
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in DREAM EAST GROUP LIMITED (In Compulsory Liquidation) (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company. Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



HONOR MAGIC INTERNATIONAL LIMITED
(Incorporated in British Virgin Islands with limited liability)

DREAM EAST GROUP LIMITED
夢東方集團有限公司
(In Compulsory Liquidation)
*(Incorporated in Bermuda with limited liability and
carrying on business in Hong Kong as "DreamEast Cultural Entertainment")*
(Stock code: 593)

(1) THE PROPOSED RESTRUCTURING INVOLVING
I. CAPITAL REORGANISATION;
II. SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
III. CREDITORS SCHEME;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) APPLICATION FOR WHITELASH WAIVER;
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Shareholders

MERDEKA 領智

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Liquidators is set out on pages 13 to 41 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Shareholders is set out on pages 42 to 71 of this circular.

A notice convening the SGM to be held at 6/F, Congregation House, 119 Leighton Road, Causeway Bay, Hong Kong, at 11:00 a.m. on 8 September 2025 is set out on pages SGM-1 to SGM-5 of this circular. A form of proxy for use at the SGM or any adjournment or postponement thereof is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM (i.e. 11:00 a.m. on 6 September 2025), or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment or postponement thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

22 August 2025

CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	10
LETTER FROM THE LIQUIDATORS	13
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	42
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — GENERAL INFORMATION	II-1
NOTICE OF THE SGM	SGM-1

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Additional Resumption Guidance”	the additional resumption guidance issued by the Stock Exchange to the Company on 8 October 2024 in relation to the Resumption (as supplemented or amended by the Stock Exchange from time to time)
“Admitted Scheme Claim(s)”	all Scheme Claim(s) against the Company which have been admitted under the Creditors Scheme by the Scheme Administrators or the adjudicator (as the case may be)
“Announcement”	the joint announcement dated 22 July 2025 made by the Company and the Investor in relation to, among others, the Proposed Restructuring and the Whitewash Waiver
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Bye-laws”	the bye-laws of the Company, as amended and restated from time to time
“Capital Reorganisation”	the reorganisation of the share capital of the Company by way of, among others, (i) the Share Consolidation; (ii) the Capital Reduction; and (iii) the Share Sub-division
“Cash Consideration”	HK\$60,000,000, being part of the net proceeds to be received from the Subscription
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 500 Existing Shares to 2,000 New Shares

DEFINITIONS

“Claim(s)”	any debt, liability or obligation of the Company (whether known or unknown, whether actual or contingent, whether present, future or prospective, whether liquidated or unliquidated), whether arising by virtue of contract, at common law, in equity or by statute in Hong Kong, Bermuda or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money’s worth, any liability for breach of trust, any liability in contract (including any guarantee liability of the Company), tort or bailment and any liability arising out of an obligation to make restitution, together with all interest on such debt, obligation or liability
“Companies Act”	Companies Act 1981 of Bermuda as amended from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time
“Company”	DreamEast Group Limited (In Compulsory Liquidation), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 593), and the trading of its issued Shares have been suspended since 11 March 2024
“Completion”	Completion of the Proposed Restructuring
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$1.0 each in the share capital of the Company upon the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Sub-division becoming effective
“Creditors”	collectively, all the creditors of the Company with Scheme Claims against the Company as at the date on which the Creditors Scheme becomes effective
“Creditors Scheme”	the proposed scheme of arrangement to be entered into between the Company and the Creditors under Part 13 of the Companies Ordinance with, or subject to, any modification, addition or conditions approved or imposed by the Hong Kong Court

DEFINITIONS

“Director(s)”	director(s) of the Company
“Disposal”	the transfer of the Excluded Companies
“Disposal Agreement”	the legally binding agreement in relation to the Disposal
“Excluded Claims”	(i) Preferential Claims, (ii) Secured Claims, (iii) Petition Costs, Restructuring Costs and Scheme Costs, and (iv) the liabilities due from the Company to the Investor under the Funding Agreement
“Excluded Companies”	the subsidiaries of the Company to be disposed of under the Disposal Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Existing Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Extreme Conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or largescale power outage after super typhoons according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department of the government of Hong Kong in June 2019, as announced by the government of Hong Kong
“Funding Agreement”	the funding agreement dated 11 April 2025 entered into among the Company as the borrower, the Liquidators, and the Investor as the lender, in relation to the provision of a loan facility in a total amount of up to HK\$12,000,000 for the purposes of facilitating and/or supporting the Proposed Restructuring and other costs which have been or are to be incurred in respect of the Proposed Restructuring, details of which are set out in the announcement of the Company dated 10 June 2025
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Court”	the High Court of Hong Kong
“Independent Financial Adviser”	Merdeka Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Shareholders on whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable and as to their voting
“Independent Shareholder(s)”	Shareholder(s), other than: (a) the Investor Concert Group; and (b) those Shareholders who are interested in or involved in, the Subscription and/or the Whitewash Waiver
“Independent Third Party(ies)”	a person(s) or company(ies) together with its ultimate beneficial owner(s), who or which is/are not connected person(s) (as defined under the Listing Rules) of the Company and is/are third party(ies) independent of the Company and its connected person(s)
“Initial Resumption Guidance”	the resumption guidance issued by the Exchange to the Company on 8 April 2024 in relation to the Resumption (as supplemented or amended by the Stock Exchange from time to time)
“Investor”	Honor Magic International Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Li as at the Latest Practicable Date
“Investor Concert Group”	the Investor, Mr. Li and parties acting in concert with any of them
“Last Trading Day”	8 March 2024, the last full trading day before the suspension of trading in the Shares
“Latest Practicable Date”	19 August 2025, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Liquidators”	the joint and several liquidators of the Company appointed pursuant to the Hong Kong Court on 14 August 2024, namely Mr. Osman Mohammed Arab and Mr. Wong Kwok Keung both of Acclime Corporate Advisory (Hong Kong) Limited
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loss-of-Control Subsidiaries”	has the meaning ascribed to it in the section headed “Letter from the Liquidators – III. The Creditors Scheme – Disposal of Excluded Companies and the Transferred Claims” in this circular
“Mr. Li”	Mr. Li Mengchao, being the legal and beneficial owner and the sole director of the Investor
“New Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Non-operational Subsidiaries”	has the meaning ascribed to it in the section headed “Letter from the Liquidators – III. The Creditors Scheme – Disposal of Excluded Companies and the Transferred Claims” in this circular
“Petition Costs”	the legal costs of the Petitioner as the Liquidators were so advised by the solicitors of the Petitioner at the Latest Practicable Date, the amount of which is to be agreed by the Scheme Administrators or, if no agreement is reached between the Scheme Administrators and the Petitioner, to be subject to taxation
“Placee(s)”	means any professional, institutional and other investor, independent of and not connected with the connected persons of the Investor and their respective associates, whom the placing agent or its sub-placing agent(s) or sub-underwriter(s), has procured to subscribe for any of the Subscription Shares to be placed out by the Investor pursuant to its obligations hereunder and in connection with the restoration of public float

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Preferential Claim(s)”	a claim admitted by the Liquidators or the Scheme Administrators as a preferential claim which would have been payable out of the assets of the Company pursuant to Section 265 of Companies (Winding Up And Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) which is subject to adjudication
“Proposed Restructuring”	the proposed restructuring of the capital, business and indebtedness of the Company including, (i) the Capital Reorganisation; (ii) the Subscription; and (iii) the Creditors Scheme
“Relevant Period”	the period commencing six months prior to 22 July 2025, being the date of the Announcement and ending on the Latest Practicable Date
“Resumption”	resumption of trading of the Shares (or the New Shares when the Capital Reorganisation has become effective) on the Stock Exchange
“Resumption Guidance”	collectively, the Initial Resumption Guidance and the Additional Resumption Guidance
“Resumption Proposal”	a resumption proposal containing information as to the Proposed Restructuring submitted to the Stock Exchange for approval for the purpose of seeking the Resumption, subject to such conditions as the Stock Exchange may direct
“Retained Group”	the Company and its subsidiaries upon completion of the Disposal
“RMB”	Renminbi, the lawful currency of the PRC
“Sanction Order”	Order of the High Court sanctioning the Creditors Scheme
“Scheme Administrators”	the Liquidators or such persons who are appointed as the scheme administrators or their successors pursuant to the terms of the Creditors Scheme
“Scheme Claim(s)”	a Claim which is not an Excluded Claim

DEFINITIONS

“Scheme Company”	a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be held and controlled by the Scheme Administrators or such other company as may be nominated by the Scheme Administrators
“Scheme Consideration”	subject to, among others, the approval from the Stock Exchange for the Resumption, such amount(s) which consists of (i) the Cash Consideration; and (ii) such other sums as may be realised by the Scheme Administrators from the Excluded Companies and the Transferred Claims
“Scheme Costs”	costs, charges, expenses and disbursements necessary and properly incurred after the effective date of the Creditors Scheme, in connection with the administration and implementation of the Creditors Scheme including the fees and remuneration of the Scheme Administrators and the adjudicator and their respective advisers and those set out in the scheme document for the Creditors Scheme
“Scheme Funds”	all funds from time to time credited to an interest-bearing trust account to be opened in the names of the Scheme Company and/or any of the Scheme Administrators with a licensed bank in Hong Kong for the purposes of holding Scheme Funds for the benefit of the Creditors, with Admitted Scheme Claims including any interest thereon
“Scheme Meeting”	the meeting of the Creditors convened at the direction of the Hong Kong Court for the purpose of considering and, if thought fit, approving the Creditors Scheme
“Secured Creditor(s)”	creditor(s) whose claims are secured by Security Interest
“Security Interest(s)”	any mortgage, pledge, lien, charge, other encumbrance, hypothecation or security interest of whatsoever kind, or any other agreement or arrangement having the effect of containing security including any proceeds or realisation of any of the above held by Secured Creditors
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“SGM”	a special general meeting of the Company to be convened and held at 6/F, Congregation House, 119 Leighton Road, Causeway Bay, Hong Kong, on Monday, 8 September 2025 at 11:00 a.m. or any adjournment thereof, to consider and, if thought fit, to approve, among others, all the resolutions of the Company necessary and appropriate in relation to (i) the Capital Reorganisation; (ii) the Subscription (including the grant of Specific Mandate for the allotment and issue of the Subscription Shares); (iii) the Whitewash Waiver; and (iv) any other matters as required by law, the Listing Rules, the Takeovers Code, the Stock Exchange and/or the SFC, which are necessary to give effect to any transactions contemplated under the Proposed Restructuring
“Share(s)”	Ordinary shares of the Company, whether issued or to be issued, including but not limited to the Existing Share(s), the Consolidated Share(s) and/or the New Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.1 each into one (1) Consolidated Share of HK\$1.0 each
“Share Sub-division”	the proposed sub-division of each authorised but unissued Consolidated Share of par value of HK\$1.0 each into ten (10) authorised and unissued New Shares of par value of HK\$0.1 each
“Shareholder(s)”	holder of the Existing Shares, Consolidated Shares or New Shares (as the case may be)
“Specific Mandate”	the specific mandate to be granted to the Directors by the required majority of the Independent Shareholders at the SGM for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares subject to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 13 June 2025 and entered into between the Company, the Investor and the Liquidators in respect of the Subscription

DEFINITIONS

“Subscription Price”	approximately HK\$0.16 per Subscription Share
“Subscription Share(s)”	an aggregate of 491,216,427 New Shares to be subscribed by the Investor pursuant to the terms and conditions of the Subscription Agreement
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC
“Transferred Claims”	(i) all causes of action and claims which the Company has or may have against any person, the rights and obligations in respect of the litigations or any potential litigations involved under the name of the Company or any member of the Group, (ii) all rights to claims which the Company has or may have against any person and the benefit of all sums to which the Company and/or any member of the Group is entitled from third parties and/or insurers in respect of loss or damage to the Company and/or any member of the Group subsisting on or before the effective date of the Creditors Scheme; and (iii) all claims of any member of the Group after the Restructuring against other members of the Group as at Completion
“Voting Claim(s)”	the Claim of a Creditor admitted for the purposes of voting at the Scheme Meeting
“Whitewash Waiver”	the whitewash waiver as may be granted by the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code from the obligation of the Investor to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by the Investor Concert Group as a result of the transaction(s) contemplated under the Subscription Agreement
“%”	per cent.

EXPECTED TIMETABLE

The following expected timetable is indicative only and is subject to change. If necessary, further announcement(s) in relation to a revised timetable will be published as and when appropriate.

Event	Time and Date
Hong Kong Court's hearing on the petition to sanction the Creditors Scheme and application for withdrawal or stay of the winding-up petitions and the discharge of the Liquidators.	Wednesday, 27 August 2025
Latest time for lodging transfer documents and relevant share certificates to be eligible to attend and vote at the SGM	4:30 p.m. on Thursday, 4 September 2025
Closure of register of members for the purpose of ascertaining Shareholders' eligibility to attend and vote at the SGM.	Friday, 5 September 2025 to Monday, 8 September 2025 (both days inclusive)
Latest time for lodging the proxy forms for the SGM.	11:00 a.m. on Saturday, 6 September 2025
Record date for determining Shareholders' eligibility to attend and vote at the SGM	Monday, 8 September 2025
Date and time of the SGM ^(Note)	11:00 a.m. on Monday, 8 September 2025
Publication of announcement of results of the SGM	before 7:00 p.m. on Monday, 8 September 2025

Note:

If the SGM fails to be held due to any severe weather occurs on the date of the SGM, the SGM may be postponed to a later date and/or time as decided by the Company. The Company will publish an announcement on the website of the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and venue of the rescheduled meeting.

EXPECTED TIMETABLE

The following events are conditional on (i) the results of the SGM and the relevant court hearings; and (ii) the fulfilment of the conditions for the implementation of the Proposed Restructuring, therefore, the dates are tentative:

Event	Time and Date
Effective date of the Capital Reorganisation	Wednesday, 10 September 2025
First day for free exchange of existing share certificates for new share certificates for the New Shares	Wednesday, 10 September 2025
Completion of the Subscription and issuance of Subscription Shares and despatch of certificates for the Subscription Shares to the Investor	Before the Completion
The Scheme becomes effective	Before the Completion
Fulfilment of all the Resumption Guidance imposed by the Stock Exchange and publication of an announcement relating to the Resumption	Before the Completion
Resumption and dealings in the New Shares (including the Subscription Shares) commences	on or before Wednesday, 10 September 2025
Dealing in the New Shares commences	Wednesday, 10 September 2025
Original counter for trading in the Existing Shares in board lots of 500 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 10 September 2025
Temporary counter for trading in the New Shares in board lots of 50 New Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 10 September 2025
Original counter for trading in the New Shares in new board lots of 2,000 New Shares (in the form of new share certificates for the New Shares) re-opens	9:00 a.m. on Wednesday, 24 September 2025
Parallel trading in the New Shares (in the form of new share certificates for the New Shares and existing share certificates) commences	9:00 a.m. on Wednesday, 24 September 2025

EXPECTED TIMETABLE

Temporary counter for trading in the New Shares in
board lots of 50 New Shares (in the form of
existing share certificates) closes 4:10 p.m.
on Thursday, 16 October 2025

Parallel trading in the New Shares (in the form
of new share certificates for the New Shares
and existing share certificates) ends 4:10 p.m.
on Thursday, 16 October 2025

Last day for free exchange of existing share certificates for
new share certificates for the New Shares Monday, 20 October 2025

All times and dates specified in the timetable above refer to Hong Kong times and dates unless otherwise specified.

The timetable is tentative only. In the event that the Company fails to satisfy all of the Resumption Guidance imposed by the Stock Exchange by 10 September 2025, the Listing Division of the Stock Exchange may recommend the Listing Committee to proceed with the cancellation of the Company's listing at its discretion.

On 15 August 2025, the Company submitted the Resumption Proposal to the Stock Exchange. Subject to the fulfilment of the conditions precedent of the respective transactions contemplated under the Proposed Restructuring, it is expected that the Creditors Scheme can become effective and the Proposed Restructuring will be completed by 30 September 2025.

Any subsequent change to the expected timetable will be announced by the Company as and when appropriate. Further announcement(s) will also be made by the Company to inform the Shareholders of the timetable of the trading arrangement in respect of the New Shares as and when appropriate.

LETTER FROM THE LIQUIDATORS



DREAM EAST
梦东方

DREAMEAST GROUP LIMITED

夢東方集團有限公司

(In Compulsory Liquidation)

(Incorporated in Bermuda with limited liability and
carrying on business in Hong Kong as “DreamEast Cultural Entertainment”)

(Stock code: 593)

Liquidators:

Mr. Osman Mohammed Arab
Mr. Wong Kwok Keung

Executive Directors:

Ms. Chan Sin I
Mr. Leong Tang Fu

Non-executive Directors

Mr. Lam Chi Wing
Mr. Wang Luonan

Independent non-executive Directors:

Dr. Li Xiao Long
Dr. Meng Xiao Su
Mr. Yang Bu Ting
Mr. Zhao Da Xin
Mr. Chu Hoi Kan
Ms. Chan Sheung Yu

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Principal place of business
in Hong Kong:*

29/F, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

22 August 2025

To the Shareholder

Dear Sir or Madam,

- (1) THE PROPOSED RESTRUCTURING INVOLVING**
I. CAPITAL REORGANISATION;
II. SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
III. CREDITORS SCHEME;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) APPLICATION FOR WHITEWASH WAIVER;
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

LETTER FROM THE LIQUIDATORS

1. INTRODUCTION

References are made to (i) the announcements of the Company dated 4 March 2024, 11 March 2024, 23 September 2024 in relation to, among others, the winding-up petition filed by Forever Union Holdings Limited against the Company, the grant of the winding-up order by the Hong Kong Court and the appointment of the Liquidators; (ii) the announcements of the Company dated 24 September 2024, 6 December 2024, 10 March 2025 and 10 June 2025 in relation to, among others, the Initial Resumption Guidance and the quarterly update on the resumption progress; (iii) the announcement of the Company dated 3 October 2024 in relation to the resignation of the Company Secretary; (iv) the announcement of the Company dated 14 October 2024 in relation to the Additional Resumption Guidance; and (v) the Announcement.

Trading in the Shares has been suspended with effect from 11:56 a.m. on Monday, 11 March 2024.

