

China Partytime Culture Holdings Limited

中國派對文化控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1532)

Executive Directors:

Mr. Teng Hao (*Chairman*)

Mr. Xu Chengwu (*Chief Executive Officer*)

Mr. Chen Jinbo

Independent Non-executive Directors:

Mr. Chen Wen Hua

Ms. Peng Xu

Mr. Zheng Jin Min

Registered Office:

Windward 3, Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Headquarter and Principal Place of

Business in the PRC:

No. 3 Chunchao Road

Yichun Economic &

Technological Development Zone

Jiangxi Province, PRC

Principal Place of

Business in Hong Kong:

Room 225–27, 2/F., Mega Cube

8 Wang Kwong Road, Kowloon Bay

Kowloon

Hong Kong

25 July 2025

Dear Shareholders,

(1) PROPOSED ISSUANCE OF UNLISTED WARRANT UNDER SPECIFIC MANDATE

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the Announcement in relation to, among others, the Warrant Subscription Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) further details of the Warrant Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Warrant Shares upon exercise of the

subscription rights attaching to the Warrant; and (b) the Specific Mandate); (ii) a notice convening the EGM; and (iii) other information required under the Listing Rules.

2. PROPOSED ISSUE OF UNLISTED WARRANT UNDER SPECIFIC MANDATE

2.1 Warrant Subscription Agreement

On 26 March 2025 (after trading hours), the Company entered into the Warrant Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agreed to issue to the Subscriber the Warrants conferring the rights to subscribe for the Warrant Shares.

The principal terms of the Warrant Subscription Agreement are set forth below:

Date	26 March 2025 (after trading hours).
Parties	The Company, as the Issuer of the Warrants; and PM Partners I LP, as the Subscriber of the Warrants.
Subject	The Company has conditionally agreed to issue the Warrant conferring the rights, upon fulfillment of the Exercise Condition to the satisfaction of the Company, to subscribe for the Warrant Shares (representing a maximum of 354,652,624 Shares) during the Exercise Period at a nominal Subscription Price of HK\$1.00. The Exercise Price at which the Shares are issued upon exercise of the Exercise Rights is adjusted from time to time in accordance with the warrant instrument conditions. Assuming no adjustment, the exercise ratio in respect of the number of Shares to be issued per Warrant is 1:1.

Conditions Precedent

Completion is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions precedent:

- (a) the Company having obtained approval by way of ordinary resolution(s) at the EGM by the relevant Shareholders (other than those who are required to abstain from voting) in respect of the issue and allotment of the Warrant and the Warrant Shares and the granting of authority to the Board to deal with all related matters and such approval remaining valid and effective;
- (b) the Stock Exchange having approved the Warrant prior to its issue or grant and the Listing Committee of the Stock Exchange having granted the approval for the listing of and the permission to deal in all the Warrant Shares, and such approval remains valid and effective;
- (c) there has been no occurrence of a material adverse change on or prior to completion of the Warrant Subscription Agreement;
- (d) the Company's warranties included in the Warrant Subscription Agreement remaining true and accurate in all respects and not misleading in any respect on the date of Completion, and no event has occurred and no matter has arisen which would render any of the warranties untrue, inaccurate or misleading; and
- (e) the Subscriber's warranties included in the Warrant Subscription Agreement remaining true and accurate in all respects and not misleading in any respect on the date of Completion, and no event has occurred and no matter has arisen which would render any of the warranties untrue, inaccurate or misleading.

The Company may not waive (in whole or in part, whether conditionally or unconditionally) any of the Conditions Precedent (except for (e)). The Subscriber may waive (in whole or in part, whether conditionally or unconditionally) any of the Conditions Precedent (except for (a), (b) and/or (e)).

If the Conditions Precedent have not been fulfilled (or as the case may be, waived) by the Long Stop Date, the Parties may terminate the Warrant Subscription Agreement whereupon such agreement (save and except the customary surviving provisions, which shall survive termination of the Warrant Subscription Agreement) shall lapse immediately thereafter and be of no further effect, but all rights and liabilities of the Parties which have accrued before termination shall continue to exist.

Warrant Shares

Upon fulfillment of the Exercise Condition, which shall render the Warrant exercisable, the Warrant Shares (being a maximum of 354,652,624 Shares in total) could be allotted and issued which represents:

- i. approximately 20.00% of the existing issued share capital of the Company as at the date of the Warrant Subscription Agreement; and
- ii. approximately 16.67% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Warrant Shares (assuming that there is no other change to the total number of Shares from the date of the Warrant Subscription Agreement to the date of Completion).

As at the Latest Practicable Date, the Company did not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Completion

Subject to the Conditions Precedent being fulfilled (or as the case may be, waived), Completion shall take place within the 10th business day after the last Condition Precedent is satisfied or waived in accordance with the Warrant Subscription Agreement, or such other date as the parties may agree in writing.

Ranking	The Warrant Shares, when issued and fully paid, will rank <i>pari passu</i> in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Warrant Shares.
Specific Mandate	The Warrant Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM.
Listing application	An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares on the Stock Exchange.

2.2 Warrant Instrument

Pursuant to the terms of the Warrant Subscription Agreement, the Company shall create the Warrant by way of a deed poll instrument. The principal terms of the Warrants are set forth below:

Issuer	The Company
Number of Warrants	<p>The Warrant is conditionally exercisable into the Warrant Shares (being a maximum of 354,652,624 Shares in total) in the manner set out in the Warrant Subscription Agreement.</p> <p>The Exercise Price at which the Shares are issued upon exercise of the Exercise Rights is adjusted from time to time in accordance with the warrant instrument conditions. Assuming no adjustment, the exercise ratio in respect of the number of Shares to be issued per Warrant is 1:1.</p>

Exercise Condition(s)

The right of the Warrantholder(s) to exercise the Warrant shall be subject to the fulfillment, to the reasonable satisfaction of the Company, of the following condition (the “**Exercise Condition(s)**”):

- (i) The Warrantholders (whether by oneself or with one another Warrantholder) must make or procure third party investor(s) to make Qualified Investment(s), being investment with an aggregate Value of no less than US\$100 million or equivalent (or such other amount as mutually agreed between the Issuer and the Warrantholder) into the Group (“**Minimum Investment**”), in cash and/or assets of equivalent Value, by the third (3rd) anniversary of the issue date of the Warrant (“**Minimum Investment Deadline**”), in accordance with the following conditions:

(1) A “Qualified Investment” shall mean:

- (A) an investment made in cash for new Securities issued by the Issuer, where the subscription price and terms of issuance are acceptable to the Issuer and comply with applicable laws and the Listing Rules. “Securities” shall mean any financial instruments issued by the Issuer that represent ownership, debt, or other rights in the Issuer, including but not limited to shares (ordinary, preference, or other classes), bonds, debentures, convertible instruments, warrants, options, hybrid instruments, or any other instruments that are recognised as securities under applicable Laws and the Listing Rules, and that may be issued in compliance with the Issuer’s constitutional documents and all applicable regulatory requirements; or

- (B) an investment made through the transfer of assets of equivalent value, where such assets are acceptable to the Issuer, independently appraised to the Issuer's reasonable satisfaction, and capable of being monetised or utilised by the Issuer in its business operations.
- (2) The Qualified Investment must comply with all applicable laws and the Listing Rules, and all necessary consents, approvals, and waivers required for the investment must be obtained.
- (3) The Minimum Investment must be completed at least ten (10) Business Days before the Warrantholder(s) delivers its notice of intention to exercise the Warrant.
- (4) "Value" shall mean the aggregate fair market value of the cash and/or assets provided as part of the Qualified Investment, determined as follows:
 - (A) Cash Contributions: For cash contributions, the value shall be deemed equal to the amount of cleared funds received in the Issuer's designated bank account, free and clear of any deductions, set-offs, or encumbrances, and denominated in United States Dollars (USD). Where the investment is made in a currency other than USD, the value shall be determined based on the prevailing exchange rate quoted by a leading international bank selected by the Issuer on the date the funds or assets are received.

