interest in the Company or King Castle that could reasonably be regarded as relevant in assessing our independence. Save for our appointment as the Independent Financial Adviser, Red Sun Capital Limited did not act as an independent financial adviser to the Company under the Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR ADVICE**

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have reviewed, among other things, (i) the Subscription Agreement; (ii) the Shares Transfer Agreement; (iii) the annual report of the Company for the year ended 31 December 2023; and (iv) the interim report of the Company for the six months ended 30 June 2024. We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Circular, nor statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group or its respective history, experience and track records, or the prospects of the markets in which it operates.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the transactions as contemplated under the Subscription Agreement and the Shares Transfer Agreement, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. 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 in respect of the Subscription and the Shares Transfer, we have taken into consideration the following principal factors and reasons:

#### **1. Background and financial information of the Group**

The Group is principally engaged in (i) design, manufacturing and trading of apparels; (ii) provision of money lending business; and (iii) sale of trendy and cultural products business.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Set out below is a summary of (i) the audited consolidated financial performance of the Group for each of the years ended 31 December 2022 and 2023 as extracted from the Company's annual report for the year ended 31 December 2023 (the "2023 Annual Report"); and (ii) the unaudited financial performance of the Group for the six months ended 30 June 2023 and 2024 as extracted from the Company's interim report for the six months ended 30 June 2024 (the "2024 Interim Report").

### *Summary of consolidated statement of comprehensive income*

	For the year ended		For the six months ended	
	31 December		30 June	
	2023	2022	2024	2023
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	66,328	89,620	29,930	31,932
Cost of sales	(55,095)	(75,560)	(24,409)	(25,733)
Gross profit	11,233	14,060	5,521	6,199
Loss before income tax	(94,639)	(58,403)	(28,403)	(21,324)
Loss for the year/period	(94,018)	(65,875)	(28,427)	(21,324)
Loss for the year/period attributable to owners of the Company	(93,749)	(65,895)	(28,162)	(21,251)
Total comprehensive loss for the year/period attributable to owners of the Company	(95,792)	(68,253)	(29,506)	(23,889)

### *Financial performance for the year ended 31 December 2023*

As set out in the 2023 Annual Report, the Group recorded revenue of approximately HK\$66.3 million for the year ended 31 December 2023, representing a decrease of approximately 26.0% compared to approximately HK\$89.6 million for the year ended 31 December 2022. The decrease was mainly driven by the challenging economic environment in Mainland China and Hong Kong which affected the Group's apparel and money lending businesses. The Group recorded a decrease of approximately 27.1% in cost of sales, amounting at approximately HK\$75.6 million for the year ended 31 December 2022 and dropping to approximately HK\$55.1 million for the year ended 31 December 2023 which was incurred by the Group's apparel operation and IP application and products operation; and marked a gross profit of approximately HK\$11.2 million for the year ended 31 December 2023, representing a decrease of approximately 20.1% from approximately HK\$14.1 million for the year ended 31 December 2022 which was attributable to the decrease of revenue from money lending business.

The Group recorded a loss for the year attributable to owners of the Company of approximately HK\$93.7 million for the year ended 31 December 2023, which represents an increase of approximately 42.2% as compared to approximately HK\$65.9 million for the year ended 31 December 2022. Such increase was mainly attributable to (i) incurrence of losses of approximately HK\$447,000 in other gains and losses for the year ended 31 December 2023 (2022: gains

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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HK\$66,221,000) as there was no more disposal gain for 2023 after the one-off net gain from disposal of land and buildings of approximately HK\$74,762,000 in 2022, (ii) revenue decreased for the year due to difficult environment.

### *Financial performance for the six months ended 30 June 2024*

As set out in the 2024 Interim Report, the Group recorded revenue of approximately HK\$29.9 million for the six months ended 30 June 2024, representing a slightly decrease of approximately 6.3% compared to approximately HK\$31.9 million for the six months ended 30 June 2023, which was primarily attributable to weakened economy in the first half of 2024. The Group recorded a slightly decrease of approximately 5.1% in cost of sales, amounting at approximately HK\$25.7 million for the six months ended 30 June 2023 and dropping to approximately HK\$24.4 million for the six months ended 30 June 2024 which was incurred by the Group's apparel operation and IP application and products operation; and marked a gross profit of approximately HK\$5.5 million for the six months ended 30 June 2024, representing a decrease of approximately 11.3% from approximately HK\$6.2 million for the six months ended 30 June 2023 which was attributable to the decrease of revenue from apparel and money lending businesses.

The Group recorded a loss for the year attributable to owners of the Company of approximately HK\$28.2 million for the six months ended 30 June 2024, which represents an increase of approximately 32.4% as compared to approximately HK\$21.3 million for the six months ended 30 June 2023. Such increase was mainly attributable to the provision for expected credit loss on loans and interest receivables for the reporting period.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Summary of the consolidated statement of financial position*

	<b>As at 30 June</b>	<b>As at 31 December</b>	
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	(unaudited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>	49,907	51,262	50,322
<b>Current assets</b>	197,518	162,923	238,051
Trade Receivables	42,186	31,662	39,065
Loan and interest receivables	39,520	44,560	98,163
Deposits, prepayments and other receivables	61,846	34,468	29,003
Financial assets at fair value through profit or loss	21,914	12,555	13,189
Cash and bank balances	8,320	31,243	52,012
<b>Current liabilities</b>	90,528	39,048	53,857
Trade payables	24,404	7,743	17,586
Accruals and other payables	24,030	22,749	22,074
Other borrowings	39,475	4,400	4,760
<b>Non-current liabilities</b>	1,403	26,425	25,216
<b>Net current assets</b>	106,990	123,875	184,194
<b>Non-controlling interests</b>	334	599	868
<b>Equity attributable to owners of the Company</b>	155,160	148,113	208,432

*Note:* For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.

### *Financial position as at 30 June 2024*

As at 30 June 2024, the Group's total assets were approximately HK\$247.4 million, representing an increase of approximately 15.5% as compared to approximately HK\$214.2 million as at 31 December 2023, but the cash and bank balances were decreased from approximately HK\$31.2 million as at 31 December 2023 to approximately HK\$8.3 million as at 30 June 2024 which was mainly attributable to the net cash used in operating and investing activities of approximately HK\$65.4 million and only partly offset by net cash generated from financing activities of approximately HK\$43.8 million. Deposits, prepayments and other receivables increased from approximately HK\$34.5 million as at 31 December 2023 to approximately HK\$61.8 million as at 30 June 2024, which was mainly attributable to deposits paid for existing projects business development and deposits paid to suppliers to purchase materials.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As at 30 June 2024, the total liabilities of the Group amounted to approximately HK\$91.9 million, representing an increase of approximately 40.4% as compared to approximately HK\$65.5 million as at 31 December 2023.

