



FIRST

Room 1706-07, 17/F
China Insurance Group Building
No. 141 Des Voeux Road Central
Central, Hong Kong

13 January 2026

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 13 January 2026 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 11 December 2025 (after trading hours), the Company announced its proposal to implement the Rights Issue on the basis of four (4) Rights Shares for every one (1) Consolidated Share held on the Record Date at the Subscription Price of HK\$0.46 per Rights Share, to raise gross proceeds of approximately HK\$84.7 million by issuing 184,224,000 Rights Shares to the Qualifying Shareholders.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued Shares by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company has no controlling shareholder as defined under the Listing Rules and none of the Directors and the chief executive of the Company and their respective associates holds any Share. Accordingly, no Shareholder is required to abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Shi Jianwen, Mr. Chan Man Kit, Ms. Zhao Aiying, Mr. Han Fei and Mr. Huang Xinwen, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, and the transaction contemplated thereunder, on whether the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

We, First Global Corporate Finance Co., Limited (“**First Global**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. First Global is a licensed corporation licensed under the Securities and Futures Ordinance (“**SFO**”) to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Wendy Liu (“**Ms. Liu**”) is the person signing off the opinion letter from First Global contained in the Circular. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2014. Ms. Liu has participated in and completed various independent financial advisory transactions in Hong Kong.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between the Group, the other party(ies) to the Right Issue, or a close associate or core connected person of any of them and us. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the other party(ies) to the Right Issue, or a close associate or core connected person of any of them and us, or other parties that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and its subsidiaries or their respective substantial shareholders or any party acting in concert, or presumed to be acting in concert, with any of them. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Right Issue pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have reviewed the documents including but not limited to; (i) the Circular and the Letter from the Board contained therein; (ii) the Placing Agreement; (iii) the interim report of the Company for the six months ended 30 September 2025 and 2024 (the “**2025 Interim Report**”) and annual report of the Company for the years ended 31 March 2025 and 2024 (the “**2025 Annual Report**”); and (iv) the relevant supporting documents in respect of the Right Issue provided by the Company, including but not limited to historical documents and records, to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. The Shareholders will be informed should there be any material change of information in the Circular up to the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. Where applicable, we have also conducted independent desktop search and confirmed that there was no material difference between our search result and the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility of the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We considered 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 or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Right Issue. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Right Issue, we have considered the following principal factors and reasons:

I. Background of the Group

(i) *Background information of the Group*

The Group is principally engaged in steel and metal engineering services. The Company operates its business through three segments. The Provision of Steel and Metal Engineering Services segment is engaged in the provision of engineering services such as steel and metal works, metal gates engineering and passive fire engineering. The Provision of Construction Services segment is engaged in the provision of all-round integrated technical solutions, including appearance, functional design, compliant materials, precise production and convenient construction. The Sales of Steel and Metal Products segment is engaged in the production and sale of metal gates, gates and doors such as folding gates, fire shutters, roller shutters and other steel and metal products.

(ii) *Historical financial performance and position of the Group*

The following table sets out key consolidated financial information of the Group for the six months ended 30 September 2025 (the “**6M2025**”), the six months ended 30 September 2024 (the “**6M2024**”), year ended 31 March 2025 (the “**FY2025**”) and 31 March 2024 (the “**FY2024**”) as extracted from the 2025 Interim Report and 2025 Annual Report:

	For the 6M2025 (unaudited) <i>HK\$'000</i>	For the 6M2024 (unaudited) <i>HK\$'000</i>	For the FY2025 (audited) <i>HK\$'000</i>	For the FY2024 (audited) <i>HK\$'000</i>
Revenue	90,156	78,794	187,517	157,197
Gross Profit	372	148	2,571	17,995
Net Loss	(5,727)	(10,661)	(24,012)	(4,118)

Discussion on the Group’s financial performance for the 6M2025 as compared with that for the 6M2024

Based on the 2025 Interim Report, the Group generated revenue of approximately HK\$90.2 million for 6M2025 as compared with that of HK\$78.8 million for 6M2024, representing an increase of approximately 14.4%. Revenue from the provision of steel and metal engineering services increased by approximately HK\$13.7 million, or approximately 18.5%, from approximately HK\$74.0 million to approximately HK\$87.7 million for 6M2025. Revenue from the sales of steel and metal products decreased by approximately HK\$2.3 million, or approximately 47.9% from approximately HK\$4.8 million to

approximately HK\$2.5 million for 6M2025. The gross profit margin remained relatively stable at 0.4% and 0.5% in 6M2025 and 6M2024 respectively. The Group's recorded net loss amounted to approximately HK\$5.7 million for 6M2025 as compared to loss of approximately HK\$10.7 million in 6M2024.

Discussion on the Group's financial performance for the FY2025 as compared with that for the FY2024

Based on the 2025 Annual Report, the Group's revenue reached approximately HK\$187.5 million in FY2025, with a year-on-year growth of approximately 19.3%. Although revenue was higher compared to FY2024, many projects are experiencing relatively lower margins due to increased market competition. The recent downturn in the property market has significantly affected the construction industry, exacerbating cash flow issues for some construction companies and worsening the overall situation. The gross profit decreased by approximately 85.7% from approximately HK\$18.0 million in FY2024 to approximately HK\$2.6 million in FY2025. For FY2025, the Group's recorded net loss amounted to approximately HK\$24.0 million as compared to loss for the year for continuing operations amounted to approximately HK\$4.1 million in FY2024.

Set out below is a summary of the consolidated statement of financial position of the Group as at 31 March 2024, 31 March 2025 and 30 June 2025 as extracted from the 2025 Annual Report and 2025 Interim Report:

	As at 30 September 2025 HK\$'000	As at 31 March 2025 HK\$'000	As at 31 March 2024 HK\$'000
Total Assets	164,595	167,492	188,391
Total Liabilities	26,250	22,984	28,422
Net Assets	138,075	144,508	159,969

Discussion on the Group's financial position as at 30 September 2025 as compared with that as at 31 March 2025

The total assets of the Group were approximately HK\$164.6 million and HK\$167.5 million as of 30 September 2025 and 31 March 2025, respectively, representing an approximately 1.7% decrease, which is mainly attributable to the decrease in prepayments, deposits and other receivables. The total liabilities of the Group were approximately HK\$26.3 million and HK\$23.0 million as of 30 September 2025 and 31 March 2025, respectively, representing an approximately 15.4% increase, which is mainly attributable to the increase in other borrowings and lease liabilities. The consolidated net assets decreasing slightly by approximately 4.5%, from approximately HK\$144.5 million as of 31 March 2025 to approximately HK\$138.1 million as of 30 September 2025.