(B) Asset Contributions: For assets, the value shall (i) be based on an independent valuation conducted by an independent qualified valuer (having the meaning ascribed to it under the Listing Rules), where the Listing Rules or other applicable regulations require such valuation; or (ii) where no such requirement exists under the Listing Rules or other applicable regulations, be determined in such manner as may be agreed between the Issuer and the Warrantholder(s), having regard to the type and nature of the relevant assets.

If the Exercise Condition is not fulfilled to the satisfaction of the Issuer on or before the Minimum Investment Deadline, the right of the Warrantholder(s) to exercise the Warrant shall lapse and become null and void, unless the Issuer agrees, in writing and at its sole discretion, to extend the Expiration Date.

In the event that the Qualified Investment is determined by the Stock Exchange to be a reverse takeover and/or backdoor listing under Rule 14.06B and/or 14.06D of the Listing Rules, the Company will comply with the relevant requirements of the Listing Rules.

Undertaking from the
Issuer in relation to the
Exercise Condition

The Issuer acknowledges that the Warrantholder(s)'s fulfillment of the Exercise Condition requires the cooperation and assistance of the Issuer. Accordingly, the Issuer shall:

- (i) Provide all reasonable assistance and cooperation to facilitate the fulfillment of the Exercise Condition, including but not limited to furnishing necessary information, certifications, or approvals as required for the Qualified Investment, in compliance with applicable Laws and the Listing Rules.
- (ii) Promptly review and respond to any proposed terms of the Qualified Investment submitted by the Warrantholder for approval, including providing written approval or requesting reasonable amendments to ensure such terms are commercially acceptable to the Issuer.
- (iii) Promptly apply for, obtain, and maintain any consents, approvals, or waivers required under applicable Laws and the Listing Rules for the Qualified Investment, to the extent such consents, approvals, or waivers fall within the Issuer's control or responsibility.
- (iv) Notify the Warrantholder in writing as soon as reasonably practicable upon receipt of evidence of fulfillment of the Exercise Condition, specifying:
 - (1) whether the Exercise Condition has been satisfied; or
 - (2) any additional requirements necessary for the exercise of the Warrant, including any deficiencies in the documentation or process that must be remedied.
- (v) Act reasonably and in good faith at all times in connection with the Warrantholder's efforts to fulfill the Exercise Condition.

The Issuer shall offer all reasonable assistance (including, among others, procuring execution of all necessary transaction documents) notify the Warrantholder in writing as soon as reasonably practicable upon receipt of evidence of fulfillment of the Exercise Condition, specifying whether the Exercise Condition has been satisfied or any additional requirements necessary for the exercise of the Warrant.

Exercisability

The Warrant may be exercised in whole or in part during the Exercise Period upon fulfillment of the Exercise Condition.

Exercise Price

The Exercise Price is HK\$0.09 (subject to adjustments) and shall not be less than the par value of a Share. The Exercise Price represents:

- i. a discount of approximately 10% to the closing price of HK\$0.10 per Share as quoted on the Stock Exchange on the date of the Warrant Subscription Agreement;
- ii. a discount of approximately 12.96% to the average closing price of HK\$0.1034 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately before the date of the Warrant Subscription Agreement up to and including the Last Trading Day; and
- iii. a discount of approximately 14.12% to the average closing price of HK\$0.1048 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day.

The Exercise Price of HK\$0.09 (subject to adjustments) per Warrant Share was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the (i) recent trading prices of the Shares; (ii) the current market sentiment and the historical Share price; and (iii) the reasons for and benefits of the issue of the Warrant set out in the section headed "REASONS FOR AND BENEFITS OF THE ISSUE OF THE WARRANTS AND INTENDED USE OF PROCEEDS" below.

Warrant Shares	<p>The Warrant Shares, being a maximum of 354,652,624 Shares to be issued by the Company pursuant to the terms of the Warrant, represents:</p> <ul style="list-style-type: none"> i. approximately 20.00% of the existing issued share capital of the Company as at the date of the Warrant Subscription Agreement; and ii. approximately 16.67% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Warrant Shares (assuming that there is no other change to the total number of Shares from the date of the Warrant Subscription Agreement to the date of Completion).
Rights on liquidation	<p>If the Company is wound up before the Long Stop Date, all Exercise Rights which have not been exercised prior to the commencement of the winding-up shall lapse and the Warrant will cease to be valid for the purpose of exercising any Exercise Rights.</p>
Transferability	<p>(A) Transferability prior to satisfaction of Exercise Condition(s)</p> <p>The Warrant shall be transferrable only by the Initial Warrantholder to its Affiliates, provided that the Initial Warrantholder provides evidence reasonably satisfactory to the Issuer that the transferee qualifies as an Affiliate. Any purported transfer or exchange of the Warrant, in whole or in part, other than to an Affiliate, shall be null and void and shall not be recognised by the Issuer. The Warrant Certificate issued in respect of the Warrant may only be held by the Initial Warrantholder and/or its registered Affiliates, and no assignment, sale, transfer, or other disposition of the Warrant, whether voluntary or involuntary, shall be permitted except as expressly provided herein. For the avoidance of doubt, any Affiliate holding the Warrant shall not transfer, assign, sell, or otherwise dispose of the Warrant, in whole or in part, to any other person or entity. Any purported transfer by an Affiliate shall be null and void and shall not be recognised by the Issuer.</p>

For the purposes of above, “Affiliate” means, in relation to the Initial Warrantholder: (a) any entity or individual that directly or indirectly controls, is controlled by, or is under common control with the Initial Warrantholder; or (b) any individual that is a director, senior management member, or employee of the Initial Warrantholder or any of its Affiliates as defined in (a) above.

The Initial Warrantholder shall provide documentary evidence reasonably satisfactory to the Issuer, such as corporate records, organizational charts, or other relevant materials, to demonstrate that the transferee meets the definition of an Affiliate prior to the registration of any transfer.