The equity attributable to the owners of the Company amounted to approximately HK\$155.2 million as at 30 June 2024, representing an increase of approximately 4.8% as compared to approximately HK\$148.1 million as at 31 December 2023.

The current ratio of the Group (current assets divided by current liabilities) decreased from approximately 4.17 times as at 31 December 2023 to approximately 2.18 times as at 30 June 2024.

### ***Financial position as at 31 December 2023***

As at 31 December 2023, the Group's total assets amounted to approximately HK\$214.2 million, representing a decrease of approximately 25.7% as compared to approximately HK\$288.4 million as at 31 December 2022 which was mainly attributable to the decrease in loan and interest receivables and cash and bank balances.

As at 31 December 2023, the total liabilities of the Group amounted to approximately HK\$65.5 million, representing a decrease of approximately 17.2% as compared to approximately HK\$79.1 million as at 31 December 2022.

The equity attributable to the owners of the Company amounted to approximately HK\$148.1 million as at 31 December 2023, representing a decrease of approximately 28.9% as compared to approximately HK\$208.4 million as at 31 December 2022.

The current ratio of the Group (current assets divided by current liabilities) decreased from approximately 4.42 times as at 31 December 2022 to approximately 4.17 times as at 31 December 2023.

## **2. Reasons for the Subscription and the Shares Transfer and the use of proceeds**

As stated in the Letter from the Board, the Subscription and the Shares Transfer reflect the confidence and support for the development of the Company by King Castle. The Subscription and the Shares Transfer will further strengthen the capital base and financial position of the Company.

The gross proceeds from the Subscription will be HK\$10,000,000. The net proceeds from the Subscription (after deduction of relevant expenses of the Subscription) will amount to approximately up to HK\$9.85 million. The net price per Subscription Share upon the completion of the Subscription will be approximately HK\$0.394 per Subscription Share (as adjusted by the Share Consolidation). The Company intends to apply the net proceeds as general working capital of the Group.

The gross proceeds from the Shares Transfer will be HK\$5,280,000. The net proceeds from the Shares Transfer (after deduction of relevant expenses of the Shares Transfer) will amount to approximately HK\$5.13 million. The Company intends to apply the net proceeds as general working capital of the Group.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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The Directors (excluding Mr. Wong who abstained since he is considered to have material interests in the Subscription and the Shares Transfer) consider that the respective Subscription Agreement and the Shares Transfer Agreement is on normal commercial terms, the terms of the Subscription Agreement (including the Subscription Price) and the Shares Transfer Agreement (including the Sale Price) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Completion of the Subscription Agreement and the Shares Transfer Agreement is not inter-conditional upon each other.

As advised by the Directors, in light of the prevailing financial conditions of the Group, the Board considers the Subscription and the Shares Transfer to be suitable financial options as compared to other means of financing as it enables the Group to raise capital without increasing interest burden on the Group. The Directors further advised that they also considered other forms of fundraising methods for the Group, such as other equity financing (i.e. rights issue or open offer) and debt financing, before conducting the Subscription and the Shares Transfer. In respect of the debt financing, it will incur additional finance costs and increase gearing level of the Group and may be subject to lengthy due diligence and negotiations with lenders. In respect of rights issue or open offer, the Directors considered that (i) such fundraising activities may incur additional costs, including but not limited to underwriting commission and other professional fees; (ii) given the Group's loss-making position for each of the two financial years ended 31 December 2023 and the six months ended 30 June 2024, the Company may have difficulties in seeking underwriter; and (iii) if the rights issue or open offer is not underwritten, its results will be uncertain. Based on the above factors, the Directors considered that the Subscription and the Shares Transfer are suitable financial options as compared to other means of financing.

Having consider that (i) debt financing will result in additional interest burden, higher gearing ratio of the Group and debt financing may not be achievable on favourable terms in a timely manner; (ii) rights issue and open offer may incur additional costs, including but not limited to underwriting commission and other professional fees; and (iii) the net proceeds from the Subscription and the Shares Transfer will enhance the Group's cash position, we concur with the Company and consider that the current fund-raising method by way of the Subscription and the Shares Transfer are appropriate and acceptable for the Company and its Shareholders as a whole.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### 3. Previous fund raising exercises involving issue of securities in the prior 12-month period

The Company has conducted the following equity fund raising activities during the twelve months immediately before the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of the net proceeds	Actual use of proceeds
29 November 2023, 18 January 2024 and 4 March 2024	Issue of new shares under general mandate by way of subscription	approximately HK\$3.45 million	approximately HK\$3.45 million for provision of general working capital of the Group	Used the net proceeds of approximately HK\$3.45 million for provision of general working capital of the Group
20 October 2023, 10 November 2023, 13 November 2023, 5 December 2023, 5 January 2024 and 2 February 2024	(I) Placing of new shares under general mandate; and	approximately HK\$10.9 million	(i) approximately HK\$19 million for repayment of outstanding liabilities; and (ii) approximately HK\$20.2 million for provision of general working capital (as disclosed in the announcement dated 5 December 2023, as the Placing Shares were not fully placed, the Group proposed to use the net proceeds of HK\$9.1 million for repayment of outstanding liabilities and the balance of HK\$1.8 million as general working capital)	Used the net proceeds of HK\$9.1 million for repayment of outstanding liabilities and the balance of HK\$1.8 million as general working capital

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**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

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<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised</b>	<b>Intended use of the net proceeds</b>	<b>Actual use of proceeds</b>
	(II) Previous Subscription	Nil	(i) approximately HK\$37 million for existing projects' business development; and (ii) approximately HK\$12.5 million for future possible investment opportunities	The subscription agreement was lapsed on 31 January 2024
2 February 2024, 27 February 2024, 8 April 2024, 16 May 2024 and 30 May 2024	(I) Issue of new shares under specific mandate by way of subscription; and	Nil	(i) approximately HK\$9.79 million for repayment of outstanding liabilities; (ii) approximately HK\$11.88 million for provision of general working capital; and (iii) approximately HK\$18.05 million for existing projects' business development	The conditions precedent of the subscription agreement were not fulfilled, satisfied and/or waived, and the subscription was not completed on 30 May 2024



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**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