On 8 April 2024, the Company received a letter from the Stock Exchange setting out the Initial Resumption Guidance as follows:

- (a) publish all outstanding financial results required under the Listing Rules and address any modifications;
- (b) have the winding up order made against the Company withdrawn or dismissed and any liquidators discharged;
- (c) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and
- (d) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

On 8 October 2024, the Company received a letter from the Stock Exchange, in which, inter alia, in view of the resignation of Ms. Sham Ying Man as company secretary of the Company with effect from 21 September 2024, the Stock Exchange set out the Additional Resumption Guidance for the Company to re-comply with Rule 3.28 of the Listing Rules.

With respect to the suspension of trading in the Shares, the Stock Exchange required the Company to remedy the issue causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume and, for this purpose, the Company has the primary responsibility to devise its action plan for the Resumption.

With a view to restructure the share capital, business and indebtedness of the Company and to achieve Resumption, the Company proposed to implement the Proposed Restructuring.

LETTER FROM THE LIQUIDATORS

On 11 April 2025, the Investor as lender, the Company as borrower and the Liquidators entered into the Funding Agreement, pursuant to which the Investor agreed to grant an unsecured, interest-free loan facility for a total sum of up to HK\$12,000,000 to the Company, for the purposes of, among others, facilitating and/or supporting the Proposed Restructuring and other costs which have been or are to be incurred in respect of the Proposed Restructuring, details of which are disclosed in the announcement of the Company dated 10 June 2025. As at the Latest Practicable Date, HK\$3,000,000 has been drawn down pursuant to the Funding Agreement and utilised in accordance with the purposes therein.

The purpose of this circular is to provide you, among other things, (i) further details of the Proposed Restructuring; (ii) a letter of advice from the Independent Financial Adviser in relation to the Subscription and the Whitewash Waiver; and (iii) a notice convening the SGM.

2. THE PROPOSED RESTRUCTURING

To fulfil the Resumption Guidance, the Company will implement the Proposed Restructuring which involves (i) the Capital Reorganisation; (ii) the Subscription; and (iii) the Creditors Scheme.

I. THE CAPITAL REORGANISATION

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 Shares of par value of HK\$0.1 each, of which 545,796,038 Shares have been issued and are fully paid or credited as fully paid, and the aggregate par value of the issued share capital of the Company is HK\$54,579,603.8.

As part of the Proposed Restructuring, the Company proposed to restructure the Company's existing Share capital in the following manner:

- (i) Share Consolidation: every ten (10) issued and unissued Existing Shares of HK\$0.1 each will be consolidated into one (1) Consolidated Share of HK\$1.0 each;
- (ii) Capital Reduction: immediately upon the Share Consolidation becoming effective,
 - (a) where applicable, any fraction in the issued share capital of the Company arising from the Share Consolidation be cancelled; and
 - (b) the par value of every issued Consolidated Share be reduced from HK\$1.0 to HK\$0.1 by cancelling the paid-up share capital of the Company to the extent of HK\$0.9 on each of the then Consolidated Shares.

LETTER FROM THE LIQUIDATORS

The credit arising from the Capital Reduction in the amount of approximately HK\$49,121,643.5 on the basis of 54,579,603.8 Consolidated Shares then in issue will be transferred to the contributed surplus account of the Company and the Directors be authorised to use the amount then standing to the credit of the contributed surplus account to eliminate any accumulated losses of the Company which may arise from time to time and/or to pay dividend and/or to make any other distribution out of the contributed surplus account from time to time without further authorisation from the Shareholders; and

- (iii) Share Sub-division: immediately following the Capital Reduction becoming effective, each of the authorised but unissued Consolidated Shares of HK\$1.0 each will be sub-divided into ten (10) unissued New Shares of HK\$0.1 each.

Immediately following the Capital Reorganisation, the Company's authorised share capital will become HK\$300,000,000 divided into 3,000,000,000 New Shares of HK\$0.1 each, and the issued and paid-up share capital will be HK\$5,457,960.3 divided into 54,579,603 New Shares of HK\$0.1 each.

Effects of the Capital Reorganisation

Other than the relevant expenses to be incurred, the implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, liabilities, businesses, operations, management or financial position of the Company and the Group or the rights of the Shareholders.

LETTER FROM THE LIQUIDATORS

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, before and after completion of the Capital Reorganisation (assuming no Existing Shares are issued or repurchased, and there are no other changes in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganisation):

	Immediately before the Capital Reorganisation becoming effective	Immediately after the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Sub-division becoming effective	Immediately after the Capital Reorganisation becoming effective
Par value	HK\$0.1 per Existing Share	HK\$1.0 per Consolidated Share	HK\$0.1 per New Share
Number of authorised shares	3,000,000,000 Existing Shares	300,000,000 Consolidated Shares	3,000,000,000 New Shares
Authorised share capital	HK\$300,000,000	HK\$300,000,000	HK\$300,000,000
Number of issued and paid-up Shares	545,796,038 Existing Shares	54,579,603.8 Consolidated Shares	54,579,603 New Shares
Paid-up capital	HK\$54,579,603.8	HK\$54,579,603.8	HK\$5,457,960.3

The New Shares will rank *pari passu* in all respects with each other in accordance with the bye-laws of the Company.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares arising from the Capital Reorganisation will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

LETTER FROM THE LIQUIDATORS

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 adviser and may wish to consider the possibility of buying or selling the Shares in a number sufficient to make up an entitlement to receive a whole number of New Shares.

Exchange of certificates for New Shares

Subject to the Capital Reorganisation becoming effective, Shareholders may submit for exchange of their existing share certificates in light blue colour for the Existing Shares to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong in light yellow colour for the New Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Company's branch share registrar and transfer office in Hong Kong for exchange of share certificates.

After parallel trading in the New Shares (in the form of both existing share certificates and new share certificates) ceases, trading will only be in New Shares which share certificates will be issued in light yellow colour. Existing share certificates in light blue colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

Further announcement(s) will be made by the Company to inform the Shareholders of the arrangements of the free exchange of the Existing Share certificates for the New Share certificates.

Arrangement of odd lot trading

In order to facilitate the trading of odd lots of the New Shares arising from the Capital Reorganisation, the Company will appoint a securities firm as an agent to provide a matching service, on a best-effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares. Further announcement(s) will be made by the Company to inform the Shareholders of the odd lot arrangement as and when appropriate.

Shareholders should note that the successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed.

LETTER FROM THE LIQUIDATORS

Conditions precedent of the Capital Reorganisation

The implementation of the Capital Reorganisation shall be conditional upon:

- (i) the passing of the necessary resolutions by the Shareholders by way of poll at the SGM to approve the Capital Reorganisation;
- (ii) compliance with the requirements of section 46(2) of the Companies Act to effect the Capital Reorganisation that the Directors or the Liquidators (as the case may be) having satisfied that on the effective date of the Capital Reorganisation, there are no reasonable grounds for believing that the Company is, or after the effective date of the Capital Reorganisation would be, unable to pay its liabilities as they become due;
- (iii) the Company having obtained either conditional approval or approval-in-principle from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares, upon the Capital Reorganisation becoming effective, on the Stock Exchange; and
- (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation, if any.

None of the above conditions is capable of being waived. As at the Latest Practicable Date, none of the conditions contemplated above has been fulfilled.

Expected effective date of the Capital Reorganisation

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 10 September 2025.

Further announcement(s) will be made to inform the Shareholders of the progress of the matter, including the proposed timetable, and the arrangements of the free exchange of the Existing Share certificates for the New Share certificates, as and when appropriate.

To facilitate the Capital Reorganisation, (i) the Company will take all necessary steps required by the Company to effect and complete the Capital Reorganisation under the applicable requirements of the Companies Act and other applicable laws, codes, regulations and to facilitate the preparation and filing of all necessary documents with the relevant regulatory authorities and/or agents in Hong Kong and Bermuda; and (ii) the Investor undertakes to the Company that it will use its reasonable endeavours to fully co-operate in the preparation of all relevant documents in connection with the implementation of the Capital Reorganisation.

LETTER FROM THE LIQUIDATORS

Listing and dealings

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the New Shares. Subject to the granting of the listing of, and the permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New 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 New 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 HKSCC and HKSCC Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in is being or is currently proposed to be sought from any other stock exchange.

II. THE SUBSCRIPTION

On 13 June 2025, the Investor (as subscriber), the Company (as issuer) and the Liquidators entered into the Subscription Agreement, pursuant to which the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 491,216,427 Subscription Shares at the issue price of approximately HK\$0.16 per Subscription Share for an aggregate subscription price of HK\$80,000,000, which shall be (i) partly satisfied by way of set-off against the outstanding amounts under the Funding Agreement in whole or in part on a dollar-for-dollar basis; and (ii) the remaining amount shall be satisfied by way of cash payable to the Company. Assuming the credit facility up to HK\$12,000,000 under the Funding Agreement is fully drawn down, the Investor shall pay HK\$68,000,000 in cash to the Company for the Subscription after the set-off against the outstanding amounts of HK\$12,000,000 under the Funding Agreement.

Subscription Shares

Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the completion of Subscription, the 491,216,427 Subscription Shares represent:

- (i) 900% of the issued share capital of the Company after the adjustment for the effect of the Capital Reorganisation but prior to the allotment and issue of the Subscription Shares; and

LETTER FROM THE LIQUIDATORS

- (ii) 90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and after the adjustment for the effect of the Capital Reorganisation.

Ranking of the Subscription Shares

The Subscription Shares shall, when fully paid, rank *pari passu* in all respects with the New Shares in issue on the date of allotment of the Subscription Shares.

The Subscription Price

The Subscription Price of approximately HK\$0.16 per Subscription Share represents:

- (i) a discount of approximately 91.88% to the theoretical closing price of HK\$1.97 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.197 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 92.08% to the average theoretical closing price of approximately HK\$2.02 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of approximately HK\$0.202 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 92.42% to the average theoretical closing price of approximately HK\$2.11 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of approximately HK\$0.211 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day;
- (iv) a premium of approximately HK\$27.35 over the unaudited consolidated net deficit per New Share of approximately HK\$27.19 as at 30 June 2024, based on the unaudited consolidated deficit attributable to owners of the Company of approximately HK\$1,484,079,000 as at 30 June 2024 and 54,579,603 New Shares in issue upon the Capital Reorganisation becoming effective but prior to the allotment and issue of the Subscription Shares; and
- (v) a premium of approximately HK\$22.29 over the audited consolidated net deficit per New Share of approximately HK\$22.13 as at 31 December 2024, based on the audited consolidated deficit attributable to owners of the Company of approximately HK\$1,208,077,000 as at 31 December 2024 and 54,579,603 New Shares in issue upon the Capital Reorganisation becoming effective but prior to the allotment and issue of the Subscription Shares.

LETTER FROM THE LIQUIDATORS

The Subscription Price is determined after arm's length negotiation among the Company, the Liquidators and the Investor with reference to (i) the financial position of the Company and the fact that the Company is insolvent and in liquidation; (ii) the financial position and prospects of the business operations of the Retained Group; (iii) the prevailing market conditions; and (iv) the fact that trading in the Shares on the Stock Exchange has been suspended since 11 March 2024 and the Proposed Restructuring is the only viable resumption proposal to rescue the Company to avert a delisting of the Shares on the Stock Exchange.

Taking into account that the Investor, being the only white knight as at the date of the Subscription Agreement, is willing to inject capital into the Company during its hard time to maintain its operation and pursue the Proposed Restructuring, the only available resumption proposal to the Group, and to support its future operation despite the uncertainties surrounding the future performance of the Group and the rescue plan may or may not succeed, which may or may not generate return to the Investor, the Liquidators consider that a discounted Subscription Price is inevitable in this large-scale fundraising exercise and therefore are of the view that the Subscription Price is fair and reasonable and in the interest of the Company, its creditors, and the Shareholders as a whole.

It is proposed that the net proceeds from the Subscription of approximately HK\$68,000,000 (after deducting all relevant expenses and set-off against the outstanding amounts under the Funding Agreement) will be applied for the following purposes:

- (i) as to HK\$60,000,000 will be applied for distribution to the Creditors with Admitted Scheme Claims as Cash Consideration under the Creditors Scheme; and
- (ii) the remainder will be applied as general working capital of the Group and settlement of the Excluded Claims.

The above proposed use of proceeds of the Subscription is for indicative purpose only and may be changed subject to the agreement among the Company, the Liquidators and the Investor after taking into account the actual implementation of the Resumption Proposal.

Conditions precedent of the Subscription

Completion of the Subscription shall be conditional upon:

- (i) all necessary consents, licenses and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder, which include approval of the Board or the Liquidators (as the case may be) for, among others, entering into of the Subscription Agreement, having been obtained and remain in full force and effect;

LETTER FROM THE LIQUIDATORS

- (ii) all necessary consents, licenses and approvals required to be obtained on the part of the Investor in respect of the Subscription Agreement and the transactions contemplated thereunder, which include approval of the sole director for, among others, entering into of the Subscription Agreement, have been obtained and remain in full force and effect;
- (iii) the Capital Reorganisation becoming effective;
- (iv) the Hong Kong Court sanctions the Creditors Scheme and an office copy of the order of the Hong Kong Court sanctioning the Creditors Scheme is delivered to the Registrar of Companies in Hong Kong for registration;
- (v) the passing of the necessary resolutions by the Shareholders or Independent Shareholders (as the case may be) at the SGM for the Capital Reorganisation, the Subscription Agreement and the transactions contemplated thereunder (including the granting of the Specific Mandate) and the Whitewash Waiver;
- (vi) the Company having obtained either conditional approval or approval-in-principle from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange, and such permission not having been subsequently revoked or withdrawn;
- (vii) the Executive having granted the Whitewash Waiver, the satisfaction of all conditions (if any) attached to the Whitewash Waiver, and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (viii) the Stock Exchange having conditionally or unconditionally approved or decided to allow the Company to proceed with the Resumption and all the conditions attached to such approval or decision (if any) having been fulfilled (other than those conditions relating to or in connection with the restoration of public float) or waived by the Stock Exchange (or the Stock Exchange indicating that subject to the fulfilment of all the Resumption Guidance, the trading of the New Shares will be resumed);
- (ix) the creditors of the Company with Voting Claims having approved the Creditors Scheme at the Scheme Meeting and the Creditors Scheme having become unconditional (save for the conditions for the Subscription Agreement to become unconditional); and
- (x) all other necessary waivers, consents and approvals including but not limited to those from the Stock Exchange, the SFC and any other relevant government or regulatory authorities, which are required (if any) for the implementation of the Restructuring and all transactions contemplated thereunder having been obtained.

LETTER FROM THE LIQUIDATORS

None of the above conditions are capable of being waived. The Company shall use its best endeavours to procure the fulfilment of the conditions precedent above. As at the Latest Practicable Date, none of the conditions above have been fulfilled.

For the avoidance of doubt, the completion of the Subscription is not conditional upon the completion of the Disposal.

As the public float of the Company will fall below 25% upon completion of the Subscription, the Investor will dispose of such number of Shares simultaneously through a placing agent to the Placee(s), who shall be Independent Third Party(ies) and at the same time third party(ies) independent of and not connected with the Investor Concert Group and none of them shall become a substantial Shareholder (as defined under the Listing Rules) as a result of the placing, to ensure that the public float requirement under the Listing Rules can be complied with by the Company.

Further announcement(s) will be made by the Company in relation to the completion of the Subscription as and when appropriate.

Specific Mandate

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

III. THE CREDITORS SCHEME

Based on the latest available records of the Liquidators, the total indebtedness under the proofs of debts filed by the creditors, owed by the Company to the creditors amounted to HK\$883,550,638.40 as at the Latest Practicable Date, the breakdown of which is as follows:

Nature of claim	Number of Claims	Approximate sum of percentage	Sum of total debt (HK\$)
Holder of bonds issued by the Company	7	95.22%	841,346,612.77
Directors' remuneration	6	0.06%	493,688.17
Loans	1	4.16%	36,795,192.46
Other claims and professional fees	7	0.56%	4,915,145.00
Total	21	100.00%	883,550,638.40

LETTER FROM THE LIQUIDATORS

The figure is indicative only and will be subject to the total amount of proofs of debts filed and determination and adjudication of the same (as the case may be) in accordance with the terms of the Creditors Scheme.

As at the Latest Practicable Date, (i) none of the Creditors is a Shareholder; and (ii) save for Mr. Li whose Claim against the Company amounted to approximately HK\$49.4 million, none of the members of the Investor Concert Group is a Creditor.

Upon the Creditors Scheme having become effective, all Claims will be discharged and released in full and the net current liabilities position of the Company would be significantly improved. To illustrate, the pro forma net current liabilities of the Group as at 31 December 2024 would be significantly reduced from approximately HK\$1.60 billion to approximately HK\$490.9 million, representing a decrease of approximately 69.37%. In return, and the Creditors with Admitted Scheme Claims would be entitled to receive, on a pro rata basis in respect of their Admitted Scheme Claim, (a) the Cash Consideration, being part of the proceeds to be received from the Subscription; and (b) the proceeds from the realisation of the Excluded Companies and Transferred Claims, if any.

The Excluded Companies and the Transferred Claims will be transferred at a nominal value to the Scheme Company to be established and controlled by the Scheme Administrators to hold the Creditors Scheme assets pursuant to the Disposal Agreement to be realised (if any) for the benefit of the Creditors with Admitted Scheme Claims.

Subject to the Hong Kong Court granting the Sanction Order, the Creditors Scheme will become legally binding on the Company and the Creditors upon filing of the Sanction Order of the Hong Kong Court with the Companies Registry in Hong Kong. Upon the Creditors Scheme becoming effective, Scheme Administrators will set a cut-off date and inform the Creditors by notice of the latest date and time for lodging the notice(s) of claim for the purpose of proof and determination of Claims. Failure by a Creditor to deliver a notice of claim by the cut-off date will disqualify the Creditor from receiving any benefits under the Creditors Scheme thereafter. Such Creditor will still be bound by the Creditors Scheme, and the Scheme Claim of which will be discharged after the Creditors Scheme having become effective.

All Scheme Claims against the Company will be compromised, discharged and/or settled upon the Scheme becomes effective.