(B) Transferability upon satisfaction of Exercise Condition(s)

Upon the satisfaction of the Exercise Condition(s), the Warrant shall be freely transferrable.

The Warrant Certificate issued in respect of the Warrant may be held by any registered Warrantholder, and no further restrictions on the transferability, assignment, sale, or other disposition of the Warrant shall apply, except as may be required by applicable Laws, the Listing Rules, or the articles of association of the Issuer.

Adjustments

As agreed between the Company and the Subscriber, the Exercise Price shall be adjusted in each of the following cases (the “**Adjustment Event(s)**”):

- (a) *Consolidation, Subdivision or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(b) Capitalisation of Profits or Reserves:

- (A) If and whenever the Issuer shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the whole or any part of a specifically declared cash Dividend (the “**Relevant Cash Dividend**”), being a Dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (a “**Scrip Dividend**”), the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (B) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares on the date of announcement of the terms of such issue of Shares multiplied by the number of Shares issued exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which: (i) the numerator is the amount of the whole (or the relevant part) of the Relevant Cash Dividend; and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole (or the relevant part) of the relevant cash dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, the day immediately after such record date.

- (c) *Capital Distribution:* If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders (except where the Exercise Price falls to be adjusted under Adjustment Event 6.6(b) above), the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Capital Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is made.

- (d) *Dividends:* If and whenever the Issuer shall pay or make any Dividend to the Shareholders, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such Dividend by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Dividend is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the cash distribution attributable to one Share.

Such adjustment shall become effective on the date that such Dividend is paid.

- (e) *Rights Issues of Shares or Options over Shares:* If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than the Current Market Price per Share, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (f) *Rights Issues of Other Securities:* If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or the issue or grant to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase or otherwise acquire, any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

- (g) *Issues at less than Current Market Price:* If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6.6(d)) any Shares (other than Shares issued on the exercise of Exercise Rights or the options granted by the Issuer pursuant to its employee share option schemes, or any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of (otherwise than as mentioned in Adjustment Event I above and other than the options granted by the Issuer pursuant to its employee share option schemes) options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;

B is the number of Shares which the aggregate consideration (if any) receivable by the Issuer for such additional Shares to be issued or otherwise made available or, as the case may be, upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and

C is the maximum number of additional Shares issued or the maximum number of Shares that may be issued upon exercise of such options, warrants or rights.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Issuer of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

- (h) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other existing securities in accordance with the terms applicable to such existing securities themselves falling within the provisions of this Adjustment Event (h), if and whenever the Issuer or any Subsidiary of the Issuer (otherwise than as mentioned in Adjustment Events (d), (f) or (g) above) or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary) any other company, person or entity (otherwise than as mentioned in Adjustment Event (d), (f) or (g) above) shall issue any securities (other than the Warrant and the options granted by the Issuer pursuant to its employee share option schemes) which by their terms of issue carry (directly or indirectly) rights of exercise into, or exchange or subscription for or purchase of, or to otherwise acquire, Shares issued or to be issued by the Issuer or securities which by their terms may be redesignated Shares receivable upon conversion, exchange, subscription or redesignation at a consideration per Share which is less than the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such issue or grant (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Issuer for the purposes of, or in connection with, such issue, less the number of Shares so issued);

B is the number of Shares which the aggregate consideration (if any) receivable by the Issuer for the Shares to be issued or otherwise made available upon exercise or exchange or on exercise of the right of subscription or purchase or acquisition attached to such securities or, as the case may be, the Shares would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued or otherwise made available upon exercise or exchange of such securities or on the exercise of such rights of subscription or purchase or acquisition attached thereto at the initial exercise, exchange or subscription price or rate or, as the case may be, the maximum number of Shares to be issued or to arise or to be made available from any such redesignation.

Such adjustment shall become effective on the date of issue of such securities.

- (i) *Modification of Rights of Exercise etc.:* If and whenever there is any modification of the rights of exercise, exchange, subscription, purchase or acquisition attaching to any such securities as are mentioned in Adjustment Event (h) above (other than in accordance with the existing terms applicable to such securities) so that the consideration per Share (for the number of Shares available on exercise, exchange or subscription following the modification) is less than the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Issuer for the purposes of, or in connection with, such issue, less the number of Shares so issued);

B is the number of Shares which the aggregate consideration (if any) receivable by the Issuer for the Shares to be issued, or otherwise made available, on exercise or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing exercise, exchange, subscription or purchase price of such securities; and

C is the maximum number of Shares to be issued, or otherwise made available, on exercise or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified exercise, exchange, subscription or purchase price or rate but giving credit in such manner as the Expert considers appropriate (if at all) for any previous adjustment under this Adjustment Event (h) or Adjustment Event (i) above.

Such adjustment shall become effective on the date of modification of the rights of exercise, exchange, subscription, purchase or acquisition attaching to such securities.

- (j) *Other Offers to Shareholders:* If and whenever there is an issue, sale or distribution by or on behalf of the Issuer or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Issuer or any Subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 50 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Exercise Price falls to be adjusted under Adjustment Events (d), (f), (g) or (h) above), the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities.

Voting	<p>The Warrantholder will not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holders of a Warrant. The Warrantholder will not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holders of the Warrants.</p>
Nomination and appointment of senior adviser	<p>Subject to compliance with the applicable laws and the Listing Rules:</p> <ul style="list-style-type: none"> (a) the Initial Warrantholder shall have the right during the Exercise Period to nominate one person to serve as the position of senior adviser of the Issuer by giving notice in writing to the Issuer; (b) the Issuer shall undertake to use its reasonable endeavours to convene a meeting of the Board for the appointment of the person nominated by the Initial Warrantholder, provided that (i) such person shall be suitable for acting in the position of senior adviser, as determined by the Board in good faith and to the extent required by applicable laws and regulations; and (ii) such appointment shall be subject to the execution of a contract between the Issuer and such person, setting out the terms and conditions of such engagement, including duties, responsibilities, remuneration (if any), and duration of appointment, in accordance with the Issuer's corporate governance requirements. <p>PROVIDED THAT: (i) the right of nomination under this warrant instrument condition shall only be available to the Initial Warrantholder, for so long as the Initial Warrantholder is the holder of any Warrant; and (ii) for the avoidance of doubt, no subsequent Warrantholder, nor any transferee of the Warrant (whether in whole or in part), shall be entitled to exercise the rights under this warrant instrument condition.</p>
Listing	<p>No application will be made for the listing of the Warrant on the Stock Exchange or any other stock or securities exchange.</p>

3. REASONS FOR AND BENEFITS OF THE ISSUE OF THE WARRANT AND INTENDED USE OF PROCEEDS

The issuance of the Warrant to the Subscriber, PM Partners I LP, is a strategic decision by the Company aimed at incentivising the Subscriber to assist the Company in attracting investments. The Directors believe that the fulfillment of the Exercise Condition, which requires the Subscriber to procure Qualified Investments of at least US\$100 million or equivalent within three years from the date of issuance of the Warrant, will significantly enhance the Company's financial position. Such investments are expected to provide much-needed capital for the Issuer's operations, improve liquidity, and strengthen the Company's ability to pursue its long-term business strategy and growth objectives.