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Date of announcement	Fund raising activity	Net proceeds raised	Intended use of the net proceeds	Actual use of proceeds
	(II) Connected transaction in relation to the issue of new shares under specific mandate by way of subscription	approximately HK\$32.4 million	(i) approximately HK\$9.79 million for repayment of outstanding liabilities; (ii) approximately HK\$11.88 million for provision of general working capital; and (iii) approximately HK\$18.05 million for existing projects' business development (as disclosed in the announcement dated 30 May 2024, as the subscription was under subscribed, the Group re-allocated the net proceeds of (i) HK\$5.4 million for repayment of outstanding liabilities; (ii) HK\$10.6 million for provision of general working capital; and (iii) HK\$16.4 million for existing projects' business development)	Used the net proceeds of (i) approximately HK\$5.4 million for repayment of outstanding liabilities; (ii) approximately HK\$10.6 million for provision of general working capital; and (iii) approximately HK\$16.4 million for existing projects' business development

Save as disclosed above, the Company has not conducted any other equity fund-raising activities during the past twelve months immediately preceding the Latest Practicable Date. Given that the fund raised during the past twelve months immediately preceding the Latest Practicable Date has been fully utilised with no unutilised proceeds from the equity fund-raising activities as set out in the table above, we consider that the Group is in need to conduct further fund raising to satisfy its funding needs.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### 4. Principal terms of the Subscription and the Shares Transfer

#### *The Subscription Price*

As set out in the Letter from the Board, the Subscription Price is HK\$0.10 or HK\$0.40 per Subscription Share (as adjusted by the Share Consolidation), which represents:

- (i) a premium of approximately 13.64% to the adjusted closing price of HK\$0.352 per Consolidated Share as quoted on the Stock Exchange on the date of the Subscription Agreement (the “**Last Trading Day**”);
- (ii) a premium of approximately 38.89% to the average adjusted closing price of HK\$0.288 per Consolidated Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 61.29% to the adjusted unaudited net asset value per Consolidated Share of approximately HK\$0.248 (based on the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$155.2 million as at 30 June 2024 and 625,491,455 Consolidated Shares in issue as at the Latest Practicable Date); and
- (iv) a discount of 43.50% to the adjusted closing price of HK\$0.708 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined with reference to the prevailing market price of the Shares and in line with the subscription price of 330,000,000 Shares by King Castle at HK\$0.10 per subscription share completed on 30 May 2024, and was negotiated on an arm’s length basis between the Company and King Castle. The Directors (excluding Mr. Wong who abstained since he is considered to have a material interest in the Subscription) consider that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

#### *The Sale Price*

As set out in the Letter from the Board, the Sale Price is HK\$0.088 per Sale Share (or HK\$0.352 per Consolidated Share taking into account the Share Consolidation becomes effective), which is/ represents:

- (i) equivalent to the closing price of HK\$0.088 or adjusted closing price of HK\$0.352 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 22.22% over the average closing price of approximately HK\$0.072 per Share or the average adjusted closing price of approximately HK\$0.288 per Consolidated Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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- (iii) a premium of approximately 41.94% to the unaudited net asset value attributable to the Shareholders of approximately HK\$0.062 per Share or the adjusted unaudited net asset value of approximately HK\$0.248 per Consolidated Share (based on the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$155.2 million as at 30 June 2024 and 2,501,965,820 Shares (or adjusted 625,491,455 Consolidated Shares) in issue as at the Latest Practicable Date); and
- (iv) a discount of 50.28% to the adjusted closing price of HK\$0.708 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Sale Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and King Castle. The Directors (excluding Mr. Wong who abstained since he is considered to have a material interest in the Shares Transfer) consider that the terms of the Shares Transfer Agreement (including the Sale Price) are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

### *Analysis on the Subscription Price and the Sale Price*

In order to assess the fairness and reasonableness of the Subscription Price and the Sale Price, we set out the following analysis for illustrative purposes:

#### *Analysis on historical Share price performance*

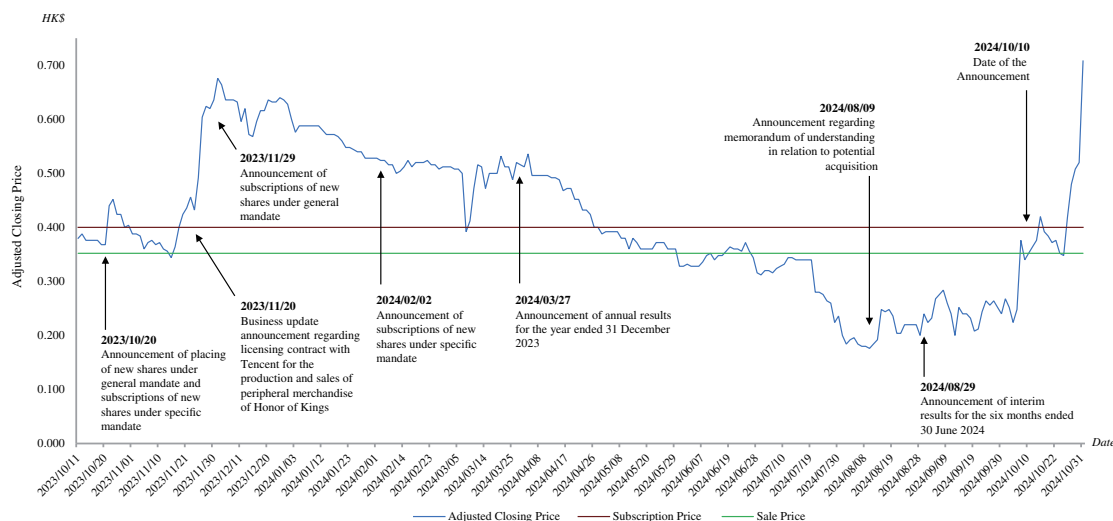
In order to assess the fairness and reasonableness of the Subscription Price and the Sale Price, we have reviewed the movements in the closing price per Consolidated Share during the period from 11 October 2023, being 12 months immediately preceding the Last Trading Day, to the Latest Practicable Date (the "**Share Price Review Period**"), which is commonly adopted for share price analysis. We consider that a period of not less than 12 months is adequate and long enough to illustrate the recent price movements and covered the seasonal factors of the Consolidated Shares for conducting a reasonable comparison between the Subscription Price, the Sale Price and the closing price of the Consolidated Shares for assessing the reasonableness and fairness of the Subscription Price and the Sale Price.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### Share price chart during the Share Price Review Period



Source: [www.hkex.com.hk](http://www.hkex.com.hk)

During the Share Price Review Period and including the Latest Practicable Date, the average adjusted closing price was approximately HK\$0.410 per Consolidated Share (the “**Average Closing Price**”). The daily adjusted closing price ranged from HK\$0.176 per Consolidated Share recorded on 9 August 2024 (the “**Lowest Closing Price**”) to HK\$0.708 per Consolidated Share recorded as at the Latest Practicable Date (the “**Highest Closing Price**”). The Subscription Price of HK\$0.40 represents (i) a premium of approximately 127.3% to the Lowest Closing Price; (ii) a discount of approximately 43.5% to the Highest Closing Price; and (iii) a discount of approximately 2.4% to the Average Closing Price while the Sale Price of HK\$0.352 represents (i) a premium of approximately 100.0% to the Lowest Closing Price; (ii) a discount of approximately 50.3% to the Highest Closing Price; and (iii) a discount of approximately 14.1% to the Average Closing Price.

