

AMASSE CAPITAL

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14 November 2025

To: The Independent Shareholders and the Independent Board Committee

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF SEVEN (7) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue and the transactions contemplated thereunder. Details of the aforesaid transactions are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 14 November 2025 (the “**Circular**”), of which this letter form part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Rights Issue

The Company proposes to implement the Rights Issue on the basis of seven (7) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.14 per Rights Share, to raise gross proceeds of up to approximately HK\$182.0 million by issuing up to 1,299,962,832 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) to the Qualifying Shareholders.

Assuming the Rights Issue is fully subscribed, the estimated net proceeds of the Rights Issue will be approximately HK\$176.5 million (assuming no change in the number of Shares in issue on or before the Record Date).

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any). The Qualifying Shareholders are entitled to apply for the Rights Shares in excess of their respective entitlements under the Rights Issue.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within 12 month period immediately preceding the date of the Announcement, the Rights Issue is subject to the approval of the Shareholders at the SGM 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 at the SGM.

As at the Latest Practicable Date, the Company does not have any controlling Shareholder as defined under the Listing Rules. Accordingly, Ms. Wang, being the Executive Director, the Chief Executive Officer and Chairlady of the Board, holds 37,392,913 Shares through Peak Access as at the Latest Practicable Date, therefore shall abstain from voting in favour of the relevant resolution relating to the Rights Issue at the SGM in accordance with Rule 7.27A(1) of the Listing Rules. No other Directors are interested in the Shares as at the Latest Practicable Date.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, save for disclosed above and as at the Latest Practicable Date, no other Shareholder is required or indicated his/her intention to abstain from voting on the relevant resolution to approve the proposed Rights Issue at the SGM.

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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the Independent Non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and Shareholders as a whole and to advise the Independent Shareholders on how to vote at the SGM in respect of the Rights Issue. We, Amasse Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders for any transaction.

With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others, (i) the annual report (the “**2024 Annual Report**”) of the Company for the year ended 31 December 2024 (“**FY2024**”), the interim report (the “**2025 Interim Report**”) of the Company for the six months ended 30 June 2025 (“**HY2025**”) in relation to the information of the Group; (ii) the information contained or referred to in the Circular; and (iii) relevant public information. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. 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 advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Rights Issue. We have reviewed and discussed with the Company on the information provided as well as sought and received confirmation from the Management that all information and representations provided to us by the Management are true, accurate, complete and not misleading in all respects at the time they were made and as at the Latest Practicable Date. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that 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 in the Circular 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 consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Rights Issue or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue and the transactions contemplated thereunder. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity

or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Rights Issue, we have considered the following principal factors and reasons:

1. Information on the Group

1.1 Principal business of the Group

The Group is principally engaged in manufacturing and trading of toys (the “**Toys Division**”) and the plantation and sales of agricultural products.

1.2 Financial information of the Group

Set out below is the summary of the Group's (i) audited financial performance for the year ended 31 December 2023 ("FY2023") and FY2024 as extracted from the 2024 Annual Report; and (ii) unaudited financial performance for the six months ended 30 June 2024 ("HY2024") and HY2025 as extracted from the 2025 Interim Report:

	HY2025 <i>HK\$'000</i> (unaudited)	HY2024 <i>HK\$'000</i> (unaudited)	FY2024 <i>HK\$'000</i> (audited)	FY2023 <i>HK\$'000</i> (audited)
Revenue	148,376	191,131	515,908	523,262
Gross (loss)/profit	(10,035)	4,070	12,803	39,266
Loss before tax	(38,349)	(26,709)	(69,437)	(22,998)
Loss for the period/year	(38,349)	(26,725)	(73,762)	(29,361)
<i>Attributable to:</i>				
Owners of the Company	(38,302)	(26,565)	(73,026)	(28,650)
Non-controlling interests	(47)	(160)	(736)	(711)

HY2025 vs HY2024

For HY2025, the Group recorded revenue of approximately HK\$148.38 million, representing a decrease of 22.37% as compared to that of approximately HK\$191.13 million for HY2024. The decrease in revenue was mainly attributable to the decrease in purchase orders and selling prices from the Toys Division due to increasing tariffs imposed by the United States of American (the "USA") on Chinese products.

For HY2025, the Group recorded a gross loss of approximately HK\$10.04 million as compared to a gross profit of approximately HK\$4.07 million for HY2024, which was mainly attributable to the combined impact of the USA's increased tariffs on Chinese products which affecting the sales to the USA and China's rising minimum wage and social insurance costs significantly undermined the Group's gross profit margin in HY2025.

For HY2025, the Group's loss attributable to owners of the Company was approximately HK\$38.30 million, representing an increase of approximately 44.15% when compared to that of approximately HK\$26.57 million for HY2024 due to the gross loss as discussed above.

FY2024 vs FY2023

For FY2024, the Group recorded revenue of approximately HK\$515.91 million and performed steadily as compared to that of approximately HK\$523.26 million for FY2023.