The rise of slow fashion and customization saw a corresponding decline in fast fashion in 2024, as more consumers gravitated towards slow fashion and customization. Consumers began to prioritize quality over quantity, resulting in some of our major customers to adopt made-to-order models. Furthermore, geopolitical tensions and supply chain disruptions in recent years led our customers to explore nearshoring and reshoring options. Our customers may source closer to home reduced lead times and reliability. Nearshoring, particularly in the United States and within the EU, allow customers to respond more quickly to consumer demands and changing fashion trends. The above factors coupled with the recent tariffs imposed by the United States government would lead to more intense competition from suppliers of other countries and also lead to price reductions and reduction in our profit margin.

Having considered the fact that (i) competition in its business is getting more intense; and (ii) the previous diversification initiatives, such as the expansion into factory subleasing in 2019 and the acquisition of businesses in fabric care, personal hygiene, and home care products in 2022 have produced limited returns on investment, the Company is looking forward to having a breakthrough on its business development by entering into this subscription agreement whereby the Subscriber shall procure promising business opportunities with an aggregate Value of Qualified Investments of US\$100 million, which may be provided in either cash or assets of equivalent value. The Company will comply with the relevant Listing Rules as and when appropriate. The threshold for the Qualified Investment of US\$100 million was established through an arms' length negotiation between the Company and the Subscriber, taking into account (i) the size of investment targets that the Subscriber is confident can be procured; and (ii) the value of investments that Company is capable of making considering its resources such as its expected borrowing power and issuance of the new consideration Shares which may be used to settle considerations for the Qualified Investments.

In particular, the Board considers that the current total liabilities to assets ratio of 12.81% (calculated based on the total borrowings, divided by the total assets of the Group as at 31 December 2024) and the estimated total liabilities to assets ratio of 68.3% (assuming the Qualified Investments of US\$100 million entirely financed by borrowings and the total liabilities and assets of the Group enlarged by US\$100 million), the Board is in the view that the Company can sustain an acceptable total liabilities to assets ratio that effectively balances risk and opportunity and within the range of industry averages of various sectors. If the Qualified

Investments of US\$100 million are entirely settled by the issuance of consideration shares, it will enhance the equity base of the Company which will further support investments and growth. This makes the threshold a prudent target aligned with the Company's financial capabilities and strategic goals.

The Directors are of the view that setting the US\$100 million threshold is a strategic move that demonstrates confidence in the Company's growth potential and the ability to attract substantial investments. The Directors is committed to transparency and accountability, and it views this threshold as a catalyst for enhancing shareholder value while maintaining a prudent approach to financial and operational risks. The Company is confident that this decision will foster a positive environment for collaboration with the Subscriber and ultimately contribute to the Company's long-term success.

By considering these factors, the Directors are assured that the US\$100 million threshold is both prudent and beneficial for the Company and its stakeholders, reinforcing its commitment to responsible governance and strategic foresight.

In respect of the Qualified Investments, the Company had expressed its preference to the Subscriber that the investment plan should involve the injection of cash and/or strategic assets that are aligned with or related to the Company's business model and long-term development strategies. While in principle, the Company welcomes investments that increase shareholders' value, the Company had in particular indicated that it welcomes investments in intellectual property ("IP") assets, including (1) licensing or acquisition of well-known entertainment characters that can be used in the Company's cosplay costume designs and related merchandise, or (2) acquisition of IP developers or owners with robust portfolios of diverse IP assets; encompassing sectors such as:

- Toys Sector, including blind box collectibles designers and operators specializing in designer toys and collectibles;
- Gaming Sector, including digital entertainment platforms developing, publishing and distributing mobile games through applications and websites; and
- Animation Sector, including content production studios and animation developers creating original animated series, films, and digital content with strong character IP portfolios for multi-platform distribution and licensing opportunities.

The relevant details of Qualified Investments in the abovementioned sectors are as below:

	Toys Sector	Gaming Sector	Animation Sector
Business Model	Core Offering: <ul style="list-style-type: none"> Designer toys and collectibles, including blind box series featuring original and licensed characters. 	Core Offerings: <ul style="list-style-type: none"> Development and publishing of mobile games across various genres (e.g., action, strategy, RPG). Distribution through app stores and web platforms. 	Core Offerings: <ul style="list-style-type: none"> Original animated series and films for children and family audiences. Digital content, including short animations and web series. Licensing of character IPs for merchandise and collaboration.
	Revenue Streams: <ul style="list-style-type: none"> Direct Sales: E-commerce and retail store sales. Wholesale: Distribution to third-party retailers. IP Collaborations: Revenue from licensing agreements and co-branded products. 	Revenue Streams: <ul style="list-style-type: none"> In-App Purchases: Revenue from players buying virtual goods or currency. Advertising: Income from ad placements within free-to-play games. Direct Sales: Revenue from selling mobile games. Subscription Services: Monthly fees for premium content or ad-free experiences. 	Revenue Streams: <ul style="list-style-type: none"> Content Sales: Direct sales of animated series and films to broadcasters and streaming platforms. Licensing Fees: Revenue from licensing character IPs for merchandise and collaborations. Merchandising: Sales of products featuring character IPs. Advertising Revenue: Income from ads on digital content platforms.
	Marketing Strategy: <ul style="list-style-type: none"> Social Media Campaigns: Engage consumers through social media platforms. Influencer Partnerships: Collaborate with influencers to promote new releases. Limited Editions: Create urgency with exclusive drops and limited runs. 	Marketing Strategy: <ul style="list-style-type: none"> Social Media Campaigns: Engage users through social media platforms. Influencer Partnerships: Collaborate with gaming influencers to promote new titles. Community Engagement: Foster online communities through forums and social media. 	Marketing Strategy: <ul style="list-style-type: none"> Social Media Campaigns: Engage audiences on social media platforms. Content Promotion: Utilize trailers, teasers, and behind-the-scenes content to build anticipation. Community Engagement: Foster a fan community through interactive content and events.
	Distribution Channels: <ul style="list-style-type: none"> E-commerce Platform: Direct-to-consumer sales through a dedicated website. Retail Partnerships: Collaborations with specialty toy stores and large retailers. Pop-Up Events: Engage consumers at conventions and fairs. 	Distribution Channels: <ul style="list-style-type: none"> App Stores: Major mobile phone application platforms. Web Platforms: Direct distribution through a branded website. Partnerships: Collaborate with third-party distributors for broader reach. 	Distribution Channels: <ul style="list-style-type: none"> Streaming Platforms: Partner with platforms like Netflix, Disney+, and local services. Television Networks: Sell content to traditional broadcasters. Merchandising Partners: Collaborate with toy and apparel manufacturers for character products.
Financing plan	Qualified Investments will be funded through debt financing with external financial institutions, equity financing or internal resources, or a combination of the above measures.		