As illustrated in the chart above, during the Share Price Review Period, we noted that: (i) from 3 October 2023 to 1 December 2023, the adjusted closing price per Consolidated Share was in an increasing trend and reached its peak of HK\$0.676 on 1 December 2023; (ii) from 2 December 2023 to 9 August 2024, the adjusted closing price per Consolidated Share was in a decreasing trend and reached its bottom of HK\$0.176 (i.e. the Lowest Closing Price) on 9 August 2024 and (iii) from 10 August 2024 to the Latest Practicable Date, the adjusted closing price per Consolidated Share gradually increased to HK\$0.708 as at the Latest Practicable Date after the publication of a voluntary announcement of the Company dated 9 August 2024 in relation to the entering into a memorandum of understanding for a potential acquisition of a target company engaging in security services.

Considering the Share price was in an overall decreasing trend and only bounced back from bottom since 9 August 2024, we consider that the Subscription Price and the Sale Price set at premium and equivalent to the closing price on the Last Trading Day are fair and reasonable so far as the Company and its Shareholders are concerned.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*Our analysis on historical trading volume and liquidity*

We have also reviewed the historical trading volume of the Shares during the Share Price Review Period. The number of days with trading of Shares in the month/period, the average daily trading volume of Shares in the month/period and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public are set out in the table below.

Month/period	Number of days with trading of Shares in the month/period	Average daily number of Shares traded per trading days in the month/period	Percentage of average daily number of Shares traded to the total number of Shares in issue as at the end of the month/period <i>(Note 1)</i>	Percentage of average daily number of Shares traded to the total number of Shares held by public Shareholders <i>(Note 2)</i>
<b>2023</b>				
October <i>(from 11 October 2023)</i>	13	2,063,143	0.10%	0.12%
November	20	3,639,000	0.18%	0.20%
December	19	7,093,579	0.33%	0.40%
<b>2024</b>				
January	13	1,593,852	0.07%	0.09%
February	15	988,421	0.05%	0.06%
March	17	2,383,800	0.11%	0.13%
April	15	1,128,600	0.05%	0.06%
May	19	1,370,857	0.05%	0.08%
June	16	1,191,474	0.05%	0.07%
July	16	1,971,818	0.08%	0.11%
August	19	3,212,182	0.13%	0.18%
September	18	7,014,632	0.28%	0.39%
October <i>(up to the Latest Practicable Date)</i>	21	16,230,571	0.65%	0.91%
<b>Minimum</b>			0.05%	0.06%
<b>Maximum</b>			0.65%	0.91%
<b>Average</b>			0.16%	0.21%

Source: [www.hkex.com.hk](http://www.hkex.com.hk)

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. Calculated based on the total number of the Shares in issue at the end of month/period.
2. Calculated based on the total number of the Shares held by public Shareholders as set out in the Letter from the Board as at the Latest Practicable Date.

As set out in the table above, during the Share Price Review Period, the percentages of average daily trading volume of the Shares by month/period were in the range of approximately 0.05% to approximately 0.65% with an average of approximately 0.16% (the “**Average Trading Percentage**”) as to the total number of issued Shares.

Having considered (i) the financial conditions of the Group as analysed under the section headed “1. Background and financial information of the Group” in this letter; (ii) the benefits and costs of each of the alternative fundraising methods; and (iii) the trading liquidity of the Shares has been low in the open market given the Average Trading Percentage of approximately 0.16% and the closing price of the Shares generally showed a decreasing trend during the Share Price Review Period as discussed under the section headed “Analysis on historical Share price performance” above, we concur with the Directors (excluding Mr. Wong who abstained since he is considered to have material interests in the Subscription and the Shares Transfer) that the Subscription Price and the Sale Price are fair and reasonable so far as the Company and its Shareholders are concerned.

*Analysis on recent market comparables*

To further assess the fairness and reasonableness of the Subscription Price and the Sale Price, we have conducted a search on the website of the Stock Exchange for transactions which (i) involved the subscription of new shares of listed companies by either their connected person(s) or independent third party(ies); and (ii) were announced since 1 January 2024 and up to the Last Trading Day (the “**Review Period**”).

The selection of the comparable transactions (the “**Comparable Transactions**”) is based on the following criteria: (i) subscription of new shares for cash under specific mandate carried out by the companies listed on the Main Board of the Stock Exchange (except those terminated or lapsed); (ii) excluding issues of shares inter-conditional with, or pursuant to, placing through placing agent(s), as part of consideration in acquisition, or under share award plan or restricted stock unit scheme, or for emolument, or restructuring scheme; and (iii) excluding issues of A shares or domestic shares due to a possible difference in capital structure and circulation scheme to that of the Company.

We considered our selection criteria for these Comparable Transactions and the length of the Review Period as fair and reasonable given that (i) the selection of subscription exercises with subscribers therein being connected persons and/or independent third parties of the relevant issuers would provide a more comprehensive view of prevailing market conditions; and (ii) there is a sufficient number of Comparable Transactions conducted during the Review Period for our analysis.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We have assessed and considered the suitability of our Comparable Transactions, among other things, business nature and market capitalisation, (i) such inclusion would provide a more comprehensive reference point compared to a limited number of comparable transactions which are announced only by other companies having similar businesses as those of the Company and listed on the Stock Exchange, and/or by those with a market capitalisation that is close to that of the Company; (ii) the market sentiment toward a company's shares which are often affected by, among others, the company's financial performance, industry news, market capitalisation, are already reflected in their recent share prices and hence the premium/discount represented by the Comparable Transactions' subscription prices over/to the recent share prices already provides a relevant and direct reference with regards to the market practice in determining the subscription price; (iii) company listed on the GEM of the Stock Exchange has a relatively small market capitalisation, may have a material impact on the premium/discount represented by its subscription price over/to its recent share prices, therefore company listed on the GEM of the Stock Exchange was excluded; and (iv) the table including the same type of transaction as the Subscription and similar type of transaction of the Shares Transfer, which could facilitate meaningful comparison purpose. The selection of the Comparable Transactions without considering the connected relationship of the subscriber(s) with the listed companies could instead provide a more balanced and comprehensive reference as terms given to connected person(s) shall be no more favourable than terms given to independent third party(ies) under the general regulatory framework. Taking into account these factors, we consider that our selection criteria for the Comparable Transactions are fair and reasonable and provide a meaningful reference for our assessment of the Subscription Price and the Sale Price.