Discussion on the Group's financial position as at 31 March 2025 as compared with that as at 31 March 2024

The total assets of the Group were approximately HK\$167.5 million and HK\$188.4 million as of 31 March 2025 and 31 March 2024, respectively, representing an approximately 11.1% decrease, which is mainly attributable to the decrease in cash and bank balances and increase in inventories, trade receivables, other receivables, prepayments and contract assets. The total liabilities of the Group were approximately HK\$23.0 million and HK\$28.4 million at 31 March 2025 and 31 March 2024, respectively, representing an approximately 9.66% decrease, which is mainly attributable to the decrease in contract liabilities. The consolidated net assets decreasing by approximately 9.7%, from approximately HK\$160.0 million as of 31 March 2024 to approximately HK\$144.5 million as of 31 March 2025.

II. Reasons for the Rights Issue and use of proceeds

The Group intends to further strengthen its market position in steel and metal engineering services business in Hong Kong including but not limited to strengthening the financial position by the Rights Issue, which will enable the Company to expand its capital base so that it is able to undertake more sizeable projects. As disclosed in the 2025 Annual Report, the revenue of the Group increased by approximately 19.3% from approximately HK\$157.2 million for FY2024 to approximately HK\$187.5 million for FY2025, reflecting the Group's commitment to fulfilling existing contracts. Despite such revenue growth, the Group's gross profit decreased by approximately 85.7% from approximately HK\$18.0 million for FY2024 to approximately HK\$2.6 million for FY2025, primarily due to contracts with low gross profit margins being awarded during the COVID-19 period and heightened competition resulting from the recent downturn in the property market. Such decrease in gross profit led to an increase in the Group's net loss by approximately 483.1% from approximately HK\$4.1 million for FY2024 to approximately HK\$24.0 million for FY2025. As disclosed in the 2025 Interim Report, the revenue of the Group increased by approximately 14.4% from approximately HK\$78.8 million for the six months ended 30 September 2024 to approximately HK\$90.2 million for 6M2025, reflecting the Group's commitment to fulfilling existing contracts. Despite such revenue growth, the Group's gross profit decreased by approximately 11.0% from approximately HK\$418,000 for 6M2024 to approximately HK\$372,000 for 6M2025, primarily due to the rising costs of materials and labour, together with the price competition continues to post challenges on the operation which adversely affecting the gross profit margin during 6M2025. The Group recorded a decrease in loss attributable to the Shareholders by approximately 46.3% from approximately HK\$10.7 million for 6M2024 to approximately HK\$5.7 million for 6M2025, mainly due to the increase in other income and other gains and losses by approximately HK\$4.9 million as a result of the net reversal of impairment loss under expected credit loss mode on trade receivables and contract assets of approximately HK\$3.9 million in 6M2025. As a result of the liquidity issues for some construction companies and the Group's loss-making performance, the Group recorded net cash used in operating activities of approximately HK\$1.0 million and HK\$50.0 million for FY2024 and FY2025, respectively. As at 30

September 2025, the Group had trade and other payables and accruals of approximately HK\$20.6 million and other borrowing of approximately HK\$1.0 million as current liabilities. Although the Group had cash and bank balances of approximately HK\$45.8 million as at 30 September 2025, the aforesaid cash balance is required to fund its existing ongoing projects. Therefore, the Group has an immediate need for financial resources to settle the liabilities. As at the Last Trading Day, the Group has secured 19 contracts in Hong Kong, four of which require external capital funding. These four existing projects have contract sum of approximately HK\$141.0 million in aggregate and are expected to be commenced by 2026. Apart from the existing projects, the Group is currently under signing stage of a project and has submitted three tenders of potential projects with the aggregated contract sum of approximately HK\$95.8 million. Once the aforesaid tenders are successfully accepted by the potential clients, the potential projects are expected to be commenced by the third quarter of 2026. The existing projects and potential new projects mainly relate to the provision of steel and metal engineering services for construction projects in Hong Kong. The Group is generally required to (i) provide solutions and design of works to customers, which are based on the scope of works and specifications specified by customers; (ii) prepare the production plan including the procurement of raw materials such as stainless steel, metal, galvanised coils and other accessories, production schedule and delivery time; and (iii) install steel and metal products at the construction sites. Accordingly, the Group needs to pay direct material costs, direct labour costs, design fees, installation fees and other costs including utility expenses, other miscellaneous production costs and transportation costs. Besides, taking into account the Group's capability, resources level, cost effectiveness and complexity of the project, the Group may subcontract specific parts of the projects to its service providers for installation of steel and metal products and therefore incur subcontracting fees. As a large amount of costs needs to be paid at the commencement of the projects to ensure effective project execution which is under normal business operation and the industry norm, the Directors are of the view that the Rights Issue is fair and reasonable as it represents an opportunity for the Company to raise additional funding for the business operations of the Group without any interest burden and strengthen the Group's financial position. Further, the Group must maintain sufficient cash reserves for essential expenditures to support ongoing operations and meet compliance obligations. These expenditures include, but are not limited to, legal and professional fees, Directors' remuneration, and staff costs. With reference to the 2025 Annual Report, the Group recorded administrative expenses of approximately HK\$23.0 million and HK\$20.0 million for FY2024 and FY2025, respectively. Consequently, the Group seeks to raise additional capital to address its immediate financial commitments and working capital needs.