For the purpose of effecting the Creditors Scheme, the Liquidators have applied to the Hong Kong Court for leave to convene the Scheme Meeting and the Hong Kong Court granted the Liquidators' application at the hearing on Tuesday, 24 June 2025. The Scheme Meeting was held on Wednesday, 30 July 2025, at which the Creditors Scheme was approved by the requisite statutory majorities of the creditors with Voting Claims (i.e. more than 50% in number and not less than 75% in value of the Voting Claims, present and voting in person or by proxy at the Scheme Meeting, voting in favour of the Creditors Scheme). For details, please refer to the announcement of the Company dated 30 July 2025.

LETTER FROM THE LIQUIDATORS

Condition precedent of the Creditors Scheme

The Creditors Scheme will become effective upon fulfilment of the following conditions precedent:

- (i) over fifty per cent (50%) in number of the creditors with Voting Claims, representing at least seventy-five per cent (75%) in value of the Voting Claims, present and voting in person (or through electronic means if possible) or by proxy at the Scheme Meeting, voting in favour of the Creditors Scheme;
- (ii) the Hong Kong Court sanctions the Creditors Scheme;
- (iii) an official copy of the order of the Hong Kong Court sanctioning the Creditors Scheme is delivered to and filed with the Registrar of Companies in Hong Kong and registered by the Registrar of Companies in Hong Kong;
- (iv) the passing of the necessary resolutions by Shareholders or Independent Shareholders (as the case may be) at the SGM to approve the Capital Reorganisation, the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver as required under the Listing Rules and the Takeovers Code;
- (v) the Capital Reorganisation having become effective;
- (vi) the Subscription Agreement having become unconditional in all respect in accordance with the terms and conditions set out therein (save for the condition for the Creditors Scheme to become unconditional); and
- (vii) the Stock Exchange having conditionally or unconditionally approved or decided to allow the Company to proceed with the Resumption and all the conditions attached to such approval or decision (if any) having been fulfilled (other than those conditions relating to or in connection with the restoration of public float) or waived by the Stock Exchange (or the Stock Exchange indicating that subject to the fulfilment of all the Resumption Guidance, the trading of the New Shares will be resumed).

As at the Latest Practicable Date, save for condition (i) above, none of the conditions above have been fulfilled. The Company will provide an update on the Creditors Scheme as and when appropriate.

LETTER FROM THE LIQUIDATORS

Disposal of Excluded Companies and the Transferred Claims

The Company undertakes to enter into a formal Disposal Agreement as soon as practicable after the Creditors Scheme having become effective, where necessary and appropriate, with the Scheme Company or the Scheme Administrators in respect of the disposal of the Group's shareholding in the Excluded Companies and the Transferred Claims to the Scheme Company held and controlled by the Scheme Administrators, or the Scheme Administrators.

As at the Latest Practicable Date, the Excluded Companies comprised certain Loss-of-Control Subsidiaries and Non-operational Subsidiaries.

References are made to the circular of the Company dated 9 November 2023 and the announcement of the Company dated 24 November 2023 in relation to, among others, the proposed change in composition of the Board. At the special general meeting of the Company held on 24 November 2023, resolutions were passed by the Shareholders to remove two of the then executive Directors and to appoint a new non-executive Director. Following the change in composition of the Board, the then management of the Company initiated efforts to assume control over its subsidiaries, including but not limited to attempting to replace the authorised representatives and key senior management personnel of certain subsidiaries and to gain access to their financial books and operational records.

However, the then management failed to secure access to critical documentation of or establish operational control over the following indirect wholly-owned PRC subsidiaries (collectively, the "**Loss-of-Control Subsidiaries**"):

Company	Principal business
北京天洋基業投資有限公司 (Beijing Tianyang Jiye Investment Co., Ltd*)	Property development and investment management
嘉善夢東方酒店管理有限公司 (Jiashan DreamEast Hotel Management Co., Ltd*)	Leasing and commercial services
夢東方(嘉興)文化投資有限公司 (DreamEast (Jiaxing) Cultural Investment Co., Ltd*)	Entertainment and property development
夢東方(天津)有限公司 (DreamEast (Tianjin) Co., Ltd*)	Property development
夢東方(江蘇)文化投資發展有限公司 (DreamEast (Jiangsu) Cultural Investment Development Co., Ltd*)	Entertainment and property development

LETTER FROM THE LIQUIDATORS

Company	Principal business
夢東方(涿州)文化有限公司 (DreamEast (Zhuozhou) Culture Co., Ltd*)	Entertainment and property development
衡陽夢東方文化旅遊有限公司 (Hengyang DreamEast Cultural Tourism Co., Ltd*)	Leasing and commercial services
夢東方未來世界(三河)娛樂有限公司 (DreamEast Future World (Sanhe) Entertainment Co., Ltd*)	Entertainment and leasing

* For identification purpose only

Given the persistent inability to exercise control, including the failed attempts to effect personnel change, and/or the failed attempts to obtain financial and operational information and control, it was concluded that effective control over the Loss-of-Control Subsidiaries had been irrevocably lost, resulting in the deconsolidation of the financial information of the Loss-of-Control Subsidiaries from the consolidated financial statements of the Company for the year ended 31 December 2023. As at 24 November 2023, being the effective date of the deconsolidation, the unaudited total assets and unaudited total liabilities of the Loss-of-Control Subsidiaries amounted to approximately HK\$6,157,418,000 and approximately HK\$6,096,919,000 respectively.

In addition, based on the information available to the Liquidators, two non-operational indirect wholly-owned subsidiaries, namely Hong Kong International Cultural Development Limited and China Successful Limited (collectively, the “**Non-operational Subsidiaries**”), were identified to be lack of material assets and carrying substantial liabilities in an aggregate amount of approximately HK\$400.3 million.

The details of the Non-Operational Subsidiaries are as follows:

Company	Place of incorporation	Direct or indirect subsidiaries and interest of the Company as at the Latest Practicable Date	Principal business
Hong Kong International Cultural Development Limited	Hong Kong	Indirect (100%)	Investment Holding
China Successful Limited	Hong Kong	Indirect (100%)	Investment Holding

LETTER FROM THE LIQUIDATORS

As at the Latest Practicable Date, there is no Transferred Claim to be disposed by the Company.

Any proceeds from the realisation of the Excluded Companies and the Transferred Claims shall be pooled to the Scheme Funds and shall form part of the Scheme Consideration.

The consideration of the Disposal, which is estimated to be a nominal value, will be determined at the time of entering into the Disposal Agreement.

Upon completion of the Disposal, the Excluded Companies will cease to be subsidiaries of the Company.

Considering the severe insolvency of or lack of control over the Excluded Companies, the Liquidators are of the view that the exclusion of the Excluded Companies could streamline the operation, improve the financial position of the Retained Group and consolidate its resources for more focused development of the businesses of the Retained Group, whilst the claims or cause of action against the Excluded Companies could be carved out and handled under the Scheme Company by the Scheme Administrators.

Upon completion of the Disposal, the principal businesses of the Retained Group shall remain unchanged, i.e. principally engaged in (i) property development and the provision of leasing services; and (ii) the development and operation of cultural tourist resorts and theme parks. Despite the fact that none of the operating subsidiaries of the Retained Group will be engaged in the tourism park operation business immediately after the completion of the Disposal, the Group will not rule out the possibility and will continue to seek investment options to revive the tourism park operation business should suitable opportunities arise. The Liquidators are of the view that the Disposal shall not have any material financial effect on the Group as (i) the Group has not consolidated the financial information of the Loss-of-Control Subsidiaries since the financial year ended 31 December 2023 due to, among others, the inaccessible books and records; and (ii) the Non-operational Subsidiaries do not have material assets or operations. The Company does not expect to record any material gain or loss from the Disposal.

The Disposal will constitute a transaction on the part of the Company under Chapter 14 of the Listing Rules. The Company will comply with the relevant requirements under Chapter 14 of the Listing Rules and will provide an update on the Disposal by way of announcement(s) as and when appropriate.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot of 500 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 500 Existing Shares to 2,000 Consolidated Shares subject to and conditional upon the Share Consolidation becoming effective. The Change in Board Lot Size will become effective on the date on which the Capital Reorganisation become effective.

LETTER FROM THE LIQUIDATORS

Based on the closing price of HK\$0.197 per Share (equivalent to the theoretical closing price of HK\$1.97 per New Share) as quoted on the Stock Exchange on the Last Trading Day, the current value of each board lot was HK\$98.5 and the value of each board lot of 2,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$3,940.

Upon the Capital Reduction and the Share Sub-division becoming effective, the board lot size for trading on the Stock Exchange will remain at 2,000 New Shares.

REASONS FOR AND BENEFITS OF THE PROPOSED RESTRUCTURING AND THE CHANGE IN BOARD LOT SIZE

The Capital Reorganisation and the Change in Board Lot Size

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the share approaches the extremities of HK\$0.10 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 its securities. 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 last updated in September 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 board lot value should be greater than HK\$2,000.

In view of the trading price of the Existing Shares prior to the suspension of trading being close to HK\$0.10 and the value per board lot being substantially less than HK\$2,000, the Share Consolidation, upon becoming effective, is expected to bring a corresponding upward adjustment to the trading price per Share on the Stock Exchange, and hence the transaction costs as a proportion of the market value of each board lot will be lower. The Change in Board Lot Size would help to maintain the value of each board lot at a reasonable level upon the Share Consolidation becoming effective in order to attract more investors and to broaden the shareholder base of the Company after the Resumption.

Further, under the Companies Act, the Company is prohibited from issuing new Shares at a price lower than their par value. The Capital Reduction will reduce the par value of the Consolidated Shares, which will facilitate the allotment and issue of the Subscription Shares and provide the Company with greater flexibility to accommodate the issue of new Shares in the future when necessary.

Accordingly, the Liquidators are of the view that the Capital Reorganisation and the Change in Board Lot Size is in the interest of the Company and the Shareholders as a whole despite the potential costs and negative impact arising from odd lots.

LETTER FROM THE LIQUIDATORS

As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation.

The Capital Reorganisation 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.

The Subscription and the Creditors Scheme

References are made to the announcements of the Company dated 24 September 2024 and 14 October 2024 in relation to, among others, the Resumption Guidance imposed to the Company by the Stock Exchange. The Proposed Restructuring forms a vital part of the Resumption as it provides the Group with the necessary financing to restructure the debts of the Company by the implementation of the Creditors Scheme.

In view of the above and considering the liquidity shortage and adverse financial situation of the Group and the willingness of the Investor to finance the Group in order to relieve the indebtedness of the Company and to support the business operations and expansion of the Group, the Liquidators consider that the entering into of the Subscription Agreement and the implementation of the Creditors Scheme will facilitate the debt restructuring of the Group and to satisfy the Resumption Guidance set out by the Stock Exchange. In addition, the Group has been endeavouring on the process of formulating and implementation of the Proposed Restructuring, and in order to comply with the Resumption Guidance, one of which is to demonstrate its compliance with Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares. With the introduction of the Investor as a Shareholder, it is expected that the extensive network of the Investor in the PRC could facilitate the Retained Group to expand and develop its property development business, being the strategic focus of the future operations of the Retained Group. Going forward, the Group intends to leverage the network and business connection of the Investor to solicit new customers for the property development business and explore other business opportunities within the property development and leasing industry in the PRC.

Having considered the factors above, the Liquidators consider that the terms of the Subscription Agreement and the Creditors Scheme are on normal commercial terms, are fair and reasonable and the entering into of the Subscription Agreement and the implementation of the Creditors Scheme will be in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is an investment holding company, and the Group is principally engaged in the development and operation of cultural tourist resorts and theme parks, property development and the provision of leasing services.

LETTER FROM THE LIQUIDATORS

INFORMATION OF THE INVESTOR

The Investor, being a company incorporated in the British Virgin Islands with limited liability, is an investment holding company and is wholly and beneficially owned by Mr. Li, who has over 30 years of experience in the telecommunications industry. As at the Latest Practicable Date, the Investor does not hold any asset or investment.

Mr. Li had served as a deputy general manager of Guangdong Guangxin Communications Services Co., Ltd., a major enterprise with a registered capital of RMB320 million and a workforce exceeding 5,000 employees and also a subsidiary of China Communications Services Corporation Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 552), for about 20 years, and was mainly responsible for supervising the daily operation of the company and maintain business relations with customers of different sectors.

Mr. Li's managerial role at a major operating subsidiary of a listed company equipped him with insights in capital markets and solid business connections in various industries, which can prove advantageous in securing financing or forming joint ventures for high-value real estate projects. In essence, Mr. Li's extensive network will help in advancing the Group's property development business by leveraging his connections for strategic partnerships, resource optimisation, and market expansion.

Mr. Li possesses over 20 years of experience in the investment in the Hong Kong capital market. As at the Latest Practicable Date, Mr. Li does not maintain any substantial shareholding (5% or more) in any publicly listed company.

Having made all reasonable enquiries, each of the Investor and its ultimate beneficial owner is an Independent Third Party.

INTENTIONS OF THE INVESTOR REGARDING THE GROUP

As at the Latest Practicable Date, the Investor intended to continue the existing businesses of the Group and did not intend to introduce any major changes to the existing operation and businesses of the Group. Nevertheless, following the Completion, the Investor intends that the Company will continue to seek new business opportunities to improve its profitability and business prospects, enhance its future business development, and strengthen its revenue base, and may diversify into other businesses should suitable opportunities arise. As at the Latest Practicable Date, the Investor did not intend to dispose of or redeploy any of the assets of the Group, or to discontinue the employment of any existing employees of the Group other than in the ordinary course of business. The Investor has not identified any targets for development of other businesses nor conducted any discussions or negotiations for the acquisition of any new business or asset into or disposal of any existing business or asset of the Group as at the Latest Practicable Date.

LETTER FROM THE LIQUIDATORS

EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation becoming effective; and (iii) immediately after the Capital Reorganisation becoming effective and completion of the Subscription:

Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation becoming effective		Immediately after the Capital Reorganisation becoming effective and completion of the Subscription	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>
Directors						
Meng Xiao Su	61,737	0.011	6,173	0.011	6,173	0.001
Yang Bu Ting	61,737	0.011	6,173	0.011	6,173	0.001
Zhao Da Xin	61,737	0.011	6,173	0.011	6,173	0.001
The Investor	–	–	–	–	409,346,927	75.000
Public Shareholders						
Placee(s)	–	–	–	–	81,869,500	15.000
Other public Shareholders	<u>545,610,827</u>	<u>99.966</u>	<u>54,561,084</u>	<u>99.966</u>	<u>54,561,084</u>	<u>9.997</u>
Total	<u>545,796,038</u>	<u>100.000</u>	<u>54,579,603</u>	<u>100.000</u>	<u>545,796,030</u>	<u>100.000</u>

Notes:

1. The Investor is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Li. As such, Mr. Li is deemed, or taken to be interested in the Shares to be allotted and issued to the Investor by virtue of the SFO.
2. Upon completion of the Subscription, there will be 54,561,084 Shares held by public Shareholders, representing approximately 9.997% of the total issued Shares of the Company as enlarged by the allotment and issue of the Subscription Shares and after the adjustment for the effect of the Capital Reorganisation, which will be below the minimum public float requirement of 25% under the Listing Rules. In light of the above, on 19 August 2025, the Investor entered into a placing agreement with a placing agent, which shall place, on a fully underwritten basis, up to 81,869,500 Subscription Shares to be allotted and issued to the Investor, and the completion of which will take place simultaneously with the completion of the Subscription. As such, the minimum public float requirement under Rule 8.08(1) of the Listing Rules, i.e. at least 25% of the total number of issued Shares (excluding treasury shares) being held by the public at all times, is satisfied immediately after completion of the Subscription.

LETTER FROM THE LIQUIDATORS

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activities involving the issue of its equity securities in the twelve months immediately preceding the Latest Practicable Date.

FINANCIAL EFFECT OF THE PROPOSED RESTRUCTURING

Since the Excluded Companies will cease to be subsidiaries of the Company and/or member companies of the Group upon the transfer of all their issued shares to the Scheme Company, all the assets and liabilities of the Excluded Companies, based on the books and records available to the Liquidators and before any accounting adjustment, will no longer be consolidated into the consolidated financial statements of the Group. Upon the Creditors Scheme becoming effective, all the claims against, and liabilities of, the Company (excluding the normal operating liabilities incurred during the ordinary course of business operations of the Group) will be discharged and compromised in full.

IMPLICATIONS UNDER THE LISTING RULES AND THE TAKEOVERS CODE

Listing Rules implications

Specific Mandate

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be obtained upon approval by the Independent Shareholders at the SGM.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances.

In view of the insolvent financial position and the liquidation status of the Company as well as the prolonged suspension of the trading in the Shares on the Stock Exchange, the closing price of the Shares on the Last Trading Day (as adjusted for the effect of the Capital Reorganisation) does not reasonably reflect the existing condition and financial position of the Company, which could be considered as an exceptional circumstance under Rule 7.27B of the Listing Rules. Accordingly, the Liquidators consider that it is fair and reasonable (i) for the Subscription Price to be set at a deep discount to the historical trading prices of the Shares (after taking into account the adjustment for the effect of the Capital Reorganisation); and (ii) the allotment and issue of the Subscription Shares would result in a relatively significant theoretical dilution effect of approximately 82.76%.

LETTER FROM THE LIQUIDATORS

Restoration of public float

The Subscription will result in the shareholding of the public Shareholders falling below the requirements under Rule 8.08(1) of the Listing Rules. In general, the Stock Exchange would not grant the listing of, and permission to deal in new Shares where the issue of such new Shares would cause or facilitate a breach of requirement(s) under the Listing Rules. The grant of the listing of, and permission to deal in the Subscription Shares is subject to the Company and/or the Investor having put in place adequate arrangements to meet the public float requirements under Rule 8.08(1) of the Listing Rules both before and after the Completion.

On 19 August 2025, the Investor entered into a placing agreement with Advent Securities (Hong Kong) Limited, which shall act as placing agent to place, on a fully underwritten basis, up to 81,869,500 Subscription Shares to be allotted and issued to the Placee(s), who shall be Independent Third Party(ies) and at the same time third party(ies) independent of, and not acting in concert with the Investor Concert Group. Completion of such placing agreement will take place simultaneously with the completion of the Subscription, when the Company will, at the direction of the Investor, allot and issue such number of Subscription Shares to the placees directly to facilitate the placing under placing agreement. As such, the 81,869,500 Subscription Shares will form part of the public float of the Company, such that the minimum public float requirement under Rule 8.08(1) of the Listing Rules, i.e. at least 25% of the total number of issued Shares (excluding treasury shares) being held by the public at all times, is satisfied immediately after completion of the Subscription.