Based on our selection criteria, we have identified 18 Comparable Transactions which we consider to be exhaustive and sufficient for our assessment of the fairness and reasonableness of the Subscription Price and the Sale Price. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as those companies involved in the Comparable Transactions. However, we consider that the Comparable Transactions are comparable as the issued shares of these companies are all listed on the Stock Exchange. Accordingly, we are of the view that the Comparable Transactions provide a meaningful reference in our assessment of the fairness and reasonableness of the Subscription Price and the Sale Price.

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**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

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Company name (Stock Code)	Date of announcement	Connected transaction	Subscription Amount	Percentage of shares issued over its issued share capital (%)	Premium/ (discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately prior to the date of the agreement (%)	Premium/ (discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately prior to the date of the agreement (%)	Status
Hao Tian International Construction Investment Group Limited (1341)	3 Oct 2024	No	1,524,224,000	16.67	(21.6)	(12.5)	Ongoing
China Zenith Chemical Group Limited (362)	20 Sep 2024	No	600,000,000	30.74	13.6	12.4	Ongoing
Changan Minsheng APLL Logistics Co., Ltd (1292)	22 Aug 2024	Yes	40,000,000	19.80	47.9	45.6	Ongoing
Kiu Hung International Holdings Limited (381)	16 Jul 2024	No	470,000,000	63.85	(1.8)	(6.6)	Completed
Winshine Science Company Limited (209)	8 Jul 2024	Yes	23,000,000	15.80	(9.1)	(9.1)	Completed
Aidigong Maternal & Child Health Limited (286)	20 Jun 2024	No	44,350,000	23.08	(14.3)	(15.2)	Ongoing
Wenye Group Holdings Limited (1802)	7 Jun 2024	Yes	237,600,000	28.60	(3.5)	(14.1)	Ongoing
China Zenith Chemical Group Limited (362)	20 May 2024	No	300,000,000	22.20	(2.0)	(4.2)	Completed
Television Broadcast Limited (511)	13 May 2024	Yes	20,000,000	4.36	7.2	12.7	Completed
Labixiaoxin Snacks Group Limited (1262)	13 May 2024	Yes	85,518,388	39.15	(5.2)	(15.8)	Completed



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**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

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Company name (Stock Code)	Date of announcement	Connected transaction	Subscription Amount	Percentage of shares issued over its issued share capital (%)	Premium/ (discount) of the subscription price to the closing price per share for the last five consecutive trading days immediately prior to the date of the agreement (%)	Premium/ (discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately prior to the date of the agreement (%)	Status
Volcano Spring International Holdings Limited (1715)	10 May 2024	No	42,310,000	35.88	(14.8)	(15.6)	Completed
China Silver Technology Holdings Limited (515)	19 Apr 2024	No	330,000,000	29.12	(16.3)	(16.2)	Completed
Longhui International Holdings Limited (1007)	8 Apr 2024	No	62,223,721	37.50	(37.7)	(29.4)	Completed
Apollo Future Mobility Group Limited (860)	15 Mar 2024	Yes	445,652,177	43.59	(9.8)	(16.4)	Completed
Virtual Mind Holding Company Limited (1520)	2 Feb 2024	Yes	330,000,000	27.20	(23.7)	(24.8)	Completed
Renaissance Asia Silk Road Group Limited (274)	30 Jan 2024	No	800,000,000	27.50	(39.1)	(31.7)	Completed
Eminence Enterprise Limited (616)	23 Jan 2024	No	235,000,000	69.50	(4.8)	(5.8)	Completed
ZO Future Group (2309)	12 Jan 2024	Yes	43,697,478	5.35	(15.0)	(11.4)	Completed
		The Company	25,000,000	3.84	13.64	38.90	

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As illustrated in the table above, the subscription prices in the Comparable Transactions:

- (i) ranged from a discount of approximately 39.1% to a premium of approximately 47.9%, with an average premium of approximately 1.0%, to/over their respective closing share prices on the date of the respective subscription agreements; and
- (ii) ranged from a discount of approximately 31.7% to a premium of approximately 45.6%, with an average discount of approximately 31.7%, to/over their respective average closing prices for the last five consecutive trading days prior to the date of the respective subscription agreements; and

As such, (i) the premium of the Subscription Price of approximately 13.64% to the closing price on the date of the Subscription Agreement (the “**Subscription LTD Premium**”) falls within the above ranges of the Comparable Transactions; (ii) the premium of the Subscription Price of approximately 38.89% to the average closing price for the last five consecutive trading days immediately prior to the date of the Subscription Agreement (the “**Subscription Five Days Premium**”) falls within the above ranges of the Comparable Transactions; (iii) no premium or discount of the Sale Price to the closing price on the date of the Shares Transfer Agreement (the “**Sales LTD Closing Price**”) falls within the above ranges of the Comparable Transactions, and (iv) the premium of the Sale Price of approximately 22.22% to the average closing price for the last five consecutive trading days immediately prior to the date of the Shares Transfer Agreement (the “**Sales Five Days Premium**”) falls within the above ranges of the Comparable Transactions.

Having considered that (i) the Subscription LTD Premium and the Subscription Five Days Premium are within the ranges of those of the Comparable Transactions; (ii) the Sales LTD Closing Price and the Sales Five Days Premium are within the ranges of those of the Comparable Transactions; (iii) the net losses recorded by the Group for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024; (iv) the net current asset position and net asset value of the Group have been on a declining trend since 31 December 2022; (v) the liquidity of the Shares had been relatively low during the Review Period; (vi) the reasons for and benefits of the Subscription and the Shares Transfer; (vii) the Subscription and the Shares Transfer are appropriate fundraising methods currently available to the Group; and (viii) the premium of the Subscription Price and the Sale Price to the closing price of the Shares are justifiable, we are of the view that the Subscription Price and the Sale Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### *Difference between the Subscription Price and Sale Price*