The gross proceeds from the Rights Issue are expected to be approximately HK\$84.7 million. The net proceeds from the Rights Issue after deducting related expenses are estimated to be approximately HK\$82.0 million. The Company intends to apply the net proceeds from the Rights Issue as follows: (i) approximately HK\$52.5 million, representing approximately 64.0% of the net proceeds, for supporting the Group's existing and potential new projects, of which approximately HK\$14.0 million for direct material costs, approximately HK\$24.6 million for direct labour costs, approximately HK\$8.3 million for initial design fees and approximately HK\$5.6 million for installation service fees, subcontracting fees and other costs including utility expenses, other miscellaneous production costs and transportation costs. The Group expects to fully utilise the net proceeds in this regard by the end of 2027; (ii) approximately HK\$18.0 million, representing approximately 22.0% of the net proceeds, for settlement of debts including trade and other payables and accruals. The Group expects to fully utilise the net proceeds in this regard by the end of 2026; and (iii) approximately HK\$11.5 million, representing approximately 14.0% of the net proceeds, for general working capital of the Group including staff cost, rental expenses, legal and professional fees and other operating expenses. The Group expects to fully utilise the net proceeds in this regard by the end of 2026. In the event that there is an under-subscription of the Rights Issue and the Placing (as the case may be), the net proceeds of the Rights Issue and the Placing (as the case may be) will be allocated and utilised in proportion to the above uses.

Fundraising alternatives

The Board has considered various fundraising alternatives before resolving to the Rights Issue, including debt financing and equity financing alternatives such as open offer and placing of new shares. The Board is of the view that while debt financing will increase the gearing ratio of the Group and having considered the prevailing interest rate environment, debt financing will increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Group. With respect to equity financing alternatives, the Board considers that placing of new Shares would be a sub-optimal fundraising means as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. The Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing the overall working capital to fulfill the development plan of the Group without further increase the interest burden to the Group. The Rights Issue also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full. Having considered the above, the Directors consider that the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Our View

We have conducted desktop research on the construction industry in Hong Kong and reviewed the latest updates from the Rider Levett Bucknall (RLB) Construction Cost Update HK Q3 2025. RLB, a leading global property and construction consultancy, provides detailed market insights, including tender price trends, construction cost updates, and market forecasts.

According to the RLB Construction Cost Update, Hong Kong's economy demonstrated robust growth during the second quarter of 2025, largely driven by strong export performance and a recovery in domestic demand. However, despite this economic resilience, the construction industry experienced a significant contraction. Specifically, overall building and construction expenditure fell by 9.5% year-on-year. This decline is attributed to a reduction in activity across both the private and public sectors, with expenditures decreasing by 10.1% and 8.8%, respectively.

Despite the current contraction in construction activity, the Chief Executive's 2025 Policy Address introduced initiatives to revitalize the sector, including accelerated Northern Metropolis development, streamlined construction procedures, and increased housing supply targets. Key measures include fast-tracking Public Rental Housing and Light Public Housing (LPH), with 10,000 LPH units to be completed by 2025 and 189,000 public housing units (including LPH) over the next five years; constructing 126,000 private housing units this decade; redeveloping Ma Tau Wai and Sai Wan Estate; and developing 4,950 private housing units from land sales and redevelopment by September 2025. However, challenges such as evolving U.S. tariff policies, delayed interest rate cuts, and increased competition from aggressive bidding strategies may stabilize or lower tender prices in the near term.

The Group's steel and metal engineering services business aligns with expected growth in housing projects, but risks such as rising competition and shrinking margins remain. Therefore, the Rights Issue is crucial to strengthen the Group's financial position, fund project costs, and navigate these challenges.

We have discussed with the Directors to understand the proposed use of proceeds. We have also obtained and reviewed the breakdown regarding the proposed use of proceeds from the Rights Issue. The Group has outlined a detailed and reasonable allocation plan, with approximately 64% of the net proceeds earmarked for supporting the Group's existing and potential new projects, 22% for settlement of debts, and 14% for general working capital. The breakdown of expenses, including direct material costs, direct labour costs, design fees, installation service fees, subcontracting fees, and other operating expenses, is comprehensive and supports the Group's stated objectives. Based on our review of the breakdown of use of proceeds provided by the management of the Group, we noted that majority of the net proceeds from the Rights Issue would be applied as for supporting the Group's existing and potential new projects. We also understand that the projected detailed cost breakdowns of the projects is estimated based on expenses payment and cost of

sales pattern by referencing them against actual costs of previous projects. We noted that the costs estimated in the breakdown of the use of proceeds is fair and reasonable and align with the Group's principal business.

The proposed allocation reflects the Group's strategic focus on fulfilling its existing contractual obligations and pursuing new business opportunities in Hong Kong's construction sector. The investments in ongoing and potential projects, as well as the settlement of liabilities and replenishment of working capital, demonstrate a disciplined and forward-looking approach to capital utilization. Given the specificity and clarity of the plans, we are of the view that the proposed use of proceeds as reasonable and necessary to support the Group's operational and financial needs.

We have obtained and reviewed the contracts secured by the Group. The Group has secured 19 active contracts in Hong Kong, four of which require external capital funding, with a total contract sum of approximately HK\$141.0 million. Additionally, the Group is at the signing stage of one project and has submitted tenders for three potential new projects with a combined contract sum of approximately HK\$95.8 million.

In evaluating the Group's financial position, we have reviewed the 2025 Annual Report and Interim Report for 6M2025. While the Group achieved a revenue increase of approximately 19.3% in FY2025, rising from approximately HK\$157.2 million in FY2024 to approximately HK\$187.5 million in FY2025, its gross profit decreased by approximately 85.7%, from approximately HK\$18.0 million in FY2024 to approximately HK\$2.6 million in FY2025. This decline was primarily due to low-margin contracts secured during the COVID-19 period and increased competition in the property market. The significant drop in gross profit led to a substantial increase in net loss by approximately 483.1%, from HK\$4.1 million in FY2024 to HK\$24.0 million in FY2025. Similarly, during 6M2025, the Group's gross profit declined by approximately 11.0%, further reflecting the adverse impact of rising costs and competitive pressures.