Takeovers Code implications

Whitewash Waiver

As at the Latest Practicable Date, the Investor Concert Group did not hold, own, control or have direction over any Shares, outstanding options, warrants or any securities that are convertible into Shares or any derivatives in respect of the securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Assuming that (i) the Capital Reorganisation has become effective; (ii) the allotment and issue of the Subscription Shares has taken place; and (iii) there is no other change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than as a result of the Capital Reorganisation and the allotment and issue of the Subscription Shares), the Investor Concert Group will be interested in 491,216,427 New Shares, representing 90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and after the adjustment for the effect of the Capital Reorganisation.

As such, the Investor would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Investor Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

LETTER FROM THE LIQUIDATORS

The Investor has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code, and the Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, (i) the approval by at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the votes cast by the Independent Shareholders at the SGM by way of poll in respect of the Subscription. The Investor, their respective associates and parties acting in concert with any of them, and the Shareholders who are interested in or involved in the Subscription and the Whitewash Waiver will be required to abstain from voting on the relevant resolution(s).

If the Whitewash Waiver is approved by the Independent Shareholders at the SGM, the maximum potential holding of voting rights of the Company held by the Investor Concert Group and parties acting in concert with any of them as a result of the Subscription will exceed 50% of the voting rights of the Company. The Investor Concert Group and parties acting in concert with any of them may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Proposed Restructuring will not proceed if the Whitewash Waiver is not obtained from the Executive or not approved by the Independent Shareholders. The Executive may or may not grant the Whitewash Waiver.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

The Investor has confirmed to the Company and the Liquidators that, as at the Latest Practicable Date, save for entering into the Subscription Agreement:

- (a) the Investor Concert Group does not hold, own, control or has direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) the Investor Concert Group does not have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Investor (save as holding the shares of the Investor) or the Company, which might be material to the Whitewash Waiver, the Subscription, the Capital Reorganisation or any transactions contemplated thereunder;
- (c) the Investor Concert Group has not dealt in the Shares, outstanding options, derivatives, warrants or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible or exchangeable into the Shares during the Relevant Period, and up to and including the Latest Practicable Date;
- (d) the Investor Concert Group has not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

LETTER FROM THE LIQUIDATORS

- (e) there is no agreement or arrangement to which any Investor or other members of the Investor Concert Group is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Capital Reorganisation, the Subscription and the Whitewash Waiver;
- (f) the Investor Concert Group has not received any irrevocable undertaking relating to voting for or against the resolutions in respect of (i) Capital Reorganisation; (ii) the Subscription; (iii) the Whitewash Waiver; and (iv) any other matters as required under the law, the Listing Rules, the Takeovers Code, or by the Stock Exchange and/or the SFC, which are necessary to give effect to any transactions contemplated under the Proposed Restructuring, at the SGM;
- (g) there is no understanding, arrangement, agreement or special deal between the Investor Concert Group, and any of the Directors, recent Directors or any Shareholder;
- (h) there is no understanding, arrangement, agreement or special deal between (i) any Shareholder; and (ii) (a) the Company, its subsidiaries or associated companies and (b) the Investor Concert Group;
- (i) it shall comply with the applicable rules and regulations of the Listing Rules and the Takeovers Code;
- (j) it shall not take any actions (including the acquisition of the Shares or New Shares) to voluntarily withdraw the application for the Whitewash Waiver, or voluntarily revoke or request for the revocation of the Whitewash Waiver that has been granted;
- (k) it shall provide all relevant information requested by the Stock Exchange and the SFC to the extent permissible under the applicable laws and regulations;
- (l) save for the placing agreement entered into between the Investor and Advent Securities (Hong Kong) Limited in relation to the placing down of the Subscription Shares upon completion of the Subscription, there was no agreement, arrangement or understanding pursuant to which the Subscription Shares to be allotted and issued to the Investor will be transferred, charged or pledged to any other persons; and
- (m) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Investor or any person acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependence upon the Subscription and/or the Whitewash Waiver.

The Company confirms that, as at the Latest Practicable Date, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Company, its subsidiaries or associated companies on one hand; and any Shareholder on the other hand.

LETTER FROM THE LIQUIDATORS

As at the Latest Practicable Date, the issued share capital of the Company comprises 545,796,038 Shares and save for the 1,090,688 outstanding share options granted under the share option scheme of the Company adopted on 29 November 2018, the Company does not have any options, warrants or convertible securities in issue.

As at the Latest Practicable Date, the Company believes that the Capital Reorganisation, the Subscription and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular, in respect of, among others, the Capital Reorganisation, the Subscription and the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

THE APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

As the power of the Board has ceased following the making of the winding-up Order by the Hong Kong Court, accordingly, no independent board committee will be established to advise the Independent Shareholders. The Company has appointed Merdeka Corporate Finance Limited, the Independent Financial Adviser to advise the Independent Shareholders in accordance with the requirements under the Listing Rules and the Takeovers Code on such matters.

GENERAL

The SGM will be convened and held at 6/F, Congregation House, 119 Leighton Road, Causeway Bay, Hong Kong on Monday, 8 September 2025 at 11:00 a.m. for the Shareholders or the Independent Shareholders (as the case may be) to consider and, if thought fit, approve, among others, the Capital Reorganisation, the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver. As at the Latest Practicable Date, save for the Investor, its associates and parties acting in concert with it, no other Shareholders have material interest in the Subscription and the Whitewash Waiver and will be required to abstain from voting on the relevant resolution(s) at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM (i.e. 11:00 a.m. on Saturday, 6 September 2025), or any adjournment or postponement thereof.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE LIQUIDATORS

The Company will submit an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in (a) the New Shares arising from the Capital Reorganisation; and (b) the Subscription Shares.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 5 September 2025 to Monday, 8 September 2025 (both days inclusive) during which period no transfer of shares will be registered. The record date for determining the entitlement to attend and vote at the SGM will be Monday, 8 September 2025. In order to qualify for entitlement to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Thursday, 4 September 2025.

FURTHER INFORMATION

Your attention is drawn to the letter from the letter from Independent Financial Adviser set out on pages 42 to 71 of this circular which contains its advice to the Independent Shareholders in this regard.

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

RECOMMENDATION

Based on the above, the Liquidators consider that the terms of the Proposed Restructuring are fair and reasonable so far as the Independent Shareholders are concerned and the transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Liquidators recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Proposed Restructuring and the transactions contemplated thereunder.

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Liquidators would like to draw the attention of the Independent Shareholders to the disclaimer of opinion expressed by the independent auditors of the Company on the consolidated financial statements of the Company for the three years ended 31 December 2022, 31 December 2023 and 31 December 2024, details of which are set out in Appendix I to this circular. The Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Proposed Restructuring and the Whitewash Waiver. Taking into account, among others, that (i) all Scheme Claims will be discharged and released in full upon the Creditors Scheme having become effective, which would significantly improve the net current liabilities position of the Company; (ii) all Excluded Companies will be transferred to the Scheme Company pursuant to the terms of the Creditors Scheme; and (iii) the Company is expected to turn from net liabilities position to net assets

LETTER FROM THE LIQUIDATORS

position in or around the first quarter of 2027, and in the absence of any unforeseen circumstances, the Liquidators are envisage that the disclaimer in respect of the material uncertainty related to going concern will be removed for the year ending 31 December 2027, and the disclaimer in respect of the deconsolidation of subsidiaries and derecognition of interest in a joint venture and incomplete books and records (save for the opening balance of the Group's financial position) will be removed for the year ending 31 December 2026. In respect of the disclaimer in relation to the deconsolidation of the Loss-of-Control Subsidiaries, only comparative figure would be qualified for the year ending 31 December 2026, and such disclaimer will not have carryover effect on the financial statements after the financial year ending 2026. Hence, the disclaimers will not affect the Group's financial results and operation and the Proposed Restructuring and the Whitewash Waiver.

CONTINUED SUSPENSION OF TRADING

Trading on the Stock Exchange in the Shares, which was suspended with effect from 11:56 a.m. on 11 March 2024, remains suspended and will continue to be so until further notice. The Company will keep the public informed by making further announcements as and when appropriate.

WARNINGS

The transactions contemplated under the Proposed Restructuring are subject to fulfilment of various conditions and therefore may or may not materialise. The release of this circular does not necessarily indicate that the Proposed Restructuring will be completed or trading in the Shares will be resumed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

The publication of this circular does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the Resumption given that the Resumption is subject to the fulfilment of the Resumption Guidance. Therefore, the Resumption may or may not proceed. The Company will keep the public informed of the latest development by making further announcement(s) as and when appropriate.

For and on behalf of
DreamEast Group Limited
(In Compulsory Liquidation)
Osman Mohammed Arab
Wong Kwok Keung
Joint and Several Liquidators
Acting as agents of the Company
without personal liabilities

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Merdeka Corporate Finance Limited, the Independent Financial Adviser to the Independent Shareholders, in respect of the Subscription and the Whitewash Waiver, for the purpose of incorporation into the Circular.



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

22 August 2025

*To: The Independent Shareholders of
DreamEast Group Limited (In Compulsory Liquidation)*

Dear Sirs/Madams,

**(1) THE PROPOSED RESTRUCTURING INVOLVING
I. CAPITAL REORGANISATION;
II. SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
III. CREDITORS SCHEME;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Shareholders in respect of the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Liquidators (the “**Letter from the Liquidators**”) contained in the circular dated 22 August 2025 issued by DreamEast Group Limited (In Compulsory Liquidation) (the “**Company**”, together with its subsidiaries as the “**Group**”) in relation to, among the others, the Subscription and the Whitewash Waiver (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As disclosed in the Announcement, trading in the Shares has been suspended with effect from 11:56 a.m. on Monday, 11 March 2024. On 8 April 2024, the Company received a letter from the Stock Exchange setting out the Resumption Guidance as follows: (i) publish all outstanding financial results required under the Listing Rules and address any modifications; (ii) have the winding-up order made against the Company withdrawn or dismissed and any liquidators discharged; (iii) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; and (iv) inform the market of all material information for the Shareholders and other investors to appraise the Company’s position (collectively, the “**Initial Resumption Guidance**”). On 8 October 2024, the Company received a letter from the Stock Exchange, in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

which, inter alia, in view of the resignation of Ms. Sham Ying Man as company secretary of the Company with effect from 21 September 2024, the Stock Exchange set out the Additional Resumption Guidance for the Company to re-comply with Rule 3.28 of the Listing Rules (the Initial Resumption Guidance and the Additional Resumption Guidance as the “**Resumption Guidance**”). To fulfil the Resumption Guidance, the Company will implement the Proposed Restructuring, which involves (i) the Capital Reorganisation; (ii) the Subscription; and (iii) the Creditors Scheme.

The SGM will be convened and held to consider and, if thought fit, approve, among others, the Capital Reorganisation, the Subscription (including the grant of the Specific Mandate and the issue of the Subscription Shares), and the Whitewash Waiver.

As the power of the Board has ceased following the making of the winding-up order by the Hong Kong Court, no independent board committee can be formed to advise the Independent Shareholders. We, Merdeka Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Shareholders, among other things, as to whether the terms of the Subscription and the Whitewash Waiver are fair and reasonable as well as in the interests of the Company and the Independent Shareholders as a whole, and as to voting.

OUR INDEPENDENCE

We, Merdeka Corporate Finance Limited, are not associated with the Company, the Investor Concert Group, the Liquidators, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. We do not have any relationship with or interests in the Company, the Investor Concert Group, the Liquidators, or any of their respective ultimate beneficial owners, which could reasonably be regarded as relevant to our independence. We have not acted as an independent financial adviser to the other transactions of the Company in the last two years prior to the date of the Circular. Apart from normal professional fees paid or payable to us in connection with this engagement, no other arrangement exists whereby we will receive any fees or benefits from the Company, the Investor Concert Group, the Liquidators, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice to the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Shareholders, we have relied on (a) the information, facts and representations contained or referred to in the Circular; (b) the information, facts and representation supplied or provided by the Company and the management or the Liquidators; (c) the opinions expressed by and the representations of the management or the Liquidators; and (d) our review of relevant public information. We have assumed that all the information and facts provided and representations and beliefs, intentions and opinions expressed to us or contained or referred to in the Circular are true, accurate, and complete in all respects as at the Latest Practicable Date and may be relied upon. We have also assumed that all

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

statements contained and information, facts and representations made to us or referred to in the Circular were true at the time they were made and continue to be true after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code and all statements of belief, intentions and opinions of the management or the Liquidators and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information, representations, beliefs, opinions, and intentions provided to us by the representatives of the Company and the management or the Liquidators. We have also sought and received confirmation from the representatives of the Company and the management or the Liquidators that no material facts have been withheld or omitted from the information provided to us and referred to in the Circular and that all information or facts provided or representations or beliefs, opinions or intentions provided to us by the representatives of the Company and the management or the Liquidators are true, accurate, complete and not misleading in all respects which have been made after due and careful enquiry at the time they were made pursuant to Rule 9.1 of the Takeovers Code.

The Independent Shareholders will be informed by the Company and us as soon as possible if there is any material change to the information disclosed in the Circular pursuant to Rule 9.1 of the Takeovers Code, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Shareholders accordingly.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Investor or their respective subsidiaries or associates, nor have we considered the taxation implications on the Group or the Shareholders as a result of the Subscription and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information of the Independent Shareholders solely in connection with their consideration of the Subscription and the Whitewash Waiver, and the transactions contemplated thereunder, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Subscription and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

1. Background information of the parties

1.1 Information of the Group

As set out in the “Letter from the Liquidators”, the Company is an investment holding company, and the Group is principally engaged in the development and operation of cultural tourist resorts and theme parks, property development, and the provision of leasing services.

(a) Financial performance of the Group

Set out below is a summary for (i) the audited consolidated financial information for the year ended 31 December 2022 (“**FY2022**”), 2023 (“**FY2023**”) and 2024 (“**FY2024**”) as extracted from the annual results announcements of the Company for the year ended 31 December 2023 (the “**2023 Results Announcement**”) and 2024 (the “**2024 Results Announcement**”), respectively; and (ii) the unaudited financial information for the six months ended 30 June 2023 (“**HY2023**”) and 2024 (“**HY2024**”) as extracted from the interim results announcement of the Company for the six months ended 30 June 2024 (the “**2024 Interim Results Announcements**”).

As refer to the disclaimers of opinion (the “**Qualified Opinions**”) issued by the Group’s independent auditor for the financial years ended 31 December 2022, 2023 and 2024 as set out in the Appendix I to the Circular, the auditor of the Company issued disclaimers of opinions for the three financial years ended 31 December 2024 due to the Group’s persistent and significant uncertainties. For FY2022, material uncertainty existed over the Group’s ability to continue as a going concern, driven by substantial net liabilities, recurring losses, and further liabilities or obligations arising from legal disputes. For FY2023 and FY2024, in addition to the severe financial difficulties, the independent auditor’s inability to (i) satisfy themselves about the appropriateness of the use of the going

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

concern basis of accounting in the preparation of the consolidated financial statements because of the lack of sufficient appropriate audit evidence in relation to the Proposed Restructuring and the measures for future actions planned by management in its going concern assessment; and (ii) verify the appropriateness of the deconsolidation or the accuracy of related financial information of the Group's deconsolidated subsidiaries and a joint venture, formed additional grounds for the Qualified Opinions in these two financial years. Please refer to Appendix I to the Circular for the details of the Qualified Opinions.

	For the year ended			For the six months	
	31 December			ended	
	2024	2023	2022	2024	2023
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Revenue	82,424	9,219	25,076	82,342	8,443
– Sales of properties	82,424	990	–	82,342	1,015
– Rental income	–	5,397	22,337	–	4,528
– Tourism park operations and other services	–	2,832	2,739	–	2,900
Gross profit	26,900	6,287	18,463	37,924	5,440
(Loss) before tax	(103,123)	(480,208)	(1,089,614)	(42,458)	(378,255)
(Loss) income for the year/period attributable to:					
– Owners of the Company	(111,215)	(480,245)	(910,719)	(50,542)	(378,255)
– Non-controlling interests	(111,218)	(478,638)	(903,659)	(50,536)	(376,657)
	3	(1,607)	(7,060)	(6)	(1,598)

For the year ended 31 December 2024 and 2023

During FY2024, the Group recorded revenue of approximately HK\$82.4 million, representing an increase of approximately 795.7% from HK\$9.2 million in FY2023, which was mainly due to the increase in revenue from sales of properties.

As advised by the Liquidators, the Group recorded a net loss of approximately HK\$111.2 million for FY2024, representing a decrease of approximately 76.8% as compared to a net loss of approximately HK\$480.2 million for FY2023. The loss was primarily attributable to (i) the loss on fair value change of investment properties amounted to nil (FY2023: approximately HK\$17.6 million); (ii) finance cost amounted to approximately HK\$86.7 million (2023: approximately HK\$400.6 million); (iii) the loss on share of result from joint ventures, namely Tianmao Cultural Development (Jiangyin) Co., Ltd.* (天茂文化發展江陰有限公司) and its principal subsidiaries,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

which are principally engaged in property development, amounted to approximately HK\$32.2 million (FY2023: approximately HK\$19.6 million); and (iv) the income tax expense of approximately HK\$8.1 million (FY2023: HK\$0.04 million).

For the years ended 31 December 2023 and 2022

During FY2023, the Group recorded revenue of approximately HK\$9.2 million, representing a decrease of approximately 63.3% as compared with approximately HK\$25.1 million in FY2022, which was mainly due to the decrease in revenue from rental income.

The Group recorded a net loss of approximately HK\$480.2 million for FY2023, representing a decrease of approximately 47.3% as compared to a net loss of approximately HK\$910.7 million for FY2022. The loss was primarily attributable to (i) the loss on fair value change of investment properties of approximately HK\$17.6 million (FY2022: approximately HK\$715.6 million); (ii) finance cost of approximately HK\$400.6 million (FY2022: approximately HK\$560.0 million); (iii) the loss on share of result from joint ventures of approximately HK\$19.6 million (FY2022: was partially offset by gain on share of result from joint ventures amounted to approximately HK\$182.0 million); and (iv) the income tax expense of approximately HK\$0.04 million (FY2022: was partially offset by income tax credit of approximately HK\$178.9 million).