With reference to the Letter from the Board, the Subscription Price and the Sale Price was negotiated on an arm’s length basis between the Company and King Castle with reference to the prevailing market price of the Shares. It is noted that, upon the Share Consolidation becoming effective, (i) the Subscription Price of HK\$0.40 represents a premium to the recent trading prices of the Shares and to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2024 (“**NAV**”) (i.e. HK\$0.248); and (ii) the Sale Price represents a premium to the recent trading prices of the Shares.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Considering (i) the Sales Five Days Premium falls within the above ranges of the Comparable Transactions; (ii) the Sale Price represents a premium to the NAV which is in favour to the Company; (iii) the Subscription Price represents a premium to the recent market prices of the Shares, which is in line with the subscription price (i.e HK\$0.40 as adjusted for illustration purpose assuming the Share Consolidation becomes effective) of 330,000,000 Shares by King Castle conducted on 30 May 2024; (iv) the difficulty in disposing the 60,000,000 Shares (or 15,000,000 Consolidated Shares, as the case may be) on the market, given the recent trading volume of the Shares on the Stock Exchange; (v) the Sale Price reflects an opportunity to dispose the said Shares efficiently and effectively; and (vi) the higher premium as represented by the Subscription Price act as a furtherance of the Sale Price, is in favour to the Company as a reflection of support by King Castle and is justifiable given both of the Subscription Price and the Sale Price are fair and reasonable, and in the interests of the Company and the Shareholders as a whole as mentioned above in our analysis, we concur with the Management that the difference between the Subscription Price and Sale Price is justifiable and in the best interests of the Company.

### *Potential change of shareholding after the Subscription and the Shares Transfer*

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) assuming immediately upon the Share Consolidation becoming effective; (iii) assuming immediately upon the allotment and issue of 25,000,000 Subscription Shares (assuming the Share Consolidation becoming effective and there is no other change to the number of the issued Shares from the Latest Practicable Date to the Subscription Completion Date); (iv) assuming immediately upon the Shares Transfer Completion (assuming the Share Consolidation becoming effective and there is no other change to the number of the issued Shares from the Latest Practicable Date to the Shares Transfer Completion Date); and (v) assuming immediately upon the allotment and issue of 25,000,000 Subscription Shares and the Shares Transfer Completion (assuming the Share Consolidation becoming effective and there is no other change to the number of the issued Shares from the Latest Practicable Date to the Subscription Completion Date and the Shares Transfer Completion Date).

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

	(i) As at Latest Practicable Date		(ii) Assuming immediately upon the Share Consolidation becoming effective		(iii) Assuming immediately after completion of the Subscription		(iv) Assuming immediately after the Shares Transfer Completion		(v) Assuming immediately after completion of the Subscription and the Shares Transfer Completion	
			Number of Consolidated		Number of Consolidated		Number of Consolidated		Number of Consolidated	
	Existing Shares	Approx. %	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %
<b>Directors</b>										
Mei Weiyi	15,000,000	0.60	3,750,000	0.60	3,750,000	0.58	3,750,000	0.60	3,750,000	0.58
Tang Shu Pui Simon (Note 1)	5,000,000	0.20	1,250,000	0.20	1,250,000	0.19	1,250,000	0.20	1,250,000	0.19
Chan Ming Leung Terrence (Note 2)	15,840,000	0.63	3,960,000	0.63	3,960,000	0.61	3,960,000	0.63	3,960,000	0.61
<b>Substantial Shareholders</b>										
King Castle	330,000,000	13.19	82,500,000	13.19	107,500,000	16.53	97,500,000	15.59	122,500,000	18.83
World Field Industries Limited	283,994,000	11.35	70,998,500	11.35	70,998,500	10.91	70,998,500	11.35	70,998,500	10.91
<b>Others</b>										
Treasury Shares	60,000,000	2.40	15,000,000	2.40	15,000,000	2.30	-	-	-	-
Public Shareholders	1,792,131,820	71.63	448,032,955	71.63	448,032,955	68.88	448,032,955	71.63	448,032,955	68.80
<b>Total</b>	<b>2,501,965,820</b>	<b>100.00</b>	<b>625,491,455</b>	<b>100.00</b>	<b>650,491,455</b>	<b>100.00</b>	<b>625,491,455</b>	<b>100.00</b>	<b>650,491,455</b>	<b>100.00</b>

*Notes:*

- These 5,000,000 Shares are beneficially owned by Tang Shu Pui Simon, an independent non-executive Director. He is also the beneficial owner of 2,000,000 options of the Company.
- These 15,840,000 Shares are beneficially owned by Chan Ming Leung Terrence, an executive Director. He is also the beneficial owner of 2,060,000 options of the Company.
- Based on the disclosure of interests forms filed on 19 July 2022, World Field Industries Limited is owned as to 100% by Green Astute Limited, which is in turn owned as to 100% by Hao Tian Media & Culture Holdings Limited, which is in turn owned as to 100% by Aceso Life Science Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 474).

Shareholders should note that there is no shareholding dilution effect in relation to the Shares Transfer. Taking into account: (i) the Subscription would enable the Group to improve its financial position; and (ii) the Subscription Price is higher than the adjusted market price as at the Last Trading Day and the adjusted net asset value per Consolidated Share of the Group, we are of the view that the potential dilution effect of the Subscription is fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that the implementation of the Subscription is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact to the shareholding interests of the existing public Shareholders.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### 5. Financial effects of the Subscription and the Shares Transfer

#### *Net Assets*

It is expected that upon completion of the Subscription, the unaudited consolidated net assets of the Group attributable to the owners of the Company would be improved. For the Shares Transfer, considering the adjusted market price of the Consolidated Shares was at HK\$0.316 per Consolidated Share as at 30 June 2024, it is expected that a gain on disposal will be recorded from the Shares Transfer.

#### *Liquidity*

According to the 2024 Interim Report, as at 30 June 2024, the Group had cash and bank balances of approximately HK\$8.3 million, current assets of approximately HK\$197.5 million and current liabilities of approximately HK\$90.5 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 June 2024 was approximately 2.2 times. Immediately upon completion of the Subscription and the Shares Transfer, the cash and bank balances of the Group is expected to increase by the net proceeds from the Subscription and the Shares Transfer of approximately HK\$14.98 million. As such, the current ratio and the liquidity of the Group will be improved upon the completion of the Subscription and the Shares Transfer Completion.

Having considered that the Subscription and the Shares Transfer will (i) improve the unaudited consolidated net assets attributable to the owners of the Company; and (ii) improve the overall liquidity position of the Group, we are of the view that the Subscription and the Shares Transfer are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon completion of the Subscription and the Shares Transfer Completion.