Additionally, the Group's cash and cash equivalents, while recorded at approximately HK\$45.8 million as of 30 September 2025, are largely reserved to fund ongoing projects, leaving limited resources to address other financial commitments or support new opportunities. The Group also recorded net cash outflows of approximately HK\$50.0 million in FY2025, highlighting its substantial cash requirements for operational and project-related expenses. In light of the Group's liquidity position, we believe the proceeds from the Rights Issue are critical to replenishing working capital and supporting its existing and potential projects. Without this fundraising initiative, the Group may face difficulties in sustaining its operations and fulfilling its strategic objectives.

We also noted that the Company has considered other fundraising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new Shares, and open offer. As per our discussion with the Directors, it was noted that debt financing or bank loans would result in additional interest burdens and a higher gearing ratio for the Group, particularly in the current interest rate environment. Placing of new Shares, on the other hand, would only be available to certain placees who were not necessarily existing shareholders, thereby diluting the shareholding interests of existing shareholders. With respect to an open offer, while it is similar to a Rights Issue in offering qualifying shareholders an opportunity to participate, it does not allow the trading of rights entitlements in the open market. Accordingly, shareholders must either participate in the offer or lose the benefit of any discount at which the new shares are offered.

The Rights Issue, however, allows Qualifying Shareholders to participate in the future development of the Company while offering flexibility to either maintain their pro-rata shareholding interests or trade their nil-paid rights entitlements in the market. This reduces the impact of shareholding dilution for those who choose to take up their entitlements.

Based on the above analysis, we are of the view that the proposed Rights Issue provides certainty and flexibility for shareholders in deciding whether to get their proportionate entitlements relative to their shareholding, which is fair and reasonable.

III. Principal terms of the Rights Issue and the Placing Agreement

The Rights Issue

Set out below are the principal terms of the Rights Issue as extracted from the Letter from the Board:

Basis of the Rights Issue:	Four (4) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.46 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue):	Approximately HK\$0.45 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	921,120,000 Shares

Number of Consolidated Shares in issue upon the Share Consolidation becoming effective:	46,056,000 Consolidated Shares (assuming no change in the total number of Shares in issue on or before the effective date of the Share Consolidation)
Number of Rights Shares to be issued pursuant to the Rights Issue:	up to 184,224,000 Rights Shares (assuming no change in the total number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Aggregate nominal value of the Rights Shares:	up to HK\$36,844,800 (assuming no change in the total number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Total number of Shares in issue upon completion of the Rights Issue:	up to 230,280,000 Consolidated Shares (assuming no change in the total number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Gross proceeds from the Rights Issue:	up to approximately HK\$84.7 million before expenses (assuming no change in the total number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)

As at the Latest Practicable Date, no share options have been granted by the Company under any of its share schemes, and the Company has no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares. Assuming there is no change in the total number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation, the 184,224,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represent (i) 400.0% of the total number of issued Shares (after taking into account the effect of the Share Consolidation) as at the Latest Practicable Date; and (ii) approximately 80.0% of the total number of issued Shares (after taking into account the effect of the Share Consolidation) as enlarged by the issue of the Rights Shares.

Further details of the Rights Issue are outlined in the Letter from the Board.

The Placing Agreement

Set out below are the principal terms of the Placing Agreement as extracted from the Letter from the Board:

Placing Agent: DaoKou Securities Limited

The Placing Agent is a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the SFO.

Placing commission: Subject to completion of the Placing taking place, the Company shall pay a placing commission in Hong Kong dollars, of 1% of the amount (the “**Placing Commission**”) which is equal to the placing price multiplied by the number of the Unsubscribed Shares and the NQS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.

Placing Price: Not less than HK\$0.46 per Unsubscribed Share and the NQS Unsold Rights Share.

Placing Period: A period commencing from the first (1st) Business Day immediately after the date of announcement of the number of the Unsubscribed Shares and NQS Unsold Rights Shares (i.e. Thursday, 12 March 2026 under the current timetable) and ending on 4:00 p.m. on the fifth (5th) business after the date of announcement of the number of the Unsubscribed Shares and NQS Unsold Rights Shares (both days inclusive).

Placees:

The Unsubscribed Shares and NQS Unsold Rights Shares are expected to be placed to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties and not acting in concert with the Placing Agent and its concert parties. The Placing Agent shall also ensure that the public float requirement under Rule 8.08 of the Listing Rules remains to be fulfilled by the Company upon completion of the Rights Issue.

Ranking of the placed Unsubscribed Shares and NQS Unsold Rights Shares:

The placed Unsubscribed Shares and NQS Unsold Rights Shares (when allotted, issued and fully-paid, if any) shall rank pari passu in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

Conditions of the Placing Agreement:

The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:

- (i) the Rights Issue having become unconditional;
- (ii) the Company's warranties contained in the Placing Agreement remaining true and accurate and not misleading in all material respects at all times prior to the date of completion of the Placing;
- (iii) the Listing Committee granting the listing of, and permission to deal in, the Unsubscribed Shares and the NQS Unsold Rights Shares with or without conditions;

- (iv) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (v) the Placing Agreement not having been terminated in accordance with the provisions thereof.

None of the above conditions can be waived. In the event that the above conditions precedent have not been fulfilled on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties under the Placing Agreement in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination).

Termination:

Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Shares and the NQS Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or
- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's absolute opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or

- (iv) any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (v) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (vi) there is any material change (whether or not forming part of a series of changes) in market conditions which in the absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

Further details of the terms and conditions of the Placing Agreement are outlined in the Letter from the Board. As disclosed in the Letter from the Board, the terms of the Placing Agreement (including the placing commission) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate for rights issues in the market, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

Our Assessment on the principal terms of the Rights Issue and the Placing Agreement

As disclosed in the Letter from the Board, the Subscription Price of HK\$0.46 per Rights Share represents:

- (i) a discount of approximately 11.54% to the theoretical closing price of HK\$0.52 per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 28.13% to the theoretical closing price of HK\$0.64 per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 27.67% to the average theoretical closing price per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.636;
- (iv) a discount of approximately 26.75% to the average theoretical closing price per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.628;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 22.50% represented by the theoretical diluted price of approximately HK\$0.496 per Consolidated Share to the benchmarked price of approximately HK\$0.64 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day and the average of the theoretical closing prices of the Consolidated Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day);
- (vi) a discount of approximately 7.26% to the theoretical ex-rights price of approximately HK\$0.496 per Consolidated Share based on the theoretical closing price of HK\$0.64 per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange on the Last Trading Day;
- (vii) a discount of approximately 85.35% to the consolidated net asset value per Consolidated Share as at 31 March 2025 of approximately HK\$3.14 calculated based on the audited consolidated net assets of the Group of

approximately HK\$144,508,000 as at 31 March 2025 and the theoretical number of 46,056,000 Consolidated Shares in issue (after taking into account the effect of the Share Consolidation) as at the Latest Practicable Date; and

- (viii) a discount of approximately 84.67% to the consolidated net asset value per Consolidated Share as at 30 September 2025 of approximately HK\$3.00 calculated based on the unaudited consolidated net assets of the Group of approximately HK\$138,075,000 as at 30 September 2025 and the theoretical number of 46,056,000 Consolidated Shares in issue (after taking into account the effect of the Share Consolidation) as at the Last Trading Day.

The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

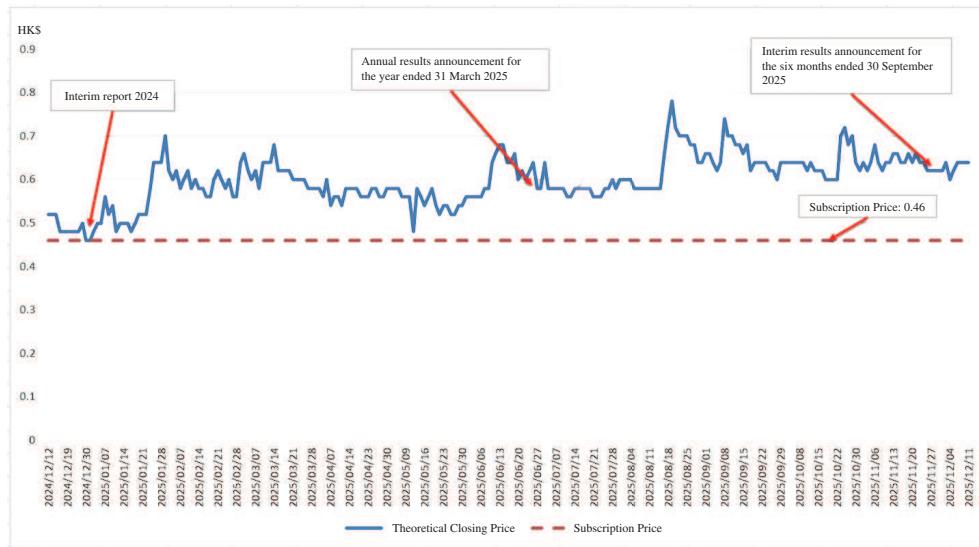
The Subscription Price was determined taking into consideration (i) the recent market price of the Shares; (ii) the prevailing market conditions; (iii) the low trading volume of the Shares; and (iv) the amount of funds the Company intends to raise under the Rights Issue for the purposes described in the section headed “Reasons for and benefits of the Rights Issue and the use of proceeds” in this letter. The Directors consider the Rights Issue will provide the Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and to continue to participate in the future development of the Group and the Subscription Price at a discount to the current market price of the Consolidated Shares (after taking into account the effect of the Share Consolidation) would enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders to take up their entitlements, thereby minimising possible dilution impact.

The Directors consider that, in view of prevailing market conditions and factors as described above, the terms of the Rights Issue, including the Subscription Price, are on commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Rights Share (i.e. Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of the Rights Shares will be approximately HK\$0.45 per Rights Share.

Share price performance

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 12 December 2024 up to and including the Last Trading Day (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the announcement of the Rights Issue (the “**Announcement**”) and

such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the adjusted daily closing price per the Share versus the Subscription Price of HK\$0.46 per Rights Share during the Review Period as we have adjusted the Share price for the Review Period to reflect the impact of the Share Consolidation (the “**Theoretical Closing Price**”):



Source: website of the Stock Exchange

As shown in the chart above, during the Review Period, the average closing price was approximately HK\$0.03 per Share (or the Theoretical Closing Price of HK\$0.599, the “**Average Theoretical Closing Price**”). The daily closing price ranged from HK\$0.023 per Share (or the Theoretical Closing Price of HK\$0.46, the “**Lowest Theoretical Closing Price**”) recorded on 30 December 2024 to HK\$0.039 per Share (or the Theoretical Closing Price of HK\$0.78, the “**Highest Theoretical Closing Price**”) recorded on 19 August 2025. We note that Shares were traded above the Subscription Price in the whole Review Period. The Subscription Price of HK\$0.46 represents (i) equal to the Lowest Theoretical Closing Price; (ii) a discount of approximately 41.03% to the Highest Theoretical Closing Price; and (iii) a discount of approximately 23.17% to the Average Theoretical Closing Price. There was a generally stable trend in the closing price of the Shares from 12 December 2024 to 11 December 2025, with slight fluctuations observed during the period. The closing price of the Shares remained at HK\$0.52 from 12 December 2024 to 16 December 2024 before declining to its minimum closing price of HK\$0.46 on 30 December 2024. The price then began to recover slightly, rising to HK\$0.56 on 7 January 2025, before fluctuating between HK\$0.48 and HK\$0.50 until 20 January 2025. A moderate uptrend was observed from 23 January 2025, when the price reached HK\$0.58, eventually peaking at its highest closing price of HK\$0.78 on 19

August 2025. Following this peak, the share price experienced slight fluctuations and a gradual decline, stabilizing around HK\$0.58 to HK\$0.64 from March to June 2025, with no significant surges. After the peak in August, the share price gradually decreased, fluctuating between HK\$0.56 and HK\$0.72 from September to November 2025. By December 2025, the closing price stabilized at HK\$0.64, showing a flat trend through the end of the observed period. The reasons for the fluctuations in share price during this period were unknown to us as: (i) the management of the Company did not provide any specific reasons for such movements; and (ii) we have reviewed the announcements disclosed during this period and were not aware of any material information that could explain the fluctuations in the Share price:

Trading liquidity of the Shares

Month/Period	Number of trading days	Average daily trading volume of the Shares during the month/period to	the total number of issued Shares as at the Latest Practicable Date (Note)
		Average daily trading volume of the Shares during the month/period	Number of issued Shares as at the Latest Practicable Date (Note)
2024			
December	12	617,500	0.07%
2025			
January	19	7,486,842	0.81%
February	20	14,521,750	1.58%
March	21	6,048,095	0.66%
April	19	745,000	0.08%
May	20	4,344,500	0.47%
June	21	7,666,905	0.83%
July	22	1,795,909	0.19%
August	21	2,379,767	0.26%
September	22	4,918,409	0.53%
October	20	4,356,500	0.47%
November	20	1,257,250	0.14%
December (up to and including the Last Trading day)	9	2,100,556	0.23%

Source: website of the Stock Exchange

Note: Based on the number of total issued Shares as at each month end as disclosed in the monthly returns of the Company.

As shown in the table above, the average daily trading volume of the Shares in each month ranged from 745,000 Shares in April 2025 to 14,521,750 Shares in February 2025 during the Review Period, representing approximately 0.08% to approximately 1.58% of the total number of issued shares as at the end of the month/period, respectively. Regarding to the significant high trading volume in February 2025, we have discussed with the Directors and they are not aware of any reason for such unusual high trading volume of the Shares during the aforesaid period. Given such relatively thin liquidity of the Shares during the Review Period, it would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market without exerting a significant impact on the Share price. Furthermore, the Company may face difficulties raising equity funds from third parties without offering a substantial discount to the prevailing Share price. We consider that the prices, liquidity and general price trend of the Shares during the Review Period should have reflected market evaluation on the recent business performance of the Group.

In view of the above, we consider that it is fair and reasonable for the Company to determine the Subscription Price with reference to (i) the generally stable trend of the market price of the Shares prior to and including the Last Trading Day; and (ii) low trading liquidity of the Shares during the Review Period.

Comparable Analysis

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have identified an exhaustive list of 23 rights issue transactions announced by other companies listed on the Stock Exchange (the “**Comparables**”) with relevant listing documents issued within the six months immediately prior to the Last Trading Day (the “**Comparable Review Period**”) and up to the Last Trading Date. We believe that those rights issue transactions with listing documents issued implies that they have been approved by relevant shareholders or exempt from shareholders’ approval and thus the terms and structure of these rights issue transactions are more meaningful for comparison. Shareholders should note that the subject companies in the Comparables may have different principal business activities, market capitalisations, profitability and financial positions as compared to those of the Company. Although the circumstances surrounding the Comparables may be different from those relating to the Company, we consider that the Comparable Review Period is adequate and fair and reasonable to capture the prevailing market conditions in relation to rights issue transactions which the Comparables, for illustrative purpose only, serve as a general reference for prevailing market practices in relation to rights issue transactions conducted by the companies listed in the Stock Exchange.

	Announcement date	Listing document date	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of the subscription price over/to the average		Premium/ (Discount) of the five previous subscription consecutive price over/to trading days		Premium/ (Discount) of the subscription price over/to the closing share price on the last trading day		Underwriting/ the placing theoretical commission, ex-right share price up to and including the last trading day		Excess application as the case may be		Fully underwritten Yes/No	Maximum dilution effect	Theoretical dilution impact
						(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	Yes/No	(%)	(Note 1)	(Note 2)
1	17 June 2025	29 August 2025	Risecomm Group Holdings Limited	1679	5 for 1	(22.48)	(20.63)	(4.62)	0.50	N	N	83.33	18.73					
23	25 June 2025	25 September 2025	Sino Splendid Holdings Limited	8006	3 for 2	(11.10)	(12.10)	(4.80)	2.50	N	N	60.00	6.70					
1	7 July 2025	25 July 2025	Sanergy Group Limited	2459	1 for 2	(55.60)	(56.30)	(45.50)	3.50	N	N	33.33	18.80					
1	9 July 2025	13 October 2025	Alco Holdings Limited	328	4 for 1	(19.00)	(19.00)	Not disclosed	1.50	N	N	80.00	15.52					
	10 July 2025	21 August 2025	XJ International Holdings Co., Ltd.	1765	1 for 12	(1.96)	(0.50)	(1.82)	0.50	N	N	7.69	0.15					
	23 July 2025	12 September 2025	Future Machine Limited	1401	1 for 2	(72.28)	(72.28)	(63.48)	0.75	Y	N	33.33	24.09					
	25 July 2025	2 October 2025	Shin Hwa World Limited	582	1 for 1	(34.21)	(33.07)	(20.63)	1.50	Y	N	50.00	17.11					
	30 July 2025	18 August 2025	Da Yu Financial Holdings Limited	1073	1 for 2	(16.67)	(18.92)	(11.76)	N/A	Y	N	33.33	6.63					
	4 August 2025	1 September 2025	TOMO Holdings Limited	6928	1 for 2	(62.10)	(63.20)	(52.20)	1.00	N	N	33.33	21.30					
	6 August 2025	24 September 2025	Value Convergence Holdings Limited	821	2 for 1	(4.26)	(5.86)	(1.53)	2.50	Y	N	66.67	3.11					
	13 August 2025	11 September 2025	China Information Technology Development Limited	8178	3 for 8	(55.05)	(55.43)	(47.11)	7.07	Y	Y	27.27	15.12					
	19 September 2025	14 October 2025	Immunotech Biopharm Ltd	6978	1 for 5	(47.70)	(47.79)	(43.79)	1.45	Y	N	16.67	8.05					
	2 October 2025	20 October 2025	China New Economy Fund Limited	80	1 for 2	(29.29)	(27.23)	(21.70)	N/A	Y	N	33.33	9.70					
	22 September 2025	24 October 2025	Gameone Holdings Limited	8282	1 for 2	1.69	(0.99)	(1.12)	0.50	Y	N	33.33	0.55					
	26 September 2025	14 November 2025	Perfectech International Holdings Limited	765	1 for 2	(18.06)	(20.70)	(12.72)	N/A	Y	N	33.33	6.99					
	9 October 2025	17 November 2025	CCIAM Future Energy Limited	145	1 for 2	(18.62)	(19.05)	(13.07)	0.54	N	N	33.33	6.63					
	5 October 2025	20 November 2025	Fire Rock Holdings Limited	1909	1 for 2	(20.20)	(27.85)	(14.59)	0.07	N	N	33.33	9.13					
	4 September 2025	21 November 2025	Aeso Holding Limited	8341	2 for 1	(25.70)	(23.10)	(10.35)	2.50	N	N	66.67	17.12					
	22 October 2025	21 November 2025	Crocodile Garments Limited	122	1 for 2	(22.68)	(22.44)	(16.34)	N/A	Y	N	33.33	7.56					
	10 September 2025	27 November 2025	China Automotive Interior Decoration Holdings Limited	48	3 for 2	(29.73)	(29.27)	(14.47)	1.50	N	N	60.00	17.87					