	Toys Sector	Gaming Sector	Animation Sector
Estimated Investment	The maximum number of Qualified Investments is expected to be four, with each individual investment estimated to fall within the range of US\$10 million to US\$50 million, subject to factors including but not limited to the scale, quality of intellectual property assets, brand strength, financial performance and operational characteristics of the respective investee companies.		
Prospects	<p>Market Growth:</p> <ul style="list-style-type: none"> The global designer toy and collectibles market continues to show strong growth momentum, driven by increasing consumer interest in collectible items and the popularity of blind box formats. <p>Target Audience:</p> <ul style="list-style-type: none"> Primarily millennials and Gen Z consumers, with growing appeal across various age demographics. <p>Core Competence:</p> <ul style="list-style-type: none"> Focus on innovative designs, strategic IP collaborations, and effective community engagement to differentiate from competitors. 	<p>Market Growth:</p> <ul style="list-style-type: none"> The mobile gaming industry demonstrates robust expansion potential, supported by widespread smartphone adoption and increasing user engagement globally. <p>Target Audience:</p> <ul style="list-style-type: none"> Primarily targeting millennials and Gen Z gamers, with potential for older demographics as well. <p>Core Competence:</p> <ul style="list-style-type: none"> Focus on innovative gameplay, high-quality graphics, and engaging narratives to differentiate from competitors. 	<p>Market Growth:</p> <ul style="list-style-type: none"> The animation content market is expected to show strong growth trajectory, driven by increasing demand for animated content across multiple distribution platforms and formats. <p>Target Audience:</p> <ul style="list-style-type: none"> Primary focus on children and family audiences, with potential expansion to adult demographics through diverse content genres. <p>Core Competence:</p> <ul style="list-style-type: none"> Strong character IP portfolios and high-quality animation production can differentiate the business in a crowded market.
Evaluation Factors	<p>Market Assessment:</p> <ul style="list-style-type: none"> Comprehensive evaluation of target market size, growth potential, consumer demand trends, and competitive landscape to ensure viable investment opportunities and sustainable market positioning. <p>IP Assets Quality:</p> <ul style="list-style-type: none"> Assessment of intellectual property value, exclusivity rights, brand recognition potential, licensing opportunities, and commercial viability to maximize long-term value creation. <p>Strategic Alignment:</p> <ul style="list-style-type: none"> Evaluation of how each potential investment aligns with the Company's existing business model, core competencies, strategic objectives, and ability to create synergies with current operations. <p>Financial Viability:</p> <ul style="list-style-type: none"> Analysis of revenue potential, cost structure, profitability projections, return on investment expectations, and funding requirements to ensure sound financial performance. <p>Operational Capabilities:</p> <ul style="list-style-type: none"> Review of management team expertise, operational infrastructure, production capabilities, quality control systems, and scalability potential for sustainable growth. <p>Risk Assessment:</p> <ul style="list-style-type: none"> Evaluation of market risks, regulatory compliance requirements, intellectual property risks, operational challenges, and mitigation strategies to protect investment value. <p>Value Creation Potential:</p> <ul style="list-style-type: none"> Assessment of potential for enhancing shareholder value through revenue diversification, market expansion opportunities, brand enhancement, and long-term competitive advantages. 		

These preferred areas of investments which are consistent with the Company's principal business strategies as disclosed in the annual report of the Company for the year ended 31 December 2024. While each sector operates with distinct business models, they collectively form a strategically synergistic ecosystem that amplifies the Company's competitive advantages and long-term viability. The integration of the Company's investments in these sectors is designed to general common potential synergies that may strengthen the Company's core competitiveness and position it for sustainable growth include:

1. **Vertical Integration Opportunities:** Character IP developers' collaboration with the Company's R&D team to transform imaginative concepts into commercially viable product designs. Such an integration could enable seamless incorporation of character IPs into diverse product lines, maximizing market potential and driving brand engagement across toys, collectibles, apparel and accessories.
2. **Enhanced Product Innovation and Differentiation:** High-value, commercially validated gaming and animation franchises enabling effective merchandise differentiation and support cross-media exploitation. These proprietary IP assets could drive innovation in the Company's products such as cosplay costumes, wigs, personal hygiene and home care products, establishing competitive barriers and solidifying market leadership.
3. **Diversification and Expanded Market Reach:** Acquired IP portfolios enabling the Company to expand beyond traditional product manufacturing and tap into new business including content licensing, merchandise development, and multi-platform distribution. This diversification could create additional revenue channels while reducing dependency on a single revenue stream, positioning the Company to capture value across the entire IP ecosystem and poised for sustainable growth.
4. **Enhanced Brand Portfolio and Premium Market Positioning:** Aligning the Company's brand with recognized IPs to enhance its credibility and prestige within the marketplace. This strategic association could enable the Company to command premium pricing and drive higher sales volumes. Such partnerships could foster customer loyalty and bolster brand recognition, establishing a strong emotional connection with consumers. An elevated brand presence may allow the Company to penetrate new markets effectively, attract diverse customer segments, and cultivate long-term relationships with clients. Ultimately, this enhanced brand perception could facilitate the Company's ability to navigate competitive environments successfully and improve overall profitability.

In summary, all potential Qualified Investments that we seek target to increase long term shareholder value.

Accordingly, the Exercise Condition was structured to ensure that the Warrants would only become exercisable upon the Subscriber delivering meaningful strategic value to the Company.

PM Partners I LP is a limited partnership registered in the British Virgin Islands and an affiliate of PAG Pegasus Fund LP (“**PAG Pegasus**”). PAG Pegasus is an institutional investor with an extensive and proven track record of successful investments across Asia and the global markets. PAG Pegasus is an affiliate of PAG, one of the leading alternative asset investment firms focussed on APAC with three core strategies: Credit & Markets, Private Equity, and Real Assets. PAG Pegasus is founded and managed by Mr. Jack Li. PAG Pegasus operates as a hybrid investment platform, specialising in both public and private market opportunities across the capital structure in Asia and globally. By leveraging PAG Pegasus’s institutional expertise across primary and secondary markets, PAG Pegasus provides access to unique investment opportunities and delivers significant value to its investment partners and portfolio companies.

The Directors are confident that the issuance of the Warrant, on these terms, provides an efficient and effective structure to align the Subscriber’s interests with those of the Company. By issuing the Warrant at a nominal value of HK\$1 and tying its exercisability to the successful fulfillment of the Exercise Condition, the Company minimises upfront dilution while securing a strong commitment from the Subscriber. Upon satisfaction of the Exercise Condition, the anticipated investments will improve the Issuer’s financial position and enhance its credibility, opening doors to additional collaborations and investment opportunities.

It is the Subscriber’s request that it should be given the nomination right of senior advisor for the Company to maintain a regular communication channel between the Subscriber and the Board on corporate and financial matters. The Subscriber’s rationale is to leverage its expertise and professional network to nominate a suitable, qualified and trusted advisor to advise the Company on corporate and financial matters, such as equity-related transactions, investment opportunities, and long-term capital planning. The Subscriber believes such nomination would enable the Company to access to appropriate professional advice which will be beneficial to the Company’s investment.