For FY2024, the Group's gross profit was approximately HK\$12.80 million, representing a decrease of approximately 67.41% when compared to that of approximately HK\$39.27 million for FY2023, which was mainly attributable to the worse performance of the Toys Division as a result of the competitive market conditions during FY2024.

For FY2024, the Group's loss attributable to owners of the Company was approximately HK\$73.03 million, representing an increase of approximately 154.90% when compared to that of approximately HK\$28.65 million for FY2023, which was mainly attributable to the decrease in gross profit as discussed above and the increase in the impairment loss on property, plant and equipment by approximately HK\$10 million during the year.

Financial position

Set out below is the summary of the Group's financial position as at 31 December 2024 and 30 June 2025 as extracted from the 2025 Interim Report:

	As at 30 June 2025 (unaudited) HK\$'000	As at 31 December 2024 (audited) HK\$'000
Non-current assets	94,894	97,423
Current assets	227,606	255,457
Total assets	322,500	352,880
Non-current liabilities	17,067	17,653
Current liabilities	480,874	475,714
Total liabilities	497,941	493,367
Net current liabilities	(253,268)	(220,257)
Net liabilities	(175,441)	(140,487)
Capital deficiency attributable to owners of the Company	(173,779)	(139,038)

As at 30 June 2025, the Group reported net current liabilities of approximately HK\$253.27 million, representing an increase of approximately 14.99% as compared to that of approximately HK\$220.26 million as at 31 December 2024. Such increase was mainly attributable to (i) the decrease in current assets as a result of the decrease in trade receivables and bank balances and cash, offsetting by the increase in inventories; and (ii) the increase in current liabilities as a result of the increase in trade payables and borrowing, offsetting by the decrease in other payables and accruals.

The Group also reported capital deficiency attributable to owners of the Company of approximately HK\$173.78 million as at 30 June 2025, representing an increase of approximately 24.99% as compared to that of approximately HK\$139.04 million as at 31 December 2024. Such increase was mainly attributable to the decrease in current assets and increase in current liabilities as discussed above.

2. Reasons for and benefits of the Rights Issue and use of proceeds

2.1 *Reasons for and benefits of the Rights Issue*

As disclosed in the Letter from the Board, the Board considers fundraising for additional general working capital is essential although, on 19 September 2025, a total of 30,951,496 new Shares were successfully placed at the placing price of HK\$0.35 per placing share (the “**September Placing**”). The net proceeds from the September Placing, after deducting the placing commission and other related expenses of the September Placing, amounted to approximately HK\$10.3 million, of which was intended for repayment of loans, settlement of outstanding audit fees, professional fees and general working capital of the Group. As at the Latest Practicable Date, approximately 90% of the net proceeds from the September Placing has been utilised.

Taking into account that the Company had bank balances and cash of approximately HK\$34.13 million as at 30 June 2025 and approximately 90% of the net proceeds from the September Placing has been utilised by the Group, the Board considers it is prudent and in the interest of the Company and the Shareholders as a whole to raise additional funds to (i) repay borrowings; and (ii) for general working capital purposes. The Board considers that the Rights Issue is both timely and necessary, as it will enable the Company to address imminent debt maturities and ensure the continued stability of its financial position in light of the upcoming repayment obligations. In addition, the uncertainties upon the Company’s business and operations, the Directors consider that maintaining a strong cash position is required for the quick replenishment of liquidity of the Group. The Rights Issue will enable the Group to strengthen financial position and meet the financial obligations when they fall due in the following twelve (12) months from the date of this circular.

Assuming the Rights Issue is fully subscribed, the estimated gross proceeds of the Rights Issue will be approximately HK\$182.0 million (assuming no change in the number of Shares in issue on or before the Record Date). The corresponding estimated net proceeds of the Rights Issue, after deducting the related expenses, will be approximately HK\$176.5 million, which are intended to be used in the following manner:

- (a) approximately HK\$116.6 million, representing approximately 66.0% of the net proceeds, towards the repayment of borrowings (covering both principal and interest), including (i) approximately HK\$56.6 million for the repayment of a corporate bond maturing on 30 September 2025 (the “**Corporate Bond**”); (ii) approximately HK\$30.0 million for the repayment of 3 short term loans falling due in October 2025 and November 2025 (the “**Short Term Loans**”); and (iii) the remaining balance of approximately HK\$30.0 million for the repayment of other term loans (the “**Other**

Term Loans”), with maturity dates commencing in 2026 and 2027. The early repayment of these borrowings is expected to provide several benefits to the Company, including but not limited to (i) reducing future finance costs, saving approximately HK\$10.2 million in annual interest costs to directly improve profitability; (ii) enhancing financial stability by reducing the above borrowings; and (iii) improving cash flow and providing greater operational flexibility.

- (b) approximately HK\$59.9 million, representing approximately 34.0% of the net proceeds, towards the general working capital of the Group, including (i) approximately HK\$20.0 million for the direct operational needs for the Toys Division, which includes but not limited to approximately HK\$15.0 million for the production cost and approximately HK\$5.0 million for the selling and distribution costs; and (ii) the remaining balance of approximately HK\$39.9 million for the general working capital of the Group, which refers to daily operation expenses including but not limited to employee salaries, audit and professional fees, other administrative costs, operating expenses and cash reserves.