Announcement date	Listing document date	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of the subscription price over/to the average		Premium/ (Discount) of the five previous subscription price over/to trading days	Premium/ (Discount) of the consecutive subscription price over/to the closing share price on the last trading day	Underwriting/ the placing theoretical ex-right share price up to and including the last trading day	Underwriting/ the commission, Excess as the case may be application	Fully underwritten Yes/No	Maximum dilution effect (%)	Theoretical dilution impact (Note 2)
					(%)	(%)							
14 August 2025	2 December 2025	China Energy Development Holdings Limited	228	1 for 2	(19.90)	(19.90)	Not disclosed	N/A	Y	N	33.33	6.63	
15 September 2025	3 December 2025	Zhong Jia Guo Xin Holdings Company Limited	899	2 for 1	(33.64)	(35.23)	(14.45)	5.00	N	N	66.67	24.78	
4 September 2025	5 December 2025	Many Idea Cloud Holdings Limited	6696	6 for 1	(22.08)	(24.56)	(4.94)	0.20	N	N	85.71	20.63	
				Min	(72.28)	(72.28)	(63.48)	0.07			7.69	0.15	
				Max	1.69	(0.50)	(1.12)	7.07			85.71	24.78	
				Median	(22.48)	(23.10)	(14.45)	1.48			33.33	9.70	
				Mean	(27.85)	(28.50)	(20.05)	1.84			45.10	12.30	
		The Company		4 for 1	(28.13)	(27.67)	(7.26)	1.00	N	N	80	22.5%	

Source: The Stock Exchange

Notes:

1. The potential maximum dilution effect of each rights issue is calculated as number of rights shares issued or to be issued under the basis of entitlement divided by the total number of shares as enlarged by the rights issue according to their respective basis of entitlements and assuming all rights shares have been/will be allotted and issued times 100%.
2. The theoretical dilution effect is calculated in accordance to Rule 10.44A of the Rules Governing of the Listing of Securities on GEM or Rule 7.27B of the Listing Rules.

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

- (a) the premium/discount of Subscription Price to the closing price on the Last Trading Day of the Comparables ranged from discount of approximately 72.28% to premium of approximately 1.69%, with the average and median of discounts being approximately 27.85% and 22.48% respectively. The Subscription Price represents a discount of approximately 28.13% to the theoretical closing price per Consolidated Share (after taking into account the effect of the Share Consolidation) on the Last Trading Day, which is within the range, slightly higher than the median and broadly in line with the average discount of the Comparables;
- (b) the premium/discount of Subscription Price over the average closing share price for the five previous consecutive trading days up to and including the Last Trading Day of the Comparables ranged from discount of approximately 72.28% to discount of approximately 0.5%, with the average of discounts being approximately 28.5% and the median discount of approximately 23.1%. The Subscription Price represents a discount of approximately 27.67% to the average theoretical closing price per Consolidated Share (after taking into account the effect of the Share Consolidation) for the last five consecutive trading days up to and including the Last Trading Day, which is within the range, slightly higher than the median discount of the Comparables and also broadly in line with the average discount of the Comparables;
- (c) the premium/discount of Subscription Price to the theoretical ex-rights price of the Comparables ranged from discount of approximately 63.48% to discount of approximately 1.12%, with the average of discounts of approximately 20.05%. The Subscription Price represents a discount of approximately 7.26% to the theoretical ex-rights price per Consolidated Share based on the theoretical closing price per Consolidated Share (after taking into account the effect of the Share Consolidation) on the Last Trading Day which is within the range and much lower than the average discount of the Comparables;
- (d) the theoretical dilution effect of the Rights Issue Comparables ranged from 0.15% to approximately 24.78%. The theoretical dilution effect of the Rights Issue of approximately 22.50% is within the theoretical dilution range of the Comparables;

- (e) the Rights Issue is on a non-underwritten basis, which is considered to be in line with market practice, given that 22 out of 23 Comparables were also conducted on a non-underwritten basis;
- (f) the placing commission rate of 1.00% under the Placing Agreement is within the range of the placing commission rates provided by the placing agents of the Comparables, which was ranged from 0.07% to 7.07% of the fund raised; and
- (g) majority of the Comparables had set the subscription price of their rights issue at a discount to the prevailing market price of the relevant shares before the relevant announcements in respect of the rights issue were made except one Comparable, being Gameone Holdings Limited (stock code: 8282).

It is noted that setting the subscription price at a discount to the prevailing market prices of the relevant shares is a common market practice to enhance the attractiveness of rights issue transactions and encourage shareholder participation. Among the 23 Comparables, 22 set their subscription prices at various degrees of discount to their respective closing prices on the last trading day and the average closing price over the five consecutive trading days. In line with this market practice, the Subscription Price was also set at a discount to the closing price on the Last Trading Day and the average closing price for the five previous consecutive trading days up to and including the Last Trading Day. Even though the range of the above discounts/premium of the subscription prices to the Comparables to the benchmarked prices can be wide, we are of the view that the Comparables are fair and representative samples which form a meaningful comparison to assess the fairness and reasonableness of the Subscription Price for the reasons that the above rights issues are conducted by listed companies on the Stock Exchange; and the above rights issues issued relevant prospectuses during the Comparison Review Period which is most updated. We are of the view that it is intended to identify the most recent rights issue transactions conducted by companies listed on the Stock Exchange under the market conditions and sentiment close enough to that of the Rights Issue, thus allowing reasonable comparison of their commercial terms. Therefore, we consider that the terms of the Comparables were determined under similar market conditions and sentiment and the Comparables provide a general reference for the key terms of rights issue transactions. On this basis, we consider the Comparables to be indicative in assessing the fairness and reasonableness of the terms of the Rights Issue (including the Subscription Price).