The Company is of the view that this request is fair and reasonable for the Company, considering that (i) such nomination right enables the Company to access to the professional advice of senior advisor; (ii) the costs of senior advisor will be borne by the Subscriber; (iii) the Company is at liberty to determine whether to follow the advice of senior advisor nominated by the Subscriber or not; and (iv) the Company may also appoint another external advisor for second opinion if and when it deems necessary. Therefore, the Company does not object to the Subscriber’s request to have the nomination right of senior advisor.

The main role of the senior advisor is to advise on corporate and financial matters, including equity-related transactions, investment opportunities, and long-term capital planning.

The Company will consider whether to invite the senior advisor to attend the Board meeting on case-by-case basis, taking into account whether input from the senior advisor is helpful to assist the Board to understand the particular matters. In particular, the Company may consider inviting the senior advisor to explain to the Board on potential M&A opportunities, fund raising related activities or certain technical aspects of the corporate and financial matters

and to offer input and help the Board to understand certain strategic initiatives and investment and growth objectives of the Company.

Basis of determination of the Exercise Price

The Exercise Price of the Warrant has been set at HK\$0.09, representing a discount of approximately 10% to the closing price of HK\$0.10 per Share as quoted on the Stock Exchange on the date of the Warrant Subscription Agreement. The Directors believe that this pricing is fair and reasonable, taking into account (1) the share price performance of the Issuer over the past 12 months; and (2) the valuation of the Warrant.

The Issuer's share price for the 12 months immediately before the date of the Warrant Subscription Agreement has demonstrated fluctuations, with the price generally ranging between HK\$0.048 and HK\$0.154. The Exercise Price of HK\$0.09 is within this range and reflects a balanced approach that aligns the pricing with recent trading levels while providing a modest discount to incentivise the Subscriber.

In determining the Exercise Price, the Company reviewed the closing price performance of the Shares over the 12-month period preceding the date of the Warrant Subscription Agreement. During this period, the Shares traded within a range of approximately HK\$0.048 to HK\$0.154, with the majority of trading activity concentrated between HK\$0.07 and HK\$0.12. The average closing price over the 12-month period was approximately HK\$0.0945. The Exercise Price of HK\$0.09 represents a modest discount of approximately 4.8% to this 12-month average. The Directors consider this discount to be reasonable, as it strikes a balance between providing a modest incentive to the Subscriber and reflecting recent trading levels. The pricing remains well within the historical trading band and is consistent with market practice for fund raising exercise utilising general mandate which involves modest discount to the subscription price or exercise price of shares.

The Company also took into account the broader market conditions and investor sentiment for small and mid-cap issuers listed on the Stock Exchange. In light of heightened market volatility, investor risk aversion, and generally tighter fundraising conditions, the Exercise Price was set at a level that reflects a realistic and market-aligned valuation while still offering a modest incentive to the Subscriber to commit to the investment structure.

The Directors acknowledge that the Warrant has an intrinsic value, given that the Exercise Price of HK\$0.09 is lower than the closing price of HK\$0.10 per Share, and that upon full exercise of the Warrant, a maximum of 354,652,624 Shares shall be issued by the Company. However, the nominal issue price of the Warrant at HK\$1 is justified for the following reasons:

1. Unlike ordinary warrant issuances that are typically priced at market rates, this Warrant is structured as an incentive mechanism where its exercisability is tied to the fulfillment of the Exercise Condition. The Subscriber will only be able to realize value from the Warrant if and when it successfully procures investments of at least US\$100 million or equivalent for the Issuer. Therefore, the warrant issuance structure shall mitigate undesirable dilution risks by ensuring that Shares are issued only in exchange for significant capital inflows into the Company. Issuing the Warrant at a nominal consideration of HK\$1 allows the Company to secure a binding commitment from the Subscriber to procure at least US\$100 million or equivalent in Qualified Investments, without the Company needing to immediately issue additional equity or incur debt obligations. The Company shall benefit from the warrant issuance by leveraging the Subscriber's expertise and network to attract substantial third-party investments, ensuring that capital inflows are strategic, value-driven, and aligned with the Company's long-term business objectives.
2. Upon full exercise of the Warrant, the Company stands to receive proceeds equivalent to HK\$31.92 million (HK\$0.09 per Share x 354,652,624 Shares), contingent on the US\$100 million or equivalent investment commitment. This represents a substantial capital inflow that significantly outweighs the nominal HK\$1 issue price, ensuring a net positive financial impact on the Company. This capital can be deployed to expand the Issuer's principal business, enhance product offerings, strengthen market position, and create long-term value for Shareholders.

Framework in determining and assessing suitability of candidate as senior adviser

As indicated in the terms of the Warrant instrument, to facilitate the fulfillment of Exercise Condition, the Subscriber shall have the right, as it sees fit, to nominate a person as the senior adviser of the Company.

The Company has established a framework based on objective and governance-driven criteria to ensure that the nominated individual is appropriate for the role and capable of fulfilling the responsibilities expected of the position. Specifically, the Board will assess the suitability of the nominee against the following considerations:

1. Professional Experience and Expertise – The nominee should have demonstrable experience in investment, finance, corporate development, or related fields, particularly with respect to capital raising, deal sourcing, and investor relations. Prior track record of securing third-party investments or involvement in corporate transactions will be considered favourably.
2. Relevance to the Issuer's Business – The nominee should possess knowledge or insight that is relevant to the Company's principal business activities, strategic priorities, or target investor base.

3. Reputation and Integrity – The nominee must be of good character and reputation, and must not have any record of regulatory sanctions, bankruptcy, criminal conviction (especially relating to fraud or dishonesty), or any other circumstances that would raise governance or reputational concerns.

The Board will consider these criteria in good faith and in line with its fiduciary duties to the Company and its shareholders. Where the nominee meets the above standards, the Company will approve the appointment and enter into a contract setting out the scope, expectations, and terms of the adviser's role.

The senior adviser will act as a strategic adviser to the Board and senior management of the Company, with a particular focus on assisting the Company in securing Qualified Investments in line with the Exercise Condition attached to the Warrant. The senior adviser is expected to provide expertise in business development, investment strategy, and investor engagement, leveraging their industry knowledge and network to support the Company's capital raising efforts.

The Senior Adviser will advise on corporate and financial matters, including equity-related transactions, investment opportunities, and long-term capital planning. The Company will consider whether to invite the senior advisor to attend the Board meeting on case-by-case basis, taking into account whether input from the senior advisor is helpful to assist the Board to understand the particular matters. In particular, the Company may consider inviting the senior advisor to explain to the Board on potential M&A opportunities, fund raising related activities or certain technical aspects of the corporate and financial matters and to offer input and help the Board to understand certain strategic initiatives and investment and growth objectives of the Company.

The appointment is governed by a letter of appointment which outlines the scope of duties, including participation in investor relations activities and ongoing advisory support to management. Furthermore, the senior adviser is also subject to duties of confidentiality equivalent to the standard applicable to the directors and senior management of the Company.