For the six months ended 30 June 2024 and 2023

During HY2024, the Group recorded total revenue of approximately HK\$82.3 million, representing an increase of approximately HK\$73.9 million or 875.3% compared to approximately HK\$8.4 million for HY2023. The increase in revenue was mainly resulted from the increase in revenue from sales of properties operations during HY2024.

The Group recorded a net loss of approximately HK\$50.5 million for HY2024, representing a decrease of approximately 86.7% as compared to a net loss of approximately HK\$378.3 million for HY2023. Such decrease in net loss was mainly attributable to (i) increase in the revenue of approximately HK\$73.9 million as compared to that of approximately HK\$8.4 million for HY2023; (ii) a shift from other losses of approximately HK\$129.4 million for HY2023 to other gains of approximately HK\$268,000 for HY2024; and; (iii) reduce in financial costs by approximately HK\$207.1 million as compared to approximately HK\$287.7 million for HY2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table summarises the financial position of the Group as at 31 December 2024 and 31 December 2023, respectively:

	As at 31 December 2024	As at 31 December 2023
	<i>HK'000</i>	<i>HK'000</i>
	<i>Audited</i>	<i>Audited</i>
TOTAL ASSETS	6769,515	806,196
Non-current assets	407,746	461,779
Current assets	361,769	344,417
<i>– Bank balances and cash</i>	<i>5,289</i>	<i>5,439</i>
 TOTAL LIABILITIES	 1,977,587	 2,241,027
Current liabilities	1,964,462	2,227,434
<i>– Bank and other borrowings</i>	<i>372,720</i>	<i>351,717</i>
<i>– Convertible bonds and bonds</i>	<i>1,111,843</i>	<i>1,405,193</i>
Non-current liabilities	13,125	13,593
 Net current liabilities	 (1,602,693)	 (1,883,017)
Deficit attributable to the owners		
of the Company	(1,208,077)	(1,434,833)
Gearing ratio	-1.6 times	-1.6 times

As illustrated in the table above, as at 31 December 2024, the Group's current liabilities exceeded its current assets by approximately HK\$1,602.7 million (31 December 2023: approximately HK\$1,883.0 million), and the Group had an aggregate of bank and other borrowings and convertible bonds and bonds payables amounted to approximately HK\$1,484.6 million (31 December 2023: approximately HK\$1,756.9 million), of which current borrowings amounted to approximately HK\$372.7 million (31 December 2023: approximately HK\$351.7 million), while its cash and cash equivalents only amounted to approximately HK\$5.3 million (31 December 2023: approximately HK\$5.4 million) only. As at 31 December 2024, the deficit attributable to the owners of the Company stood at approximately HK\$1,208.1 million (31 December 2023: approximately HK\$1,434.8 million), reflecting a significant shortfall in liquid assets and a severe strain on the Group's ability to meet its short-term obligations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Information on the Excluded Companies and the Retained Group

As referred to the Letter from the Liquidators, we noted that the Excluded Companies comprised certain Loss-of-Control Subsidiaries and Non-operational Subsidiaries.

References are made to the circular of the Company dated 9 November 2023 and the announcement of the Company dated 24 November 2023 in relation to, among others, the proposed change in composition of the Board. At the special general meeting of the Company held on 24 November 2023, resolutions were passed by the Shareholders to remove two of the then executive Directors and to appoint a new non-executive Director. Following the change in composition of the Board, the then management of the Company initiated efforts to assume control over its subsidiaries, including but not limited to attempting to replace the authorised representatives and key senior management personnel of certain subsidiaries and to gain access to their financial books and operational records.

However, the then management failed to secure access to critical documentation of or establish operational control over the following indirect wholly-owned PRC subsidiaries (collectively, the “**Loss-of-Control Subsidiaries**”):

Company	Principal business
北京天洋基業投資有限公司 (Beijing Tianyang Jiye Investment Co., Ltd*)	Property development and investment management
嘉善夢東方酒店管理有限公司 (Jiashan DreamEast Hotel Management Co., Ltd*)	Leasing and commercial services
夢東方(嘉興)文化投資有限公司 (DreamEast (Jiaying) Cultural Investment Co., Ltd*)	Entertainment and property development
夢東方(天津)有限公司 (DreamEast (Tianjin) Co., Ltd*)	Property development
夢東方(江蘇)文化投資發展有限公 司 (DreamEast (Jiangsu) Cultural Investment Development Co., Ltd*)	Entertainment and property development
夢東方(涿州)文化有限公司 (DreamEast (Zhuozhou) Culture Co., Ltd*)	Entertainment and property development

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company	Principal business
衡陽夢東方文化旅遊有限公司 (Hengyang DreamEast Cultural Tourism Co., Ltd*)	Leasing and commercial services
夢東方未來世界(三河)娛樂有限公 司 (DreamEast Future World (Sanhe) Entertainment Co., Ltd*)	Entertainment and leasing

Given the persistent inability to exercise control, including the failed attempts to effect personnel change, and/or the failed attempts to obtain financial and operational information and control, it was concluded that effective control over the Loss-of-Control Subsidiaries had been irrevocably lost, resulting in the deconsolidation of the financial information of the Loss-of-Control Subsidiaries from the consolidated financial statements of the Company for the year ended 31 December 2023. As at 24 November 2023, being the effective date of the deconsolidation, the total assets and total liabilities of the Loss-of-Control Subsidiaries amounted to approximately HK\$6,157,418,000 and approximately HK\$6,096,919,000 respectively.

In addition, based on the information available to the Liquidators, two non-operational indirect wholly-owned subsidiaries, namely Hong Kong International Cultural Development Limited and China Successful Limited (collectively, the “**Non-operational Subsidiaries**”), were identified to be lack of material assets and carrying substantial liabilities in an aggregate amount of approximately HK\$400.3 million.

The details of the Non-Operational Subsidiaries are as follows:

Company	Place of incorporation	Direct or indirect subsidiaries and interest of the Company as at the Latest Practicable Date	Principal business
Hong Kong International Cultural Development Limited	Hong Kong	Indirect (100%) Investment	Investment Holding
China Successful Limited	Hong Kong	Indirect (100%)	Investment Holding

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As referred to the Letter from the Liquidators, considering the severe insolvency of or lack of control over the Excluded Companies, the Liquidators are of the view that the exclusion of the Excluded Companies could streamline the operation, improve the financial position of the Retained Group and consolidate its resources for more focused development of the businesses of the Retained Group, whilst the claims or cause of action against the Excluded Companies could be carved out and handled under the Scheme Company by the Scheme Administrators.

As further referred to the Letter from the Liquidators, upon completion of the Disposal, the principal businesses of the Retained Group shall remain unchanged, i.e. principally engaged in (i) property development and the provision of leasing services; and (ii) the development and operation of cultural tourist resorts and theme parks. Despite the fact that none of the operating subsidiaries of the Retained Group will be engaged in the tourism park operation business immediately after the completion of the Disposal, the Group will not rule out the possibility and will continue to seek investment options to revive the tourism park operation business should suitable opportunities arise. The Liquidators are of the view that the Disposal shall not have any material financial effect on the Group as (i) the Group has not consolidated the financial information of the Loss-of-Control Subsidiaries since the financial year ended 31 December 2023 due to, among others, the inaccessible books and records; and (ii) the Non-operational Subsidiaries do not have material assets or operations. The Company does not expect to record any material gain or loss from the Disposal.

Save for the aforesaid, according to the announcement (the “**Acquisition Announcement**”) of the Company dated 7 August 2025 and as advised by Liquidators, the Group entered into a sale and purchase agreement with a Chinese merchant to conditionally acquire Imperial Estate Holdings Co. Limited, which will directly non-wholly own Hainan Luyi Urban Construction and Development Company Limited and will indirectly hold majority stake in Guangzhou City Taihu Real Estate Development Company Limited that will in turn will develop a property project in Guangzhou (the “**Acquisition**”). As mentioned in the Acquisition Announcement, the Acquisition would provide the Company with an opportunity to expand its property-related businesses into property development in the PRC, which will broaden the revenue base of the Group and extend its market presence by enriching the Company’s assets portfolio. By the Acquisition, it is expected that the Group can tap into the property development market in Guangzhou, the PRC and expand its property development business with the property project in Guangzhou. As advised by the Liquidators, the Retained Group will focus on the existing principal business of the Group (including two existing development projects, namely Hengyang DreamEast Resort* (衡陽夢東方旅遊度假區) in Hengyang, Hunan, and Xiake Island Ecological City* (霞客島生態城) in Xu Xiake Town, Jiangyin City, Jiangsu Province) and the property project in Guangzhou.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Industry overview

As the principal businesses of the Retained Group will remain unchanged i.e. principally engaged in (i) property development and the provision of leasing services; and (ii) the development and operation of cultural tourist resorts and theme parks, with the Group generating all of its revenue from the sales of properties for FY2024, as indicated in the subsection headed “(a) Financial performance of the Group” above, we have conducted market research on the property market in the PRC.

To accelerate the property market in the PRC, the Chinese government has implemented a range of supportive policies aimed at stabilizing the market, ensuring housing affordability, and stimulating economic growth.

Firstly, the People’s Bank of China (“PBOC”) and local governments have introduced several official measures to relax mortgage policies and property purchase restrictions to stimulate the real estate market. On 17 May 2024, the PBOC announced on its official website that the PBOC had decided to adjust the lower limit for mortgage loan interest rates, effectively removing the floor on mortgage rates for first-time homebuyers, making home loans more affordable. In addition, several major cities and provinces, including Guangzhou and Shanghai and Jiangsu Province, reduced the down payment requirement for first-time buyers to as low as 15% in May 2024, September 2024 and June 2024, respectively, as referred to the official websites of the local governments. Furthermore, local governments in cities like Beijing, Shanghai, Guangzhou, Hangzhou, and Nanjing, progressively relaxed property purchase restrictions in 2024, as referred to the official websites of the relevant local governments.

Secondly, the Chinese government has also introduced measures to stabilize the market and support developers. According to an article titled “The New Financing Mechanism for Urban Real Estate Continues to Gain Momentum* (城市房地產融資新機制持續發力)”, published on the official website of the State Council of the PRC on 30 October 2024, the Ministry of Housing and Urban-Rural Development implemented a “whitelist” mechanism at the start of 2024. This mechanism prioritizes financing for key real estate projects by adding real estate projects, which are government-approved and under construction, to the whitelist and encouraging financial institutions to provide increased support. The Political Bureau of the Communist Party of China emphasized the need to accelerate loan issuance for these “whitelist” projects on 26 September 2024 as mentioned in the article.

Thirdly, the Chinese government has introduced tax incentives to reduce transaction costs and further stimulate the property market. According to the announcement titled “The Announcement on Tax Policies to Promote the Stable and Healthy Development of the Real Estate Market* (關於促進房地產市場平穩健康發展有關稅收政策的公告) (the “**Announcement**”)” dated 12 November 2024 published by the Ministry of Finance of the PRC, starting from 1 December 2024, the Chinese government will reduce deed tax rates for first-time homebuyers from 3% to 1% for properties up to 140 m² and 1.5% for properties larger than 140 m². Second-home purchases will incur deed tax rates of 1% or 2%, depending on the size of the property. In addition, value-added tax exemptions will be applied to homes sold after being owned for two years or more in cities such as Beijing, Shanghai, Guangzhou, and Shenzhen. In general, these cities originally classified housing as “ordinary” or “non-ordinary” based on, among others, whether the floor area ratio exceeded 1.0 and whether the gross floor area per unit exceeded 144 m². And these cities have removed the housing classifications as mentioned in the Announcement, which is expected to lower the financial burden on buyers and encourage more transactions. By reducing transaction costs, these tax incentives not only make housing more affordable but also increase market liquidity, promoting both demand for new properties and the resale market.

Therefore, we are of the view that these policies provide support to the property market in the PRC in gradually stabilizing and recovering the property market in the PRC.

1.2 Information of the Investor

The Investor, being a company incorporated in the British Virgin Islands with limited liability, is an investment holding company and is wholly and beneficially owned by Mr. Li. Mr. Li has over 30 years of experience in the telecommunications industry. As at the Latest Practicable Date, the Investor does not hold any asset or investment.

Mr. Li had served as a deputy general manager of Guangdong Guangxin Communications Services Co., Ltd., a major enterprise with a registered capital of RMB320 million and a workforce exceeding 5,000 employees and also a subsidiary of China Communications Services Corporation Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 552), for about 20 years, and was mainly responsible for supervising the daily operation of the company and maintain business relations with customers of different sectors.

Mr. Li’s managerial role at a major operating subsidiary of a listed company equipped him with insights in capital markets and solid business connections in various industries, which can prove advantageous in securing financing or forming joint ventures for high-value real estate projects. In essence, Mr. Li’s extensive network will help in advancing the Group’s property development business by leveraging his connections for strategic partnerships, resource optimisation, and market expansion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Li possesses over 20 years of experience in the investment in the Hong Kong capital market. As at the Latest Practicable Date, Mr. Li does not maintain any substantial shareholding (5% or more) in any publicly listed company.

As set out in the Letter from the Liquidators, having made all reasonable enquiries, each of the Investor and its ultimate beneficial owner is an Independent Third Party.

As advised by the Liquidators, as at the Latest Practicable Date, the Investor intended to continue the existing businesses of the Group and did not intend to introduce any major changes to the existing operation and businesses of the Group. Nevertheless, following the Completion, the Investor intends that the Company will continue to seek new business opportunities to improve its profitability and business prospects, enhance its future business development, and strengthen its revenue base, and may diversify into other businesses should suitable opportunities arise. As at the Latest Practicable Date, the Investor did not intend to dispose of or redeploy any of the assets of the Group, or to discontinue the employment of any existing employees of the Group other than in the ordinary course of business. The Investor has not identified any targets for development of other businesses nor conducted any discussions or negotiations for the acquisition of any new business or asset into or disposal of any existing business or asset of the Group as at the Latest Practicable Date.

Having considered (i) Mr. Li's over 20 years of investment experience in Hong Kong and his managerial skills; (ii) Mr. Li's strong network in various industries; and (iii) the Investor's intention on seeking the new business opportunities to strengthen the Group's financial performance and business prospects, we consider that Mr. Li's managerial skills will assist the Group to improve operational efficiencies, and his understanding of Hong Kong's capital markets and valuable personal network will provide advantages in securing financing for the new property project in Guangzhou and assist the Group in exploring new investment opportunities arising from the government's supportive policies on real estate market.

2. Reasons for the Subscription

As set out in the Letter from the Liquidators, the Proposed Restructuring forms a vital part of the Resumption as it provides the Group with the necessary financing to restructure the debts of the Company by the implementation of the Creditors Scheme.

As understood from the Letter from the Liquidators, in view of the above and considering the liquidity shortage and adverse financial position of the Group, as well as the willingness of the Investor to provide financing to relieve the Company's indebtedness and support the Group's business operations and expansion, the Liquidators are of the view that the entering into of the Subscription Agreement and the implementation of the Creditors Scheme will facilitate the Group's debt restructuring and assist in satisfying the Resumption Guidance set out by the Stock Exchange. In addition, the Group has been actively formulating and implementing the Proposed Restructuring in order to comply with the Resumption Guidance, one of which is to demonstrate

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

compliance with Rule 13.24 of the Listing Rules to justify the continued listing of the Shares. With the introduction of the Investor as a Shareholder, it is expected that the Investor's extensive network in the PRC will facilitate the expansion and development of the property development business of the Retained Group, which will be the strategic focus of its future operations. Going forward, the Group intends to leverage the Investor's network and business connections to attract new customers for its property development business and explore other business opportunities within the property development and leasing sector in the PRC.

As referred to the Letter from the Liquidators, based on the latest available records of the Liquidators, the total indebtedness under the proofs of debts filed by the creditors, owed by the Company to the creditors amounted to HK\$883,550,638.40 as at the Latest Practicable Date, which principally consists of (i) total debts owed to holders of bonds issued by the Company amounting to HK\$841,346,612.77; (ii) the outstanding Directors' remuneration amounting to HK\$493,688.17; (iii) the outstanding loans owed by the Group amounting to HK\$36,765,192.46; and (iv) other claims and professional fees amounting to HK\$4,915,145.00. As at the Latest Practicable Date, none of the Creditors is a Shareholder. Based on the section headed "(a) Financial performance of the Group" set out above in this letter, we noted that the Group's total cash only amounted to approximately HK\$5,289,000 as at 31 December 2024. Given the aforesaid, the Group's cash level is insufficient to cover the total debt.

After taking into consideration of the following factors, among others, (i) the Group's financial performance and position (i.e. the net loss attributable to the owners of the Company for FY2024 and FY2023, the net current liabilities and net liabilities position as at 31 December 2024, the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern as mentioned in the Qualified Opinions); (ii) the indicative total estimated indebtedness owed by the Company to its Creditors amounted to approximately HK\$883,550,638.40 as at the Latest Practicable Date while the Group's cash balance as at 31 December 2024 only amounted to approximately HK\$5.3 million, which would not be sufficient to the total debt, indicating that the Group is in financial distress; (iii) if the Creditors Scheme fails and the Company remains in liquidation, the Shares held by the Independent Shareholders will become worthless given the aforesaid net liabilities position of the Group; (iv) the Proposed Restructuring will facilitate the debt restructuring of the Company to discharge a substantial portion of its indebtedness and, thus, save the Company from going into liquidation; (v) the Proposed Restructuring may eventually lead to the resumption of the Shares if Completion takes place and the Shareholders should note that the resumption of the Shares is also subject to the fulfilment of all Resumption Guidance to the satisfaction of the Stock Exchange; and (vi) after discussing with the management or the Liquidators and taking into consideration of (i) and (ii) above and the trading of the Shares has been suspended since 11 March 2024 and the Investor is the only white knight as at the date of the Subscription Agreement, who is willing to inject capital into the Company during its hard time to maintain its operation and pursue the Proposed Restructuring that is the only available resumption proposal to the Group, and to support its future operation despite the uncertainties surrounding the future performance of the Group; (vii) the aforesaid government policies will provide support to the property market in the PRC in gradually stabilizing and recovering the property market in the PRC as mentioned in the sub-section headed "c. Industry overview" under the section headed

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

“1.1 Information of the Group” in this letter; (viii) the Retained Group is expected to be benefit from the Investor’s managerial skills, his understanding of Hong Kong’s capital markets and the valuable personal network as detailed in the subsection headed “1.2 Information of the Investor” in this letter; and (ix) our analysis on the terms of the Subscription (which forms a vital part of the Creditors Scheme) as set out below in this letter, we concur with the Liquidators’s view that the terms of the Subscription Agreement are on normal commercial terms, are fair and reasonable and the entering into of the Subscription Agreement will be in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Subscription

On 13 June 2025, the Investor (as subscriber), the Company (as issuer) and the Liquidators entered into the Subscription Agreement, pursuant to which the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 491,216,427 Subscription Shares at the issue price of approximately HK\$0.16 per Subscription Share for an aggregate subscription price of HK\$80,000,000, which shall be (i) partly satisfied by way of set-off against the outstanding amounts under the Funding Agreement in whole or in part on a dollar-for-dollar basis; and (ii) the remaining amount shall be satisfied by way of cash payable to the Company. Assuming the credit facility up to HK\$12,000,000 under the Funding Agreement is fully drawn down, the Investor shall pay HK\$68,000,000 in cash to the Company for the Subscription after the set-off against the outstanding amounts of HK\$12,000,000 under the Funding Agreement.