Having considered the above analysis, we are of the view that the Subscription Price is fair and reasonable to the Company.

IV. Effects on the shareholding structure of the Company

Assuming there is no change in the total number of Shares in issue from the Latest Practicable Date up to and including the date of completion of the Rights Issue other than as a result of the Share Consolidation, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Consolidation; (iii) immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders; and (iv) immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares and all the Unsubscribed Shares and NQS Unsold Rights Shares are placed to the independent placees:

	As at the Latest Practicable Date				Immediately after completion of the Share Consolidation				Immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders				Immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up any entitlements of the Rights Shares and all the Unsubscribed Shares and NQS Unsold Rights Shares are placed to the independent placees			
	Number of Shares	Approximate		Number of Shares	Approximate		Number of Shares	Approximate		Number of Shares	Approximate		Number of Shares	Approximate		
		Consolidated	%		Consolidated	%		Consolidated	%		Consolidated	%		Consolidated	Approximate	
Independent placees (Note 1)	—	—	—	—	—	—	—	—	—	—	184,224,000	80.00	—	—	—	
Public Shareholders	921,120,000	100.00	46,056,000	100.00	230,280,000	100.00	46,056,000	100.00	230,280,000	100.00	184,224,000	80.00	46,056,000	20.00	—	—
Total	921,120,000	100.00	46,056,000	100.00	230,280,000	100.00	230,280,000	100.00	230,280,000	100.00	921,120,000	100.00	184,224,000	80.00	46,056,000	20.00

Notes:

1. This scenario is for illustrative purposes only. As any Unsubscribed Shares together with the NQS Unsold Rights Shares will be placed to independent placees under the Compensatory Arrangements to a level which (i) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and (ii) does not result in the non-compliance of the Public Float Requirement, the Consolidated Shares held by the independent placees are deemed to be in public hands.
2. Pursuant to the Placing Agreement, the Placing Agent shall also ensure that the public float requirement under Rule 8.08 of the Listing Rules remains to be fulfilled by the Company upon completion of the Rights Issue.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

V. Possible dilution effect to the existing public Shareholders

The Rights Issue provides Qualifying Shareholders with the opportunity to maintain their proportional interests in the Company and to participate in its future development, should they choose to do so. However, those Qualifying Shareholders who opt not to subscribe to the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue, with their aggregate interests potentially reduced by a maximum of approximately 80%. As illustrated in the table above, the theoretical dilution effect of the Comparables ranged from approximately 0.15% to 24.78%, with an average of 12.3% and a median of 9.7%. The theoretical dilution effect of the Rights Issue, at approximately 22.5%, falls within the upper end of the range of the Comparables, although it is deeper than both the average and median dilution effects. Nonetheless, the theoretical dilution effect of the Rights Issue complies with the theoretical dilution limit as defined under the Listing Rules. Having considered (i) the theoretical dilution effect of the Rights Issue falls within the range of the Comparables and complies with the dilution limit under the Listing Rules; (ii) the proceeds from the Rights Issue will be applied toward the Group's business development; (iii) the Rights Issue will strengthen the Group's financial position; (iv) all Qualifying Shareholders are given an equal opportunity to maintain their shareholding interests and participate in the Company's development; (v) the inherent dilutive nature of rights issues in general if existing shareholders do not fully take up their entitlements; and (vi) the flexibility provided to Qualifying Shareholders who choose not to subscribe, as they may dispose of their nil-paid Rights Shares in the open market, we consider that the potential dilution effect of the Rights Issue is justifiable.

VI. Possible Financial Effects of the Rights Issue

In terms of the net tangible assets per Share, as set out in Appendix II to this Circular, upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per ordinary share as at 30 September 2025 immediately after the completion of the Share Consolidation and the Rights Issue would be approximately HK\$0.96 (assuming all Qualifying Shareholders have taken up the Rights Shares), representing a decrease of approximately 68% as compared to the audited consolidated net tangible assets of the Group attributable to owners of the Company per ordinary share as at 30 September 2025 upon the completion of the Share Consolidation and before the Rights Issue of approximately HK\$3.00. Despite a reduction of approximately 68% in the consolidated net tangible assets of the Group attributable to owners of the Company per ordinary share upon completion of the Share Consolidation and the Rights Issue, we have carefully considered (i) the reasons for the Rights Issue as outlined in the Letter from the Board, and (ii) the rights of the Qualifying Shareholders to take up their respective entitlements. This allows them to maintain their shareholdings in the Company and participate in the Group's potential growth. In our view, the overall impact on the consolidated net tangible assets of the Group attributable to owners of the Company per ordinary share is fair and reasonable, and it serves the best interests of the Company and its Shareholders as a whole.

In terms of liquidity position, the Group had bank balances and cash of approximately HK\$45.8 million and the Group had current assets of approximately HK\$134.3 million and current liabilities of approximately HK\$22.2 million as at 30 September 2025, giving rise to a current ratio (being current assets divided by current liabilities) of approximately 6.0. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group may increase by up to the maximum amount of net proceeds from the Rights Issue; that is up to approximately HK\$82.0 million. In such case, the current ratio of the Group will potentially increase from approximately 6.0 to 9.7. As such, the current ratio and the Group's liquidity position will improve following the Rights Issue.

After taking into consideration the above, particularly the improvement in liquidity position of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Taking into consideration the above principal factors and reasons, we are of the view that the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and 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, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

First Global Corporate Finance Co., Limited



Wendy Liu
Managing Director

Ms. Liu is a licensed person registered with SFC and regarded as a responsible officer of Type 6 (advising on corporate finance) of First Global Corporate Finance Co., Limited. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2014.