Pursuant to the appointment letter to be entered into between the Company and the senior advisor, (i) the senior advisor shall maintain confidentiality for all the information relating to the Group and (ii) the senior advisor shall agree to be treated as insider and not to deal in the Shares whenever the senior advisor possesses any non publicly disclosed inside information of the Group. Further, the Company shall ensure that it will not provide any inside information of the Group to the senior advisor. The Company and the senior advisor will comply the disclosure of inside information under section 307A(1) of Part XIVA the Securities and Futures Ordinance (Cap. 571) (SFO), the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission and the insider dealing under sections 270 and 291 of SFO.

As confirmed by the Subscriber, such person is expected to be Mr. Jack Li, who shall receive nil remuneration, to serve in the position of senior adviser at the Company for a term of 3 years until the end of the Exercise Period. The Directors believe that the proposed appointment shall bring significant strategic benefits. Mr. Jack Li is a Partner at PAG. He founded PAG Pegasus Fund in 2021 and co-founded NASDAQ-listed Gobi Acquisition Corp where he served as CEO, CFO, and director. Mr. Li joined PAG in 2010 as a founding member of PAG's private equity strategy. Prior to PAG, Mr. Li worked as an Associate in the special situations team at Merrill Lynch, responsible for sourcing, evaluating, negotiating, and managing investments in the debt and equities of public and private companies globally. Mr. Li holds bachelor's degrees in Economics and East Asian Studies from The Johns Hopkins University, a master's degree in Finance from the University of Cambridge, and an MBA from Harvard Business School. He is a CFA Charterholder. With a strong background in identifying and executing high-value investment opportunities, Mr. Li has been instrumental in sourcing, executing, and managing investments across a broad range of industries. Given his proven track record and expertise, if Mr. Li shall be appointed as the senior adviser of the Company, it will enhance the Company's ability to develop its principal business, strengthen financial strategies, and create long-term shareholder value.

Parameter in assessing fulfilment of Exercise Conditions

The Company intends to apply a clear, fair, and objective framework in making such assessment. In particular, the Company will evaluate whether the proposed investment(s) satisfy the following key criteria:

1. Form of Investment – The investment must involve a bona fide subscription for new securities of the Company (including shares, convertible instruments, bonds, etc.) or a contribution of assets that are capable of being monetised or used in the Company's operations, in each case in compliance with the Company's constitutional documents, applicable laws, and the Listing Rules.
2. Investor Credibility – The Board will consider the background, reputation, and source of funds of the proposed investors, to ensure credibility of the investors.
3. Valuation and Documentation – The value of the investment must be supported by documentation satisfactory to the Company. For non-cash asset contributions, the value must be supported by an independent valuation where required by applicable laws or the Listing Rules. All investment transactions must be properly documented, and any necessary shareholder or regulatory approvals must be obtained.

4. Formal Board Approval – The Company will only deem the Exercise Condition fulfilled if the above conditions are met and the investment is formally accepted and approved by the Company's board of directors. This ensures that the process is overseen by appropriate corporate governance measures and that the Directors act in accordance with their fiduciary duties.

Upon entering into the Warrant Documents with the Subscriber and appointing the senior adviser nominated by the Subscriber, the Subscriber will use reasonable commercial endeavours to secure the Qualified Investments for the Group. Furthermore, to incentivize the Subscriber, the Company does not anticipate collaborating with other parties for fund raising activities over the next 18 months, which represents half the duration of the Minimum Investment Deadline.

Given (1) the hurdles and uncertainties for meeting the US\$100 million target and fulfilling the Exercise Conditions; (2) the senior advisor will not be paid any remuneration for the position; and (3) even if the Exercise Conditions may be met, there presents regulatory uncertainties in respect of potential deemed listing, the Company is of the view that it is reasonable to provide a modest discount in respect of the Exercise Price of the Warrants in order to incentivise the Subscriber to meet the Exercise Conditions, which will eventually significantly improve the net asset value of the Company with the injection of assets and cash.

Having considered the reasons and benefits set out above, the Directors are of the view that the terms and conditions of the Warrant Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Use of proceeds

Upon Completion, and assuming full exercise of the subscription rights attaching to the Warrant, the estimate gross proceeds and net proceeds (after deducting other related expenses and professional fees) from the Warrant Subscription will amount to approximately HK\$31.9 million and HK\$31.5 respectively. The Company intends to use the net proceeds in the following manner:

- (i) approximately 60% for enhancing the production capabilities and market reach of wigs and clothing business segment of the Company;
- (ii) approximately 20% for enhancing the production capabilities and market reach of the business segment of fabric care, personal hygiene, and home care products; and
- (iii) approximately 20% for the general working capital of the Group.

The Company intends to utilise approximately HK\$18.95 million, representing 60% of the net proceeds, to enhance the production capabilities and market reach of its wigs and clothing business segment, which forms a core part of the Group's operations. As disclosed in the circular dated 13 February 2025, the Company is currently undertaking a construction project in Yichun City, PRC, which includes the development of new production lines to increase capacity and operational efficiency. The total construction cost for the project is approximately RMB86.2 million, of which a portion has already been satisfied by internal resources and proceeds from a previous fundraising exercise (VSD). The remaining funding gap of approximately RMB22.3 million is expected to be partially covered by the proceeds from the exercise of the Warrant. The Company expects the net proceeds from the exercise of the subscription rights attaching to the Warrant relating to expansion of production capabilities to be utilized within a period of two years from 2026, while the net proceeds for other aspects are expected to be utilised within 2 years after the exercise of such subscription rights.

The Company intends to allocate approximately HK\$6.32 million (20% of the net proceeds) shall be utilized for enhancing the fabric care, personal hygiene, and home care products segment. This includes:

- a. Upgrading production lines through automation, to improve throughput and reduce dependency on manual labour, as well as adopting data-driven tools and analytics in the production process to enhance quality control, inventory efficiency, and responsiveness to market demand (HK\$3 million); and
- b. Marketing initiatives and brand-building efforts, including participation in industry exhibitions and digital marketing campaigns (HK\$3.32 million) to improve customer reach and channel development, both online and offline.

The Company intends to allocate approximately HK\$6.32 million (20% of the net proceeds) towards general working capital. This allocation is broken down as follows:

- a. HK\$2.21 million for staff costs, including salaries and related welfare expenses to retain and support core employees across production, operations, and management teams;
- b. HK\$2.53 million for raw materials and input costs associated with the manufacture of the Group's products, helping to ensure stable supply in response to order growth; and
- c. HK\$1.58 million for day-to-day operating expenses, including utilities, logistics, equipment maintenance, and administrative overhead.

If the Directors consider appropriate, the proceeds may also be applied to potential new business or assets that may be brought into the Company by the Subscriber from time to time.

The expected timing of use of proceeds is upon the exercise of the Warrant by the Subscriber. In the event where the Warrant is not exercised, the Group shall not rule out the possibility of raising new capital by alternative fund raising methods if the subscription rights attaching to the Warrant is not exercised.

4. EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately prior to the date of this circular.

5. EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had a total of 1,807,263,120 Shares in issue. For illustration purposes only and assuming that there will be no further changes in the issued share capital of the Company prior to exercising of the Warrant and no adjustment to the Exercise Price, set out below are the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon exercising of the subscription rights attaching to the Warrant in full:

	As at the Latest Practicable Date		Immediately upon exercising of the subscription rights attaching to the Warrant in full	
	Number of Shares (Note 1)	Approx. %	Number of Shares (Note 1)	Approx. %
The Subscriber	–	–	354,652,624	16.40%
Master Professional Holdings Limited (Note 2)	421,859,000	23.34%	421,859,000	19.51%
Mr. Teng Hao (Note 3)	2,500,000	0.14%	2,500,000	0.12%
Mr. Xu Chengwu (Note 4)	8,000,000	0.44%	8,000,000	0.37%
Mr. Li Bin	168,561,000	9.33%	168,561,000	7.80%
Other Public Shareholders	1,206,343,120	66.75%	1,206,343,120	55.80%
TOTAL	1,807,263,120	100.00%	2,161,915,744	100.00%

Notes:

1. The Company has outstanding options granted under the Share Option Scheme to subscribe for 35,200,000 Shares as at the date of this circular.
2. As at the Latest Practicable Date, Master Professional Holdings Limited is 100% beneficially owned by Mr. Chen Shucai.
3. Mr. Teng Hao is the chairman and an executive Director of the Company.
4. Mr. Xu Chengwu is the Chief Executive Officer and an executive Director of the Company.

5. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

Undertaking by Master Professional Holdings Limited and Mr. Li Bin

On 26 March 2025, Master Professional Holdings Limited and Mr. Li Bin, being the substantial shareholders of the Company, have given an undertaking in favour of the Subscriber, whereby Master Professional Holdings Limited and Mr. Li Bin shall undertake not to withdraw, transfer, assign, dematerialise, re-materialise, grant any rights or create any further security over or otherwise deal with the Shares until three years from the date of the undertaking, any of the Warrants have been exercised by the Subscriber, or the prior written consent of the Subscriber, whichever is earlier.

6. INFORMATION OF THE PARTIES

The Company is a company incorporated in the Cayman Islands with limited liability.

The Group is principally engaged in the design, research and development, production, selling and marketing of cosplay products (including cosplay costumes and cosplay wigs), non-cosplay apparels which include mainly sexy lingerie, and fabric care, personal hygiene and home care products, and leasing of factory premises in the PRC.

The Subscriber, PM Partners I LP is a limited partnership registered in the British Virgin Islands and an affiliate of PAG Pegasus. PAG Pegasus is an institutional investor with an extensive and proven track record of successful investments across Asia and the global markets. PAG Pegasus is an affiliate of PAG, one of the leading alternative asset investment firms that focuses on APAC with three core strategies: Credit & Markets, Private Equity, and Real Assets. PAG Pegasus is founded and managed by Mr. Jack Li. PAG Pegasus operates as a hybrid investment platform, specialising in both public and private market opportunities across the capital structure in Asia and globally.

To the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the Warrant Subscription Agreement and the transactions contemplated thereunder (including without limitation, the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants and the Specific Mandate), and is required to abstain from voting on the resolutions to approve the aforesaid matters at the EGM.

7. IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be allotted and issued upon exercise of the Warrant must not, when aggregated with all other equity securities remain to be issued on the exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrant is issued. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the Latest Practicable Date, the Company has no outstanding warrant and there are no equity securities of the Company with subscription rights outstanding and not yet exercised and which are required to be aggregated with the Warrant Shares in accordance with Rule 15.02(1) of the Listing Rules.

A total of up to 354,652,624 Warrants are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants at the Exercise Price, a total of up to 354,652,624 Warrant Shares will be allotted and issued represents (i) approximately 19.62% of the total number of issued shares of the Company as at the Latest Practicable Date; and (ii) approximately 16.40% of the total number of issued shares of the Company as enlarged by the allotment and issue of the Warrant Shares upon full exercise of the Subscription Rights attaching to the Warrant assuming there being no other changes in the issued share capital of the Company.

As mentioned in Warrant Instrument, the Qualified Investment must comply with all applicable Laws and the Listing Rules and therefore will be subject to the requirements of Rule 15.02(1). The Company will maintain or instruct its Hong Kong branch share registrar to maintain a register for the Warrant holders and monitor the number of warrant shares such that it would exceed the threshold under Rule 15.02(1). The Company is also considering to do a share consolidation after the issuance of the Warrant so there will be room for adjustment and issuing new warrant shares which would not exceed the limit under Listing Rule 15.02(1).

Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

8. PROPOSED SHARE CONSOLIDATION

The Board is considering a proposed share consolidation in the view that the Shares had been traded at below HK\$0.10 in the past three months (based on the closing price per Share as quoted on the Stock Exchange). An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the consolidated shares in the share capital of the Company immediately after the proposed share consolidation becoming effective. Details of a proposal on the proposed share consolidation will be announced as and when appropriate.

9. EGM

The EGM will be convened and held on Friday, 15 August 2025 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the Warrant Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants; and (b) the Specific Mandate).

According to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the EGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution

which relates purely to a procedural or administrative matter to be voted on by a show of hands and an announcement on the results of the poll will be made after the EGM pursuant to Rule 13.39(5) of the Listing Rules.

No Directors were required to abstain from voting on the Board resolution(s) regarding the Warrant Subscription Agreement and the transactions contemplated thereunder.

10. ACTIONS TO BE TAKEN

A form of proxy for use by the Shareholders at the EGM is enclosed in this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Such form of proxy for use at the EGM is also published on the website of the Stock Exchange at www.hkexnews.hk. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

11. RECOMMENDATION

The Board considers that the Warrant Subscription Agreement was entered into on normal commercial terms after arm's length negotiation and the terms of the Warrant Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of the proposed ordinary resolution(s) to approve the Warrant Subscription Agreement and the transactions contemplated thereunder at the EGM.

12. WARNING STATEMENT

Shareholders and potential investors of the Company shall note that in the event the transaction(s) or a series of transactions and/or arrangements pertaining to the Qualified Investments (the "Potential Transactions"), the aggregate value of which may potentially amount to US\$100 million or more, are materialised, the Potential Transactions may, base on the size of the Potential Transactions relative to the size of the Company, be considered by the Stock Exchange as a reverse takeover or transactions that attempt to achieve listing of acquisition targets. The Potential Transactions MAY OR MAY NOT PROCEED, and their structure, terms, and commercial feasibility remain subject to further review by the Company, and vetting by the regulators. If the Potential Transactions are considered reverse takeover or deemed listing by the Stock Exchange, the Company shall comply with the relevant rules under the Listing Rules and the Takeovers Code as appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular and the notice convening the EGM.



By order of the Board
China Partytime Culture Holdings Limited
Teng Hao
Chairman