### **RECOMMENDATION**

Having taken into account the principal factors and reasons as referred to the above, including

- (i) the net proceeds of approximately HK\$14.98 million from the Subscription and the Shares Transfer will enhance the cash level, the liquidity and the current ratio of the Group;
- (ii) the fund raised during the past twelve months immediately preceding the Latest Practicable Date has been used up;
- (iii) the Subscription Price and the Sale Price, which were determined as discussed above and at the prevailing market prices of the Shares before the Last Trading Day, ensure that the Company would raise the required funding from the Subscription and the Shares Transfer to improve its overall liquidity position and fulfil its capital requirements;

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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- (iv) taking into account the benefits and costs of each of the alternative fundraising methods, the Subscription and the Shares Transfer represent an appropriate means for fundraising to improve the Group's financial position as discussed under the section headed "2. Reasons for the Subscription and the Shares Transfer and the use of proceeds" in this letter;
- (v) the Subscription Price and the Sale Price are above the adjusted net asset value per Consolidated Share of the Company;
- (vi) the liquidity of the Shares is low; and
- (vii) the dilution effect of the Subscription is reasonable as discussed in the section headed "4. Principal terms of the Subscription and the Shares Transfer" in this letter,

we are of the opinion that (i) the terms of the Subscription and the Shares Transfer and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) on the Subscription and the Shares Transfer to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Red Sun Capital Limited**  
**Robert Siu**  
*Managing Director*

*Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry.*

**1. RESPONSIBILITY STATEMENT**

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

**2. DISCLOSURE OF INTERESTS****(a) Directors' and chief executive's interests in securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Appendix C3 "Model Code for Securities Transactions by Directors of Listed Issuers" ("**Model Code**") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

***Long positions in Shares and underlying shares of the Company***

As at the Latest Practicable Date, the interests of the Directors and the chief executive in the Shares of the Company were as follows:

Name	Capacity	Ordinary shares	Shares issuable on share options held (Note 1)	Total interests	Approximate percentage of shareholdings (Note 2)
Mei Weiyi	Beneficial owner	15,000,000	–	15,000,000	0.60%
Li Yang	Beneficial owner	–	36,700,000	36,700,000	1.47%
Tin Yat Yu Carol	Beneficial owner	–	36,700,000	36,700,000	1.47%
Chan Ming Leung Terence (Note 3)	Beneficial owner	15,840,000	2,060,000	17,900,000	0.72%
Gong Xiaohan	Beneficial owner	–	36,700,000	36,700,000	1.47%
Tang Shu Pui Simon	Beneficial owner	5,000,000	2,000,000	7,000,000	0.28%
Hon Ming Sang	Beneficial owner	–	2,000,000	2,000,000	0.08%
Lo Wing Sze	Beneficial owner	–	2,000,000	2,000,000	0.08%

*Notes:*

1. The options were respectively granted by the Company on 8 December 2021, 19 April 2022 and 17 January 2023. For details of the options granted, please refer to the announcements of the Company published on the respective dates.
2. Based on 2,501,965,820 Shares in issue as at the Latest Practicable Date.
3. Based on the disclosure of interests form filed on 19 May 2023, 20 June 2023 and 12 September 2023 respectively, Mr. Chan Ming Leung Terence provided an interest in the 15,840,000 Shares as securities to a person other than a qualified lender.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company have or are deemed to have interests or short positions in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained by the Company under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial shareholders' and other persons' interests and short positions in Shares, underlying shares and debentures of the Company**

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:



Name	Capacity	Ordinary shares	Other interests in underlying shares held	Total interests	Approximate percentage of shareholdings (Note 1)
King Castle	Beneficial owner	330,000,000	–	330,000,000	13.19%
Wong Kin Ting	Interest of controlled corporation	330,000,000	–	330,000,000	13.19%
World Field Industries Limited (Note 2)	Beneficial owner	283,994,000	–	283,994,000	11.35%
Value Convergence Holdings Limited (“VCH”) (Note 3)	Beneficial owner	222,178,919	66,844,919	289,023,838	11.55%
	Interest of controlled corporation	19,338,000	–	19,338,000	0.77%

## Notes:

- Based on 2,501,965,820 Shares in issue as at the Latest Practicable Date.
- Based on the disclosure of interests forms filed on 19 July 2022, World Field Industries Limited is owned as to 100% by Green Astute Limited, which is in turn owned as to 100% by Hao Tian Media & Culture Holdings Limited, which is in turn owned as to 100% by Aceso Life Science Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 474).
- To the best of knowledge and information of the Company, VCH was (i) the beneficial owner of 222,178,919 Shares/underlying shares of the Company, of which 66,844,919 referred to interests in underlying shares (unlisted derivatives – convertible instruments). VCH was deemed to be interested in 66,844,919 underlying shares of the Company which may be issued and allotted upon exercise of the conversion rights attaching to the convertible bonds at a principal amount of HK\$10,000,000 at the conversion price of HK\$0.1496 per Share. For details, please refer to the announcements of the Company dated 13 December 2021 and 6 January 2022. VCH was the beneficial owner of 222,178,919 Shares. Also, by virtue of the SFO, VCH is deemed to be interested in 19,338,000 Shares which are held by VC Brokerage Limited, which in turn is owned as to 100% by VC Financial Group Limited, which is in turn owned as to 100% by VCH.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or as otherwise notified to the Company and the Stock Exchange. As at the Latest Practicable Date, no Director is also a director or employee of any substantial shareholder (as defined under the Listing Rules) of the Company.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

### 4. DIRECTORS' COMPETING INTERESTS

Ms. Tin Yat Yu Carol (“**Ms. Tin**”), an executive Director and the sole director of Delta Wealth Finance Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, is also a director of Finsoft Financial Investment Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM of the Stock Exchange (Stock code: 8018), which is principally engaged in money lending business in Hong Kong.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective close associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

### 5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save for Ms. Tin's interest in a sale and purchase agreement dated 8 December 2022 (for details, please refer to the announcement of the Company dated 8 December 2022 and the circular of the Company dated 10 February 2023), no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2023, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

**6. EXPERT'S QUALIFICATION AND CONSENT**

The following are the qualifications of the expert who has been named in this circular or has given opinion or letter contained in this circular:

<b>Name</b>	<b>Qualification</b>
Red Sun Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Red Sun Capital has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**7. MATERIAL ADVERSE CHANGE**

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

**8. DOCUMENTS ON DISPLAY**

Copies of the following documents are available on the website of the Company at <http://www.vmh.com.hk> and on the website of the Stock Exchange from the date of this circular up to and including the date of the EGM:

- (a) the Subscription Agreement;
- (b) the Shares Transfer Agreement;
- (c) the Supplemental Subscription Agreement;
- (d) the Supplemental Shares Transfer Agreement;
- (e) the letter from the Independent Board Committee as set out in this circular;
- (f) the letter from Independent Financial Adviser as set out in this circular;
- (g) the written consent of the expert as referred to in the section headed “**EXPERT’S QUALIFICATION AND CONSENT**” of this appendix; and
- (h) this circular.