Subscription Shares

Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the completion of the Subscription, the 491,216,427 Subscription Shares represent:

- (i) 900% of the issued share capital of the Company after the adjustment for the effect of the Capital Reorganisation but prior to the allotment and issue of the Subscription Shares; and
- (ii) 90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and after the adjustment for the effect of the Capital Reorganisation.

Specific Mandate

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Use of proceeds

It is proposed that the net proceeds from the Subscription of approximately HK\$68,000,000 (after deducting all relevant expenses and set-off against the outstanding amounts under the Funding Agreement) will be applied for the following purposes: (i) as to HK\$60,000,000 will be applied for distribution to the Creditors on a pro rata basis in respect of their Admitted Scheme Claims as Cash Consideration under the Creditors Scheme; and (ii) the remainder will be applied as general working capital of the Group and settlement of the Excluded Claims (the “**Remaining Balance**”).

Accordingly, the Subscription can (i) facilitate the implementation of the Creditors Scheme, which will relieve the Group’s liabilities; and (ii) increase the Group’s cash level by the Remaining Balance.

As illustrated in the section headed “(a) Financial performance of the Group” above, the Group’s bank balances and cash, net current liabilities and deficit attributable to the owners of the Company were approximately HK\$5.3 million, HK\$1,602.7 million and HK\$1,208.1 million respectively as at 31 December 2024. Furthermore, as referred to the 2024 Results Announcement, as at 31 December 2024, the net loss incurred by the Group for FY2024 amounted to approximately HK\$480.2 million, and the continuous net loss has been recorded by the Group since 2019. These conditions, together with the net liabilities and net current liabilities positions of the Group, indicated the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

Having considered the above factors, in particular: (i) the Group has been recording audited net losses since the year ended 31 December 2019 up to and including the year ended 31 December 2024 and the Group recorded net current liabilities of approximately HK\$1,602.7 million as at 31 December 2024; (ii) as at the Latest Practicable Date, the indicative total estimated indebtedness owed by the Company to its Creditors amounted to approximately HK\$883,550,638.40 while the Group’s cash balance as at 31 December 2024 amounted to approximately HK\$5.3 million, which would not be sufficient to cover the total indebtedness, indicating that the Group is in severe financial distress; (iii) part of the net proceeds from the Subscription will be applied for payment for the Admitted Scheme Claims; (iv) the Remaining Balance after the settlement of the Excluded Claims will be used as general working capital facilitate the Group’s business operation; and (v) the Subscription forms a vital part of the Creditors Scheme for the Proposed Restructuring which provides the Group with the necessary financing to restructure the debts of the Company by the implementation of the Creditors Scheme, we are of the view that it is reasonable for the Company to proceed with the Subscription.

Please refer to the Letter from the Liquidators for more details on the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.1 The Subscription Price

The Subscription Price of approximately HK\$0.16 per Subscription Share represents:

- (i) a discount of approximately 91.88% to the theoretical closing price of HK\$1.97 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.197 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 92.08% to the average theoretical closing price of approximately HK\$2.02 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of approximately HK\$0.202 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 92.42% to the average theoretical closing price of approximately HK\$2.11 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of approximately HK\$0.211 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day;
- (iv) a premium of approximately HK\$27.35 over the unaudited consolidated net deficit per New Share of approximately HK\$27.19 as at 30 June 2024, based on the unaudited consolidated deficit attributable to owners of the Company of approximately HK\$1,484,079,000 as at 30 June 2024 and 54,579,603 New Shares in issue upon the Capital Reorganisation becoming effective but prior to the allotment and issue of the Subscription Shares; and
- (v) a premium of approximately HK\$22.29 over the audited consolidated net deficit per New Share of approximately HK\$22.13 as at 31 December 2024, based on the audited consolidated deficit attributable to owners of the Company of approximately HK\$1,208,077,000 as at 31 December 2023 and 54,579,603 New Shares in issue upon the Capital Reorganisation becoming effective but prior to the allotment and issue of the Subscription Shares.

The Subscription Price is determined after arm's length negotiation among the Company, the Liquidators and the Investor with reference to (i) the financial position of the Company and the fact that the Company is insolvent and in liquidation; (ii) the financial position and prospects of the business operations of the Retained Group; (iii) the prevailing market conditions; and (iv) the fact that trading in the Shares on the Stock Exchange has been suspended since 11 March 2024 and the Proposed Restructuring is the only viable resumption proposal to rescue the Company to avert a delisting of the Shares on the Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account that the Investor, being the only white knight as at the date of the Subscription Agreement, is willing to inject capital into the Company during its hard time to maintain its operation and pursue the Proposed Restructuring, the only available resumption proposal to the Group, and to support its future operation despite the uncertainties surrounding the future performance of the Group and the rescue plan may or may not succeed, which may or may not generate return to the Investor, the Liquidators consider that a discounted Subscription Price is inevitable in this large-scale fundraising exercise in terms of number of Shares to be issued and therefore are of the view that the Subscription Price is fair and reasonable and in the interest of the Company, its creditors, and the Shareholders as a whole.

3.2 Comparable Transactions

In order to assess the fairness and reasonableness of the Subscription Price, we identified the comparable transactions which (i) involved subscription of new shares under specific mandate relating to creditors scheme or debt restructuring and involving whitewash waiver application; (ii) were announced by the companies listed on the Main Board of the Stock Exchange for a period from 14 June 2022 up to the Latest Practicable Date, being an approximate three-year period up to and including the Latest Practicable Date (We attempted to identify comparable transactions from a period of approximately two years but only three comparable transactions were available. Accordingly, we extended our review period to approximately three years to include a sufficient number of comparable transactions); and (iii) the subscription of new shares has not been terminated as at the Latest Practicable Date. We found six transactions (the “**Comparable Transactions**”) which met the said criteria, and they are exhaustive.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that the financial situation, market capitalisations, businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Transactions and the subscriber(s) under the Comparable Transactions may or may not be connected person(s) of the subject company.

Date of announcement	Name of company (Stock code)	Principal business as at the date of the respective announcement	Premium or (discount) of the issue price to the average closing price per share for the last five trading days up to and including the last trading day prior to the date of the respective agreement	Premium or (discount) of the issue price to the average closing price per share for the last five trading days up to and including the last trading day prior to the date of the respective agreement	Dilution effect of subscription on existing public shareholding
			Approximate %	Approximate %	
15 May 2025	Zhongzheng International Company Limited (943)	The group is principally engaged in the business of manufacturing and sale of healthcare and household products, coal mining business and money lending business. The group also has a 35%-interest in an associate principally engaged in a property development project in Malaysia.	0.0%	0.0%	34.0%
1 November 2024	IDT International Limited (167)	The group is principally engaged in the design, development, manufacturing and sales of electronic products and smart wearable devices, providing fashionable, healthy and intelligent products and service experience, enhancing people's ability to work, live and play, and leading social trends.	(44.4%)	(46.8%)	44.6%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Name of company (Stock code)	Principal business as at the date of the respective announcement	Premium or (discount) of the issue price to closing price per share on the last trading day prior to the date of agreement <i>Approximate %</i>	Premium or (discount) of the issue price to the average closing price per share for the last five trading days up to and including the last trading day prior to the date of the respective agreement <i>Approximate %</i>	Dilution effect of subscription on existing public shareholding <i>Approximate %</i>
7 February 2024	Enviro Energy International Holdings Limited (1102)	The group is principally engaged in the supply of construction essentials business since 2017, which primarily consisted of two major businesses, namely (1) the supply of building materials business; and (2) the supply of aluminum-related products business, which are part of the construction supply chain.	(10.7%)	(5.7%)	43.9%
15 March 2023	CA Culture Technology Group Limited (1566)	The company is an investment holding company and the group is principally engaged in the trading of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in the PRC, Hong Kong and Japan.	(78.39%)	(77.63%)	78.49%
30 December 2022	China Health Technology Group Holding Company Limited (formerly known as China Bozza Development Holdings Limited) (1069)	The group is principally engaged in forestry management (i.e. plantation, logging and sale of timber related products), ginseng-related business (i.e. plantation and sale of ginseng) and investment holding.	(87.12%)	(87.62%)	59.99%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Name of company (Stock code)	Principal business as at the date of the respective announcement	Premium or (discount) of the issue price to the average closing price per share for the last five trading days up to and including the last trading day prior to the date of the respective agreement	Premium or (discount) of the issue price to the average closing price per share for the last five trading days up to and including the last trading day prior to the date of the respective agreement	Dilution effect of subscription on existing public shareholding
			Approximate %	Approximate %	
13 September 2022	Japan Kyosei Group Company Limited (formerly known as Fullsun International Holdings Group Co., Limited) (627)	The company is an investment holding company and the group is principally engaged in the development and sale of residential and commercial properties in the PRC including Hong Kong.	(93.60%)	(92.40%)	18.55%
		Maximum	0.00%	0.0%	78.49%
		Minimum	(93.60%)	(92.40%)	18.55%
		Average	(52.37%)	(51.69%)	46.60%
		Median	(61.40%)	(62.22%)	44.27%
	The Company		(91.88%) (the "LTD Discount")	(92.08%) (the "5-days Discount")	90.0%

We noted from the above table that the subscription prices of the Comparable Transactions represented discounts (i) ranged from 0.0% to approximately 93.60% to the respective closing prices of their shares on the last trading day prior to the date of agreement in relation to the respective subscription of new shares (the "**LTD Discount Market Range**"); and (ii) ranged from 0.0% to approximately 92.40% to the respective average closing prices of their shares for the last five trading days up to and including the last trading day prior to date of agreement in relation to the respective subscription of new shares (the "**5-days Discount Market Range**"). Accordingly, the LTD Discount and the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5-days Discount are within the respective range of the Comparable Transactions but close to the maximum discount of the respective range of the Comparable Transactions.

As referred to the Letter from the Liquidators, we noted that the rescue plan for the Company's debt restructuring may or may not succeed, which may or may not generate return to the Investor. As advised by the Liquidators, despite the Investor's willingness to inject capital and support the Proposed Restructuring, there remains significant risk that the plan may not achieve its intended results, given that the Group is currently facing severe financial difficulties, including recurring losses and substantial net liabilities, which pose fundamental challenges to its recovery and will be alleviated upon the Creditors Scheme becoming effective as referred to the section headed "FINANCIAL EFFECT OF THE PROPOSED RESTRUCTURING" in the Letter from the Liquidators. In addition, the success of the Proposed Restructuring relies on the effective implementation of complex measures, including debt restructuring, operational turnaround, and possibly obtaining approvals from creditors, regulators, and/or Shareholders. Any delays or obstacles in these areas could hinder or even derail the plan. Moreover, the Group's ability to regain profitability remains uncertain in the current market environment. As such, there is no assurance that the rescue plan will ultimately generate any return for the Investor or result in a sustainable recovery for the Group. In the event that the Proposed Restructuring is unsuccessful, the Investor would risk losing its investment in the Company. In this regard, the Subscription Price is considered justifiable.

Moreover, despite that the LTD Discount and the 5-days Discount are close to the maximum discount of the respective range of the Comparable Transactions, having considered that (i) the Group has been recording audited net losses since the year ended 31 December 2019 up to and including the year ended 31 December 2024 and is still heavily in debt as at the Latest Practicable Date; (ii) the Group recorded net current liabilities of approximately HK\$1,602.7 million as at 31 December 2024, indicating the Group's significant cash shortfall; (iii) the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern as mentioned in the Qualified Opinions; (iv) the Subscription forms vital part of the Proposed Restructuring, which is the only available resumption proposal to the Group, and to support its future operation despite the uncertainty surrounding the future performance of the Group and the Investor, being the only white knight as at the date of the Subscription Agreement, is willing to inject capital into the Company during its hard time to maintain its operation and pursue the Proposed Restructuring; (v) in the event that the Proposed Restructuring is unsuccessful, the Investor would risk losing its investment in the Company; (vi) the trading in Shares has been suspended since 11 March 2024; (vii) the Retained Group is expected to be benefit from Mr. Li's managerial skills, his understanding of Hong Kong's capital markets and his valuable personal network as detailed in the subsection headed "1.2 Information of the Investor" above; and (viii) the LTD Discount and the 5-days Discount are within the respective range of the Comparable Transactions, we concur with the Liquidators' view that a discounted Subscription Price is inevitable in this large-scale fundraising exercise in terms of the number of Shares to be issued and the Subscription

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Price is fair and reasonable and in the interest of the Company, its creditors, and the Shareholders as a whole.

3.3 Potential dilution effect

According to the section headed “Effect of the shareholding structure of the Company” as set out in the Letter from the Liquidators, as a result of the issue of the Subscription Shares, the Investor will hold approximately 90.0% of the enlarged issued share capital of the Company immediately after completion of the Capital Reorganisation and the Subscription. Consequently, the shareholding interests of the existing public Shareholders will be substantially diluted from approximately 96.97% to approximately 9.99%.

As noted from the Letter from the Liquidators, upon completion of the Subscription, the public float of the Company will fall below 25%. To fulfill the minimum public float requirement under the Listing Rules, on 19 August 2025, the Investor entered into a placing agreement with Advent Securities (Hong Kong) Limited, which shall act as placing agent to place, on a fully underwritten basis, up to 81,869,500 Subscription Shares to be allotted and issued to the Placee(s). As advised by the Company, the placing agreement does not explicitly exclude any Shareholder from being a Placee. Nevertheless, pursuant to the terms and conditions of the placing agreement, such Placee, irrespective of whether he/she/it is an existing Shareholder, shall not (i) become a substantial Shareholder immediately after completion of the placing; and (ii) be acting in concert with the Investor Concert Group. Completion of such placing agreement will take place simultaneously with the completion of the Subscription, when the Company will, at the direction of the Investor, allot and issue such number of Subscription Shares to the placees directly to facilitate the placing under placing agreement. As such, the 81,869,500 Subscription Shares will form part of the public float of the Company, such that the minimum public float requirement under Rule 8.08(1) of the Listing Rules, i.e. at least 25% of the total number of issued Shares (excluding treasury shares) being held by the public at all times, is satisfied immediately after completion of the Subscription.

As referred to the section headed “3.2 Comparable Transactions” above, we noted that the range of maximum dilution effect of the public shareholders of Comparable Transactions falls from approximately 18.55% to approximately 78.49% with an average dilution of approximately 46.60% and a median dilution of approximately 44.27%. The dilution effect of the Proposed Restructuring is above the range of the Comparable Transactions.

As advised by the management or the Liquidators, we noted that the Company’s current status makes it impossible to obtain any loans from banks or other financial institutions. In addition, no other alternatives or terms have been offered by any parties other than the Investor for the Proposed Restructuring to rescue the Company. Moreover, the deadline to resume the trading of the Shares is 10 September 2025. As such, we concur with the Liquidators’ view that the Proposed Restructuring is the only viable resumption

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

proposal to rescue the Company under such a tight schedule, and there are no other less dilutive alternatives through which the Company may resolve and discharge all debts of the Creditors.

After taking into account that (i) the Group is heavily insolvent and in liquidation; (ii) the Company was under suspension of trading in the Shares since 11 March 2024; (iii) the implementation of the Subscription forms a vital part of the Proposed Restructuring, which provides Company an opportunity to achieve Resumption and to allow Shareholders to recover their investments; and (iv) it is reasonable for the Investor to make it a prerequisite for injection of new equity into a company in serious financial difficulty to obtain control over it. We are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is inevitable but acceptable.

4. The Whitewash Waiver

According to the Letter from the Liquidators, the Investor Concert Group did not hold, own, control or have direction over any Shares, outstanding options, warrants or any securities that are convertible into Shares or any derivatives in respect of the securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Assuming that (i) the Capital Reorganisation has become effective; (ii) the allotment and issue of the Subscription Shares has taken place; and (iii) there is no other change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than as a result of the Capital Reorganisation and the allotment and issue of the Subscription Shares), the Investor Concert Group will be interested in 491,216,427 New Shares, representing 90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and after the adjustment for the effect of the Capital Reorganisation.

As such, the Investor would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Investor Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

The Investor has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code, and the Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, (i) the approval by at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the votes cast by the Independent Shareholders at the SGM by way of poll in respect of the Subscription. The Investor, their respective associates and parties acting in concert with any of them, and the Shareholders who are interested in or involved in the Subscription and the Whitewash Waiver will be required to abstain from voting on the relevant resolution(s).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If the Whitewash Waiver is approved by the Independent Shareholders at the SGM, the maximum potential holding of voting rights of the Company held by the Investor Concert Group and parties acting in concert with any of them as a result of the Subscription will exceed 50% of the voting rights of the Company. The Investor Concert Group and parties acting in concert with any of them may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Proposed Restructuring will not proceed if the Whitewash Waiver is not obtained from the Executive or not approved by the Independent Shareholders. The Executive may or may not grant the Whitewash Waiver.