**9. MISCELLANEOUS**

The English text of this circular shall prevail over its Chinese text in case of inconsistency.

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## NOTICE OF EGM

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# Virtual Mind Holding Company Limited 天機控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1520)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of shareholders (the “**Shareholders**”) of Virtual Mind Holding Company Limited (the “**Company**”) will be held at Room 2511-15, 25/F, Peninsula Tower, 538 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong at 11:00 a.m. on Monday, 18 November 2024 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**, conditional upon and subject to (i) the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) of an approval with respect to the listing of, and permission to deal in, Consolidated Shares (as defined below), and (ii) the taking of each action which is required to be taken under the laws of the Cayman Islands and the Rules Governing the Listing of Securities on the Stock Exchange in order for the Share Consolidation (as defined below) to be effected, with effect from the second business day after the date on which this resolution is passed, being a day on which shares are traded on the Stock Exchange, or the date on which the conditions referred to above are satisfied (whichever is the later):
  - (a) every four (4) issued and unissued existing ordinary shares with a par value of HK\$0.01 each in the share capital of the Company (the “**Existing Shares**”) are consolidated into one (1) ordinary share with a par value of HK\$0.04 (a “**Consolidated Share**”), each of which is to rank *pari passu* in all respects with each other Consolidated Share and to carry the rights and privileges, and be subject to the restrictions, provided for in the Company’s memorandum and articles of association (the “**Share Consolidation**”);
  - (b) immediately after the Share Consolidation, the authorized share capital of the Company is changed from HK\$100,000,000 divided into 10,000,000,000 ordinary shares with a par value of HK\$0.01 each to HK\$100,000,000 divided into 2,500,000,000 Consolidated Shares;
  - (c) all fractional Consolidated Shares will be disregarded and not be issued to the holders of the Existing Shares but will be aggregated and, if possible, sold for the benefit of the Company; and

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## NOTICE OF EGM

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- (d) any one of the director(s) of the Company (“**Director(s)**”) is authorised to prepare, approve, execute (under hand or seal), give and/or deliver on behalf of the Company any document of any nature, and to do (or cause to be done) any act or thing, which that Director considers to be necessary or desirable in connection with the Share Consolidation.”

2. “**THAT:**

- (a) the subscription agreement dated 10 October 2024 (as supplemented by a supplemental agreement dated 23 October 2024) (the “**Subscription Agreement**”) (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) entered into between the Company as the issuer and King Castle Enterprises Limited as the subscriber (the “**Subscriber**”) in relation to the issue of 25,000,000 new shares (the “**Subscription Shares**”) of the Company at the subscription price of HK\$0.40 each and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified, the specific mandate granted to the board of Directors (the “**Board**”) of the Company to allot and issue the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement (the “**Specific Mandate**”) be and are hereby approved, and the Board be and is hereby authorised to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement; and
- (b) any one of the Directors be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Subscription Agreement and the transaction contemplated thereunder including the allotment and issue of the Subscription Shares under the Specific Mandate, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided for in the Subscription Agreement) as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole.”

3. “**THAT:**

- (a) the shares transfer agreement dated 10 October 2024 (as supplemented by a supplemental agreement dated 23 October 2024) (the “**Shares Transfer Agreement**”) (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) entered into between the Company as the vendor and King Castle Enterprises Limited as the purchaser (the “**Purchaser**”) in relation to the sale and purchase of 60,000,000 shares of HK\$0.01 each in the share capital of the Company (or 15,000,000 Consolidated Shares of HK\$0.04 each in the share capital of the Company as adjusted upon the Share Consolidation becomes effective) (the “**Sale Shares**”) of the Company held under the reserves of the Company at the sale price of HK\$0.088 per Sale Share (or HK\$0.352 upon the Share Consolidation becomes effective) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified, and the specific mandate granted to the Board to sell and transfer the Sale Shares to the Purchaser pursuant to the Shares Transfer Agreement be and are hereby approved; and

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## NOTICE OF EGM

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- (b) any one of the Directors be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Shares Transfer Agreement and the transaction contemplated thereunder including the transfer of the Sale Shares, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided for in the Shares Transfer Agreement) as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole.”

By Order of the Board  
**Virtual Mind Holding Company Limited**  
**Li Yang**  
*Executive Director*

Hong Kong, 1 November 2024

*As at the date of this notice, the Board comprised the following Directors:*

*Executive Directors*

Mr. MEI Weiyi (*Chairman*)  
Mr. LI Yang  
Ms. TIN Yat Yu Carol  
Mr. CHAN Ming Leung Terence  
Mr. GONG Xiaohan  
Mr. WONG Wai Kai Richard

*Independent non-executive Directors*

Mr. TANG Shu Pui Simon  
Mr. HON Ming Sang  
Ms. LO Wing Sze *BBS, JP*

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

Room 2511-15, 25/F, Peninsula Tower,  
538 Castle Peak Road, Cheung Sha Wan,  
Kowloon, Hong Kong

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## NOTICE OF EGM

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*Notes:*

1. For purposes of determining the holding of the EGM, Business Day means any day (excluding Saturday and Sunday) on which no black rainstorm warning is issued, no typhoon signal no. 8 or above is hoisted, and no “extreme conditions” are announced by the government of Hong Kong at any time between 9:00 a.m. and 11:00 a.m. or remain in force in Hong Kong; and on which banks in Hong Kong are generally open for business. In the event that a black rainstorm warning is issued, or typhoon signal no. 8 or above is hoisted, or “extreme conditions” are announced by the government of Hong Kong at any time between 9:00 a.m. and 11:00 a.m. or remain in force in Hong Kong, the EGM will not be held on that day but will be held at the same time and place on the second Business Day after Monday, 18 November 2024 or any adjournment thereof.
2. For ascertaining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 November 2024 to Monday, 18 November 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 November 2024.
3. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or, if he/she is the holder of two or more shares, more than one proxy to attend and vote on his/her behalf in accordance with the articles of association of the Company (as amended from time to time). A proxy needs not be a shareholder of the Company.
4. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in any event not later than 11:00 a.m. on Saturday, 16 November 2024.
5. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof and in such case, the form of proxy previously submitted shall be deemed to be revoked.
6. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto but if more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand first in the register of members in respect of the joint holding.