We understood that, completion of the Subscription is conditional upon the fulfillment of the conditions precedent (none of them could be waived) as set out under the sub-section headed “Conditions precedent of the Subscription” in the Letter from the Liquidators, including but not limited to the passing of the necessary resolutions by the Shareholders or Independent Shareholders (as the case may be) at the SGM for the Capital Reorganisation, the Subscription Agreement and the transactions contemplated thereunder (including the granting of the Specific Mandate) and the Whitewash Waiver.

In view of (i) the aforesaid reasons for and benefits of the Subscription (including that the Subscription will support the Company to satisfy a Resumption Guidance); (ii) that the Subscription is in the interests of the Company and the Shareholders as a whole; (iii) that the terms of the Subscription are fair and reasonable, and (iv) completion of the Subscription is conditional upon the fulfillment of the conditions precedent (including the grant of the Whitewash Waiver by the Executive and the satisfaction of all conditions (if any) attached to the Whitewash Waiver and such Whitewash Waiver not having been subsequently revoked or withdrawn) cannot be waived, we are of the opinion that the Whitewash Waiver, is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

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

- (i) the Group has been recording audited net losses since the year ended 31 December 2019 up to and including the year ended 31 December 2024, and the Group recorded net current liabilities of approximately HK\$1,602.7 million as at 31 December 2024. As at the Latest Practicable Date, the indicative total estimated indebtedness owed by the Company to its Creditors amounted to approximately HK\$883,550,638.40 while the Group’s cash balance as at 31 December 2024 amounted to approximately HK\$5.3 million, which would not be sufficient to cover the total indebtedness, indicating that the Group is in severe financial distress;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the Qualified Opinions issued by the auditors of the Company for the three financial years ended 31 December 2024 rising from the Group's severe financial difficulties and a lack of sufficient audit evidence regarding management's assessment of the deconsolidated entities (details of which are set out in Appendix I to the Circular) indicate that the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern;
- (iii) trading in the Shares has been suspended since 11 March 2024. The Proposed Restructuring may eventually lead to the resumption of trading in the Shares if Completion occurs, and the Shareholders should note that the resumption of the Shares is also subject to the fulfilment of all Resumption Guidance to the satisfaction of the Stock Exchange. Additionally, the Proposed Restructuring will facilitate the debt restructuring of the Company to discharge a substantial portion of its indebtedness;
- (iv) if the Creditors Scheme fails and the Company remains in liquidation, the Shares held by the Independent Shareholders will become worthless given the net liabilities position of the Group as outlined above;
- (v) the Subscription forms a vital part of the Creditors Scheme for the Proposed Restructuring, which provides the Group with the necessary financing to restructure its debts;
- (vi) despite that the LTD Discount and the 5-days Discount are close to the maximum discount of the respective range of the Comparable Transactions, after considered that the Group's severe financial situation, the Qualified Opinions, the importance of the Subscription in the Creditors Scheme; the uncertainty in the outcome of the rescue plan, the suspension in the trading of the Shares; the intention and the experience of the Investor; and the comparison between the Company and the Comparable Transactions which shows that LTD Discount is within the LTD Discount Market Range and the 5-days Discount is within the 5-days Discount Market Range, a discounted Subscription Price is inevitable in the large-scale fundraising exercise in terms of the number of Shares to be issued;
- (vii) the managerial skills of Mr. Li, who is beneficially owner of the Investor, are expected to assist the Group in improving operational efficiencies, and Mr. Li's understanding of Hong Kong's capital markets and valuable personal network expects to provide advantageous in securing financing for the new property project in Guangzhou and assist the Retained Group in exploring new investment opportunities arising from the government's supportive policies on real estate market;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (viii) the Investor is the only white knight as at the date of the Subscription Agreement, willing to inject capital into the Company during its difficult time to maintain operations and pursue the Proposed Restructuring, which is the only available proposal for the Company's resumption, and the risks associated with his significant investment in the Company are expected to be high, which is highly dependent on the success of the Proposed Restructuring and the resumption of trading in the Shares;
- (ix) despite that the Subscription Price represents a discount of approximately 91.88% and approximately 92.08% to the theoretical closing price of HK\$1.97 per New Share as at the Last Trading Day and the average theoretical closing price of HK\$2.02 per New Share for the last five (5) trading days up to and including the Last Trading Day, respectively, the implementation of the Subscription forms vital part of the Proposed Restructuring, which provides Company an opportunity to achieve Resumption and to allow Shareholders to recover their investments; and
- (x) the dilution effect on the shareholding interests of public Shareholders, who may be diluted by up to a maximum of approximately 90.0% following the completion of the Proposed Restructuring, is considered to be acceptable given the current financial position of the Group, the Qualified Opinions, the suspension of trading in Shares, and the fairness and reasonableness of the Subscription terms as outlined above. Additionally, the completion of the Subscription is conditional upon the fulfillment of the conditions precedent (including the grant of the Whitewash Waiver and the satisfaction of all conditions, if any, attached to the Whitewash Waiver), which cannot be waived,

we are of the opinion that the terms of the Subscription Agreement and transactions contemplated thereunder including the Subscription Price, the grant of the Specific Mandate and the Whitewash Waiver, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) proposed at the SGM thereby approving the Subscription Agreement and transactions contemplated thereunder, including the grant of the Specific Mandate and the Whitewash Waiver.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

** For identification purposes only*

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated results and assets and liabilities of the Group for each of the three years ended 31 December 2022, 2023 and 2024 as extracted from the annual results announcements of the Company for the year ended 31 December 2023 and for the year ended 31 December 2024 both dated 1 August 2025 and the published annual report of the Company for the year ended 31 December 2022:

	For the year ended 31 December		
	2024	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	82,424	990	25,076
(Loss)/profit before taxation	(103,123)	(480,208)	(1,089,614)
(Loss)/profit for the period/year	(111,215)	(480,245)	(910,719)
(Loss)/profit for the period/year attributable to owners of the Company	(111,218)	(478,638)	(903,659)
Basic loss per share	(HK\$0.21)	(HK\$1.68)	(HK\$3.17)
Diluted loss per share	(HK\$0.21)	(HK\$1.68)	(HK\$3.17)
Total comprehensive loss for the period/year attributable to owners of the Company	<u>(113,475)</u>	<u>(404,173)</u>	<u>(910,796)</u>

Save as disclosed above, there are no other items of income or expense which are material for each of the three years ended 31 December 2022, 31 December 2023 and 31 December 2024.

	For the year ended 31 December		
	2024	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Assets and liabilities			
Non-current assets	407,746	461,779	2,872,424
Current assets	1,964,462	2,227,434	4,910,527
Non-current liabilities	13,125	13,593	453,259
Current liabilities	7,111,289	8,429,483	8,166,786
	<u> </u>	<u> </u>	<u> </u>
Total equity/deficit	<u>(1,208,072)</u>	<u>(1,434,831)</u>	<u>(837,094)</u>
(Loss)/earnings per share			
– Basic and diluted (<i>HK cents</i>)	<u>(HK\$0.21)</u>	<u>(HK\$1.68)</u>	<u>(HK\$3.17)</u>
	<u> </u>	<u> </u>	<u> </u>
Dividend per Share (<i>HK cents</i>)	<u> –</u>	<u> –</u>	<u> –</u>

Disclaimer of opinion for the year ended 31 December 2022

As at 31 December 2022, the Group had net current liabilities of approximately HK\$3,256.3 million and capital deficiency of approximately HK\$837.1 million, and the Group has incurred losses since 2019 and reported a loss of approximately HK\$910.7 million for the year ended 31 December 2022. In addition, any further liabilities or obligations arising from the legal disputes, loans and bonds may have significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

The auditor was unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than those that are currently recorded in the consolidated statement of financial position as at 31 December 2022. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

Disclaimer of opinion for the year ended 31 December 2023

The auditor does not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of their report, they have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in the auditor's opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion*(i) Material Uncertainty Related to Going Concern*

As discussed in notes to the consolidated financial statements, as at 31 December 2023, the Group had net current liabilities of approximately HK\$1,883.0 million and a capital deficiency of approximately HK\$1,434.8 million, and the Group has incurred losses since 2019 and reported a loss of approximately HK\$480.2 million for the year ended 31 December 2023. In addition, any further liabilities or obligations arising from legal disputes (see note to the consolidated financial statements), bank borrowing and bonds may have significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

On 1 November 2023, Forever Union Holdings Limited (the "**Petitioner**") filed the Petition against the Company with High Court of Hong Kong ("**High Court**"), on the basis of the Company's non-payment of the amount stated by the Petitioner in its statutory demand issued against the Company.

On 11 March 2024, the Company was ordered to be wound up by the High Court and Official Receiver by virtue of her office (the "**Official Receiver**") was appointed as the Provisional Liquidator of the Company.

On 14 August 2024, Messrs Osman Mohammed Arab and Wong Kwok Keung, both of Acclime Corporate Advisory (Hong Kong) Limited were appointed as the Liquidators pursuant to an Order of the High Court dated 14 August 2024.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group (the "**Proposed Restructuring**") will be successfully completed as disclosed in notes to the consolidated financial statement, and that the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements for the year ended 31 December 2023 do not include any adjustments arising from the winding-up of the Company in Hong Kong.

The auditor has not been able to obtain sufficient appropriate audit evidence to satisfy themselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of sufficient appropriate audit evidence in relation to the Proposed Restructuring and the measures for future actions planned by management in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcomes would affect the future cash flows of the Group. Because of the significance of the matters above, they are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and they were unable to determine whether such adjustments might have been found necessary.

(ii) Deconsolidation of subsidiaries and derecognition of investment in a joint venture and incomplete books and records

In or around late of November 2023, the former controlling shareholder of the Company, had restricted the management of certain subsidiaries and an indirectly held joint venture (collectively “**the DE Group**”) from contacting the staff of the Group, and the Group had since 24 November 2023 (the “**Date of Loss Control**”) been unable to carry out workplace communication with DE Group and also unable to access all the books and records of DE Group. The Group considered that since the Date of Loss Control, the Group is unable to (i) control the operation and finance of DE Group; (ii) obtain the books and records of DE Group; (iii) obtain report from the management of DE Group on business matters; and (iv) direct the future development of DE Group.

In light of the above circumstances, the Group considered it had lost control over DE Group and had excluded the financial position of DE Group as at and after the Date of Loss Control and the results and cash flows of DE Group since the Date of Loss Control from the consolidated financial statements of the Group for the year ended 31 December 2023 (the “**Deconsolidation**”).

The Group has been taking protective measures such as commencing legal proceedings against the relevant individuals and entities (collectively, the “**Legal Proceedings**”). Due to the uncertainty of the outcome of the Legal Proceedings, they were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to whether the Deconsolidation of DE Group was appropriate.

Due to the insufficient supporting documents and relevant explanations on the accounting books and records in respect of DE Group and its operations, the auditor was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to whether (i) the Deconsolidation

of DE Group on the Date of Loss Control and the gain on Deconsolidation of subsidiaries approximately HK\$131,239,000; (ii) the income and expenses for the years ended 31 December 2023 and 2022; (iii) the assets and liabilities as at 31 December 2023 and 2022; and (iv) the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

(a) Commitments and contingent liabilities in relation to DE Group and its operations

No sufficient evidence has been provided to satisfy themselves as to the existence and completeness of the disclosures of commitments and contingent liabilities in relation to DE Group and its operations as at 31 December 2023 and 2022.

(b) Related party transactions and disclosures in relation to DE Group and its operations

No sufficient evidence has been provided to satisfy themselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the year ended 31 December 2023 and 2022 and balances as at 31 December 2023 and 2022 in relation to DE Group and its operations as required by Hong Kong Accounting Standard 24 (Revised) “Related Party Disclosures”.

Any adjustments to the figures described above might have a consequential effect on the Group’s consolidated financial performance and consolidated cash flows for the years ended 31 December 2023 and 2022, the consolidated financial position of the Group as at 31 December 2023 and 2022 and the related disclosure thereof in the consolidated financial statements.

Disclaimer of opinion for the year ended 31 December 2024

The auditor does not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of their report, they have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in the auditor’s opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

(i) Material Uncertainty Related to Going Concern

As discussed in notes to the consolidated financial statements, as at 31 December 2024, the Group had net current liabilities of approximately HK\$1,602.7 million and a capital deficiency of approximately HK\$1,208.1 million, and the Group has incurred losses since 2019 and reported a loss of approximately HK\$111.2 million for the year ended 31 December 2024. In addition, any further liabilities or obligations arising from the legal disputes (see note to the

consolidated financial statements), bank borrowing and bonds may have significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

On 1 November 2023, Forever Union Holdings Limited (the "**Petitioner**") filed the Petition against the Company with High Court of Hong Kong ("**High Court**"), on the basis of the Company's non-payment of the amount stated by the Petitioner in its statutory demand issued against the Company.

On 11 March 2024, the Company was ordered to be wound up by the High Court and Official Receiver by virtue of her office (the "**Official Receiver**") was appointed as the Provisional Liquidator of the Company.

On 14 August 2024, Messrs Osman Mohammed Arab and Wong Kwok Keung, both of Acclime Corporate Advisory (Hong Kong) Limited were appointed as the Liquidators pursuant to an Order of the High Court dated 14 August 2024.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group (the "**Proposed Restructuring**") will be successfully completed as disclosed in notes to the consolidated financial statement, and that the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements for the year ended 31 December 2024 do not include any adjustments arising from the winding-up of the Company in Hong Kong.

The auditor has not been able to obtain sufficient appropriate audit evidence to satisfy themselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of sufficient appropriate audit evidence in relation to the Proposed Restructuring and the measures for future actions planned by management in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcomes would affect the future cash flows of the Group. Because of the significance of the matters above, they are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and they were unable to determine whether such adjustments might have been found necessary.

(ii) Deconsolidation of subsidiaries and derecognition of interest in a joint venture and incomplete books and records

In or around late of November 2023, the former controlling shareholder of the Company, had restricted the management of certain subsidiaries and an indirectly held joint venture (collectively, the “**DE Group**”) from contacting the staff of the Group, and the Group had since 24 November 2023 (the “**Date of Loss Control**”) been unable to carry out workplace communication with DE Group and also unable to access all the books and records of DE Group. The Group considered that since the Date of Loss Control, the Group is unable to (i) control the operation and finance of DE Group; (ii) obtain the books and records of DE Group; (iii) obtain report from the management of DE Group on business matters; and (iv) direct the future development of DE Group.

In light of the above circumstances, the Group considered it had lost control over DE Group and had excluded the financial position of DE Group as at and after the Date of Loss Control and the results and cash flows of DE Group since the Date of Loss Control from the consolidated financial statements of the Group for the year ended 31 December 2023 (the “**Deconsolidation**”).

The Group has been taking protective measures such as commencing legal proceedings against the relevant individuals and entities (collectively, the “**Legal Proceedings**”). Due to the uncertainty of the outcome of the Legal Proceedings, they were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to whether the Deconsolidation of DE Group was appropriate.

Due to the insufficient supporting documents and relevant explanations on the accounting books and records in respect of DE Group and its operations, they were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to whether (i) the Deconsolidation of DE Group on the Date of Loss Control and the gain on Deconsolidation of approximately HK\$131,239,000; (ii) the income and expenses for the years ended 31 December 2024 and 2023; (iii) the assets and liabilities as at 31 December 2024 and 2023; and (iv) the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

(a) Commitments and contingent liabilities in relation to DE Group and its operations

No sufficient evidence has been provided to satisfy themselves as to the existence and completeness of the disclosures of commitments and contingent liabilities in relation to DE Group and its operations as at 31 December 2024 and 2023.

(b) Related party transactions and disclosures in relation to DE Group and its operations

No sufficient evidence has been provided to satisfy themselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the year ended 31 December 2024 and 2023 and balances as at 31 December 2024 and 2023 in relation to DE Group and its operations as required by Hong Kong Accounting Standard 24 (Revised) “Related Party Disclosures”.

Any adjustments to the figures described above might have a consequential effect on the Group’s consolidated financial performance and consolidated cash flows for the years ended 31 December 2024 and 2023, the consolidated financial position of the Group as at 31 December 2024 and 2023 and the related disclosure thereof in the consolidated financial statements.

2. CONSOLIDATED FINANCIAL INFORMATION

The Company is required to set out or refer to in this circular the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the consolidated financial information of the Group for each of the three years ended 31 December 2022, 2023 and 2024, together with the significant accounting policies and any points from the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial statements of the Group for the year ended 31 December 2024 are set out on pages 2 to 18 of the annual results announcement of the Company for the year ended 31 December 2024, which was published on 1 August 2025 and is posted on the websites of the Stock Exchange. Please also see below a direct link:

“ <https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0801/2025080103821.pdf>”

The audited consolidated financial statements of the Group for the year ended 31 December 2023 are set out on pages 2 to 18 of the annual results announcement of the Company for the year ended 31 December 2023, which was published on 1 August 2025 and is posted on the websites of the Stock Exchange. Please also see below a direct link:

“ <https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0801/2025080103801.pdf>”

The audited consolidated financial statements of the Group for the year ended 31 December 2022 are set out on pages 153 to 326 of the annual report of the Company for the year ended 31 December 2022, which was published on 27 April 2023. The annual report of the Company for the year ended 31 December 2022 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

“<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702174.pdf>”

The consolidated financial statements of the Company for each of the three years ended 31 December 2022, 31 December 2023 and 31 December 2024 are incorporated by reference into this circular and form part of this circular.

3. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2025, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

Amount due to a joint venture

	As at 30 June 2025 HKD'000
Amount due to a joint venture – unsecured and without any guarantee	<u>222,293</u>

Amounts due to related companies

	As at 30 June 2025 HKD'000
Amounts due to related companies – unsecured and without any guarantee	<u>36,795</u>

Bank borrowing

	As at 30 June 2025 HKD'000
Bank borrowing – secured	<u>402,210</u>

- (a) As at 30 June 2025, bank borrowing of approximately HK\$385,715,000 was secured by certain assets of the Group.

Contingent liabilities

	As at 30 June 2025 HKD'000
Mortgage loan guarantees provided by a joint venture of the Group to banks in favour of its customers	<u>125,067</u>

Convertible bonds and bonds

	As at 30 June 2025 HKD'000
Convertible bonds and bonds	<u>1,119,658</u>

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 30 June 2025 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, debt securities, term loans and other borrowings, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other contingent liabilities.

4. MATERIAL CHANGE

The Liquidators confirm that, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (i) the Subscription Agreement;
- (ii) the Funding Agreement; and
- (iii) the sale and purchase agreement dated 7 August 2025 and entered into between DreamEast (BVI) Limited (as the purchaser) and Zhang Jinbing (張金兵, as the vendor), who is not a Shareholder, on in respect of the acquisition of the entire issued share capital of Imperial Estate Holdings Co. Limited at the cash consideration of HK\$13,000,000 (the “**Acquisition**”). The target company will own approximately 78.08% of equity interest of Hainan Luyi Urban Construction and Development Company Limited* (海南綠誼城市建設開發有限公司) and approximately 88.235% of the equity interest of Guangzhou Luyi Urban Construction Development Company Limited* (廣州綠誼城市建設開發有限公司), which will, upon

completion of relevant changes in industrial and commercial registration, be interested in approximately 57.8% of the equity interest in Guangzhou City Taihu Real Estate Development Company Limited* (廣州市泰湖房地產開發有限公司) which is principally in the development of a property project in Guangzhou (the “**Property Project**”). Upon completion of the Acquisition, the Group can tap into the property development market in Guangzhou through the Property Project, and the target company will become an indirect wholly-owned subsidiary of the Company and its financial results, assets, and liabilities will be consolidated into the financial statements of the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Liquidators, as agents of the Company, jointly and severally accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Liquidators, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular (other than the information relating to the Investor and parties acting in concert with it) 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 (other than the information relating to the Investor and parties acting in concert with it) or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Liquidators, as agents of the Company, jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information relating to the Investor and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the sole director of the Investor) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Investor accepts full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Liquidators for and on behalf of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised issued share capital of the Company as at the Latest Practicable Date and immediately following (i) the Capital Reorganisation becoming effective; (ii) completion of the issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the issue of the Subscription Shares) are as follows:

(i) Share capital as at the Latest Practicable Date:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>3,000,000,000</u> Existing Shares	<u>300,000,000</u>
 <i>Issued and fully paid or credited as fully paid</i>	
<u>545,796,038</u> Existing Shares	<u>54,579,603.8</u>

(ii) Share capital immediately after the Capital Reorganisation becoming effective (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to effective date of the Capital Reorganisation):

<i>Authorised share capital</i>	<i>HK\$</i>
<u>3,000,000,000</u> New Shares	<u>300,000,000</u>
 <i>Issued and fully paid or credited as fully paid</i>	
<u>54,579,603</u> New Shares	<u>5,457,960.3</u>

(iii) **Share capital immediately after the completion of the issue of the Subscription Shares in full (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to completion of the issue of the Subscription Shares):**

<i>Authorised share capital</i>	<i>HK\$</i>
3,000,000,000	300,000,000
New Shares	
<i>Issued and fully paid or credited as fully paid</i>	
54,579,603	5,457,960.3
491,216,427	49,121,642.7
Subscription Shares of HK\$0.1 each to be allotted and issued	
<u>545,796,030</u>	<u>54,579,603.0</u>

When fully paid and allotted, the Subscription Shares, which will be allotted and issued under the Specific Mandate, will rank *pari passu* in all respects, including all rights as to dividend, voting and interest in capital, among themselves and with the New Shares in issue (after the Capital Reorganisation becomes effective) as at the date of allotment and issue of the Subscription Shares.

The Shares in issue are listed on the Main Board of the Stock Exchange. No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived.

As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, save for the 1,090,688 outstanding share options granted under the share option scheme of the Company adopted on 29 November 2018, no shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Subscription Shares.

Since 31 December 2024, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company.

3. MARKET PRICES

As trading in the Shares has been suspended since 11:56 a.m. on 11 March 2024, information about the closing prices of the Shares on the Stock Exchange on the Relevant Period are not available, and neither are the highest and lowest closing prices of the Shares during the Relevant Period. The last closing price before suspension of trading was HK\$0.19.

4. DISCLOSURE OF INTERESTS

(a) Interest of Directors

As at the Latest Practicable Date, the interests of the Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are 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 are required to be disclosed under the Takeovers Code, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Long position in Shares and underlying Shares

Name of Director	Capacity	Number of Shares held/interested	Approximate percentage of holding
Meng Xiao Su	Beneficial owner	61,737	0.011%
Yang Bu Ting	Beneficial owner	61,737	0.011%
Zhao Da Xin	Beneficial owner	61,737	0.011%

(b) Interest of substantial Shareholders

As at the Latest Practicable Date, none of the person (other than the Directors or chief executive of the Company) who had, or was deemed or taken 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 Division 2 and 3 of Part XV of the SFO or, who was, 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 other member of the Group or had any option in respect of such capital.

5. ADDITIONAL DISCLOSURE OF SHAREHOLDING AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date, save as disclosed in the section headed “Letter from the Liquidators - Effect on the Shareholding Structure of the Company” in this circular:

- (i) the Company and the Directors did not own any shares of the Investor or convertible securities, warrants, options and derivatives in respect of the shares of the Investor;
- (ii) none of the Directors had any interest (within the meaning of Part XV of the SFO) in the Shares or convertible securities, warrants, options and derivatives in respect of the Shares;
- (iii) none of the Directors had any interest (within the meaning of Part XV of the SFO) in (i) the shares of the Investor; or (ii) any convertible securities, warrants, options or derivatives in respect of the shares of the Investor;
- (iv) no Shares, convertible securities, warrants, options and derivatives in respect of the Shares were owned or controlled by any subsidiary of the Company or by a pension fund of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” (for the avoidance of doubt, except in the capacity of an exempt principal trader or exempt fund manager) or who is an associate of the Company by virtue of class (2) of the definition of “associate” (for the avoidance of doubt, except in the capacity of an exempt principal trader or exempt fund manager) under the Takeovers Code;
- (v) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”, or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (vi) no Shares or convertible securities, warrants, options and derivatives in respect of the Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (vii) none of the Directors held any shareholdings in the Company which would entitle them to vote for or against the resolutions approving the Subscription and/or the Whitewash Waiver;
- (viii) none of the Company or the Directors had dealt for value in (i) any shares of the Investor or convertible securities, warrants, options and derivatives in respect of the shares of Investor; or (ii) any Shares or convertible securities, warrants, options and derivatives in respect of the Shares during the Relevant Period;

- (ix) there were no Shares or convertible securities, warrants, options and derivatives in respect of the Shares which the Company or the Directors has/have borrowed or lent; and
- (x) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Company, its subsidiaries or associated companies on one hand and any of the Shareholders on the other hand.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2024 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by, or lease to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, so far as is known to the Liquidators, none of the Directors has any material interest, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. DIRECTORS' SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreements with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the date of the Announcement and up to the Latest Practicable Date; (ii) are continuous contracts with notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. POTENTIAL CLAIMS AND LITIGATIONS

Winding up order against the Company

A winding-up order was granted against the Company by the Hong Kong Court on 11 March 2024. Pursuant to an order of the Hong Kong Court on 14 August 2024, Messrs. Osman Mohammed Arab and Wong Kwok Keung, both of Acclime Corporate Advisory (Hong Kong) Limited, were appointed as the Liquidators.

Upon the appointment of the Liquidators, no action or proceeding shall be proceeded with or commenced against the Company except by leave of the Hong Kong Court, and subject to such terms as the Hong Kong Court may impose. Claims and potential claims against the Company (other than intercompany liabilities) will be compromised under the Scheme to be implemented by the Company subject to, *inter alia*, sanction by the Hong Kong Court.

Hunan DreamEast Cultural Development Company Limited* (湖南夢東方文化發展有限公司) (“**Hunan DreamEast**”)

On 15 May 2018, Hunan DreamEast, an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with Bank of Beijing Co., Ltd. Changsha Branch* (北京銀行股份有限公司長沙分行) (“**Bank of Beijing**”), pursuant to which Bank of Beijing granted a 5-years term loan in the amount of approximately RMB320.0 million to the Hunan DreamEast for the purpose of financing the development and construction cost of a parcel of land in Hengyang, the PRC under the Hengyang Project (the “**Hengyang Land**”).

Hunan DreamEast was in default of an outstanding principal of approximately RMB263.1 million. Without notice to Hunan DreamEast, Bank of Beijing filed a civil claim of RMB263.1 million against Hunan DreamEast with the Intermediate People’s Court of Changsha, Hunan Province* (湖南省長沙市中級人民法院) (“**Changsha People’s Court**”) on 17 November 2020. The first judgment of the civil claim was handed down on 14 March 2022 by Changsha People’s Court in favour of Bank of Beijing. Hunan DreamEast filed an appeal to the High People’s Court, Hunan Province* (湖南省高級人民法院) on 9 August 2022. The appeal has been concluded on 3 November 2022 and was dismissed. The overdue interests payable as at 31 December 2024 has been included in the Group’s bank and other borrowings and the corresponding claim costs have been recognised in provision for litigation.

As at the Latest Practicable Date, Hunan DreamEast is in the process of negotiation with Bank of Beijing on repayment schedule.

Save as disclosed above, as at the Latest Practicable Date, there were no other litigation or claims of material importance which were pending or threaten against any member of the Group.

As the Excluded Companies will be divested pursuant to the Creditors Scheme, no information is included in this circular regarding outstanding litigations (if any) of the Excluded Companies. As at the Latest Practicable Date, none of the Excluded Companies are subject to any litigations.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his close associates were appointed to represent the interests of the Company and/or the Group.

As at the Latest Practicable Date, none of the Liquidators and their respective close associates were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Liquidators and its close associates were appointed to represent the interests of the Company and/or the Group.

10. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (i) there was no agreement, arrangement or understanding (including any compensation agreement) regarding any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Subscription and/or the Whitewash Waiver;
- (ii) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on or dependent upon the outcome of, or otherwise connected with, the Subscription and/or the Whitewash Waiver; and
- (iii) none of the Directors was materially interested in any material contract entered into by the Investor.

11. MATERIAL CONTRACTS

The following contracts had been entered into by the Company or its subsidiaries (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or its subsidiaries) within the two years immediately preceding the date of the Announcement up to and including the Latest Practicable Date, which are or may be material:

- (a) the Subscription Agreement;
- (b) the Funding Agreement; and
- (c) the sale and purchase agreement dated 7 August 2025 and entered into between DreamEast (BVI) Limited (as the purchaser) and Zhang Jinbing (張金兵) (as the vendor) in relation to the acquisition of the entire issued share capital of Imperial Estate Holdings Co. Limited at the cash consideration of HK\$13,000,000.

12. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which are contained in this circular:

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

The expert has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter, report and/or reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the expert did not have any shareholding, directly or indirectly, in any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the expert did not have any interest, either direct or indirect, in any assets which had been, since 31 December 2024 (being the date to which the latest published audited accounts of the Group 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.

13. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business in Hong Kong of the Company is at 29/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong.
- (b) As at the Latest Practicable Date, the Company has no company secretary.
- (c) As at the Latest Practicable Date, Mr. Osman Mohammed Arab and Mr. Wong Kwok Keung of Acclime Corporate Advisory (Hong Kong) Limited are the joint and several liquidators of the Company who act without personal liabilities. The registered address of the Liquidators is at 29/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong.
- (d) The registered address of the Investor is at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

- (e) The sole director and shareholder of the Investor is Mr. Li, whose address as at Room 801–802, 8/F, Workingfield Commercial Building, 408–412 Jaffe Road, Wanchai, Hong Kong.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.
- (g) The Independent Financial Adviser is Merdeka Corporate Finance Limited and its registered office is situated at Room 1108–1110, 11/F Wing On Centre, 111 Connaught Road, Central, Hong Kong.

14. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the websites of the Stock Exchange (www.hkexnews.hk) and the SFC (www.sfc.hk) between the period from the date of this circular up to and including the date of the SGM:

- (a) the Bye-laws;
- (b) the annual results announcements of the Company for the three years ended 31 December 2022, 2023 and 2024;
- (c) the “Letter from the Liquidators” as set out in this circular;
- (d) the “Letter from the Independent Financial Adviser” as set out in this circular;
- (e) the written consent referred to in the paragraph headed “12. Expert and Consent” in this appendix; and
- (f) the material contracts as referred to in the paragraph headed “11. Material Contracts” in this appendix.

15. GENERAL

If there is any inconsistency or ambiguity between the English version and the Chinese version of this circular, the English version shall prevail.

NOTICE OF SGM



DREAM EAST
梦东方

DREAMEAST GROUP LIMITED

夢東方集團有限公司

(In Compulsory Liquidation)

*(Incorporated in Bermuda with limited liability and
carrying on business in Hong Kong as “DreamEast Cultural Entertainment”)*

(Stock code: 593)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**SGM**”) of DreamEast Group Limited (the “**Company**”) will be held at 6/F, Congregation House, 119 Leighton Road, Causeway Bay, Hong Kong, Hong Kong on Monday, 8 September 2025 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions:

AS SPECIAL RESOLUTIONS

1. **“THAT** subject to: (i) The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the New Shares (as hereinafter defined) in issue arising from the Capital Reorganisation (as hereinafter defined); and (ii) the compliance with the relevant procedures and requirements under the Companies Act 1981 of Bermuda (the “**Companies Act**”) and the Rules Governing the Listing of Securities on the Stock Exchange to effect the Capital Reorganisation, with effect from the second business day after the date on which this resolution is passed by the shareholders of the Company (the “**Shareholders**”):
 - (a) every ten (10) issued and unissued ordinary share(s) of par value of HK\$0.1 each (the “**Existing Share(s)**”) be consolidated into one (1) ordinary share of par value of HK\$1.0 each (the “**Consolidated Share(s)**”) (the “**Share Consolidation**”);
 - (b) the issued and paid-up share capital of the Company be reduced from an amount of HK\$54,579,603.8 by an amount of HK\$49,121,643.50 to an amount of HK\$5,457,960.3 by (i) cancelling any fraction of a Consolidated Share arising from the Share Consolidation in order to round down the total number of the Consolidated Shares to a whole number; and (ii) by cancelling the paid-up capital of the Company to the extent of HK\$0.9 on each of the then issued Consolidated

NOTICE OF SGM

Shares so that the par value of each issued Consolidated Share will be reduced from HK\$1.0 to HK\$0.1 and each issued Consolidated Share will be treated as one (1) fully paid-up New Share (as defined below) (together the “**Capital Reduction**”);

- (c) following the Capital Reduction, each of the authorised but unissued Consolidated Shares of HK\$1.0 each be sub-divided into ten (10) unissued new Shares (the “**New Share(s)**”) of HK\$0.1 each (the “**Share Sub-division**”, together with the Share Consolidation and the Capital Reduction, the “**Capital Reorganisation**”); and
- (d) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (the “**Contributed Surplus Account**”) and the joint and several liquidators of the Company (the “**Liquidators**”) or the directors of the Company (the “**Director(s)**”) be authorised to use the amount then standing to the credit of the Contributed Surplus Account to eliminate or set off the accumulated losses of the Company which may arise from time to time and/or to pay dividend and/or to make any other distribution out of the Contributed Surplus Account from time to time without further authorisation from the shareholders of the Company and/or to use the credit in such other manner as may be permitted under the bye-laws of the Company in effect from time to time and all applicable laws without further authorisation from the shareholders of the Company and all such actions in relation thereto be approved, ratified and confirmed;
- (e) fractional Consolidated Shares will not be issued to holders of the same but all such fractional Consolidated Shares shall be aggregated and, if possible, sold and the net proceeds shall be retained for the benefit of the Company in such manner and on such terms as the Directors may think fit;
- (f) the Liquidators or the directors (the “**Director(s)**”) of the Company (as the case may be) be and are hereby authorised to do all such acts and things and execute all such documents on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to or in connection with the matters contemplated in this resolution.”

NOTICE OF SGM

2. **“THAT:**

- (a) the terms of the waiver (the **“Whitewash Waiver”**) granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission to the Investor pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission (the **“Takeovers Code”**) from the obligation of the Investor to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by the Investor and parties acting in concert with it as a result of the transaction(s) contemplated under the Restructuring Framework Agreement be and are hereby approved, confirmed and ratified; and
- (b) the Liquidators or the Directors (as the case may be) be and are hereby authorised to do all such acts and things and execute all such documents on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to or in connection with the Whitewash Waiver and the transactions contemplated thereunder.”

AS ORDINARY RESOLUTION

3. **“THAT:**

- (a) the subscription agreement dated 13 June 2025 (the **“Subscription Agreement”**) (a copy of which is produced to the SGM marked “A” and signed by the Chairman of the SGM for the purpose of identification) and entered into amongst the Company, the Liquidators and the Investor, in relation to the subscription for 491,216,427 new New Shares (the **“Subscription Share(s)”**) at the subscription price of HK\$0.16 per Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the Listing Committee of the Stock Exchange granting the listing of and permission to deal in all of the Subscription Shares, the Liquidators or the Directors (as the case may be) be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares in accordance with the terms of the Subscription Agreement; and

NOTICE OF SGM

- (c) the Liquidators or the Directors (as the case may be) be and are hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) as may be necessary, desirable or expedient to implement or to give effect to any matters relating to the Subscription Agreement and the transactions contemplated thereunder.”

For and on behalf of
DreamEast Group Limited
(In Compulsory Liquidation)
Osman Mohammed Arab
Wong Kwok Keung
Joint and Several Liquidators
Acting as agents of the Company
without personal liabilities

Hong Kong, 22 August 2025

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.
2. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. A proxy form for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.
5. In order to be valid, the proxy form, together with a 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 Hong Kong branch share registrar of the Company, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).
6. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the SGM or any adjournment or postponement thereof (as the case may be) and, in such event, the proxy form appointing a proxy shall be deemed to be revoked.

NOTICE OF SGM

7. To ascertain shareholders' eligibility to attend and vote at the SGM, the register of members will be closed from Friday, 5 September 2025 to Monday, 8 September 2025, both days inclusive, during which period no transfer of Shares will be registered. The record date for determining the entitlement to attend and vote at the SGM will be Monday, 8 September 2025. In order to qualify to attend and vote at the SGM, all transfer documents accompanied by the relevant Share certificates must be lodged with the Hong Kong branch share registrar of the Company, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on Thursday, 4 September 2025.

8. If the SGM fails to be held due to any severe weather occurs on the date of the SGM, the SGM may be postponed to a later date and/or time as decided by the Company. The Company will publish an announcement on the website of the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and venue of the rescheduled meeting.