In ascertaining the fairness and reasonableness of the Rights Issue and the Company’s need for additional funding, we have discussed with the Management and reviewed, in particular the loan documents in relation to the Corporate Bond, the Short Terms Loans and the Other Term Loans. We noted that:–

- (1) in relation to the Corporate Bond, on 7 December 2016, the Corporate Bond amounted to HK\$45,000,000 was issued by the Company. As at the Latest Practicable Date, the principal amount of the Corporate Bond of HK\$45,000,000 was outstanding with an interest rate of 6.75% per annum. The maturity date of the Corporate Bond has been extended to 30 September 2025.

We have obtained a demand letter issued by the holder of the Corporate Bond in September 2025 (the “**Demand Letter**”). We also noted from the announcement of the Company dated 30 September 2025 disclosing that the Company received the Demand Letter to demand for immediate repayment of the principal amount and all outstanding interests of the Corporate Bonds and the holder of the Corporate Bond will not grant any further extension to the Company. As stated in the Demand Letter, among others, unless the Company shall repay the outstanding principal and interest, the holder of the Corporate Bond shall take legal actions against the Company without further notice within 7 days from the date of the Demand Letter. We are given to understand from the Management that after various discussions, the holder of the Corporate Bond agreed that it will not take any action until the termination or completion of the Rights Issue (whichever is earlier).

- (2) in relation to the Short Term Loans, on 12 March 2025, 14 April 2025 and 12 May 2025, the Group obtained short-term loans of HK\$10,000,000, HK\$10,000,000 and HK\$10,000,000 respectively at a fixed rate of 12% per annum from an independent third party, with maturity dates on 31 October 2025, 14 November 2025 and 28 November 2025 respectively. As at the Latest Practicable Date, the aggregate principal amount of the Short Term Loans of HK\$30,000,000 was remained outstanding.

- (3) in relation to the Other Term Loans, as at the Latest Practicable Date, the Group had a total of 4 term loans with an aggregate outstanding principal amount of HK\$30 million, which will expire on 27 April 2026, 13 May 2026, 11 March 2027 and 24 May 2027. All such term loans are charged at a fixed interest rate of 12% per annum. It is noted that the Other Term Loans will expire in less than two years from the Latest Practicable Date.
- (4) in relation to the general working capital needs of the Company, we noted from the 2024 Annual Report that the aggregate amount of the selling and distribution costs, administrative expenses and other operating expenses were approximately HK\$52.16 million for FY2024 and HK\$60.86 million for FY2023. Notwithstanding certain costs control measures in its toys segment including (a) streamlining its production team; (b) rearranging part of the production work to factory location with lower labour costs; and (c) freezing the salary level of other staff, as reported in the 2025 Interim Report, the aforesaid aggregate amounts were approximately HK\$20.28 million for HY2025 and would expected to be HK\$40.56 million on an annualised basis.
- (5) as set out in the 2024 Annual Report, the auditors of the Company, Confucius International CPA Limited, issued a disclaimer of opinion on the consolidated financial statements of the Group for FY2024 because of the significance of material uncertainties relating to going concern and in particular up to the date of the 2024 Annual Report, no agreement or information or indication of the lender's current intention for the further renewal of or extension for repayment of those outstanding corporate bonds and term loans is available. As such, as advised by the Company, the Rights Issue, which is on a fully underwritten basis and majority of the net proceeds will be applied to repay the Group's borrowings, is crucial to resolve the disclaimer of opinion.

Having considered the above, the Group has a genuine funding need for the repayment of debt as well as to support its business operations, we consider the Group's reasons for proceeding with the Rights Issue to be fair and reasonable.

2.2 *Financing alternatives*

We have discussed with and understand from the Management that the Board has considered other fund raising alternatives including but not limited to debt financing and equity financing such as the placing of new Shares and open offer.

As disclosed in the Letter from the Board, debt financing will impose a significant interest burden amidst the high-interest rate cycle, which would impair the financial performance of the Group. On the other hand, equity financing will provide the Group with fresh funding without repayment obligations, thereby improving its capital structure and enhancing its future financing capabilities. Therefore, the Board is of the view that the equity financing is a better and more viable option than debt financing for the Company.

As for the placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would 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 Group. As for open offer, while it is similar to a rights issue in offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

We have discussed with and concurred with the Management that (i) debt financing will impose additional interest burden on the Group; (ii) given the loss making position as well as the net current liabilities and net liabilities position of the Group, it would be difficult for the Group to obtain debt financing at favorable terms and may subject to lengthy due diligence and negotiations with financial institutions; (iii) the Company recently completed an issue of new shares on 15 January 2025 and the September Placing raising a net proceeds of approximately HK\$1.20 million and HK\$10.32 million respectively, the fund size of which were relatively small and below the current needs of the Group to repay the borrowings and support its working capital; and (iv) the Rights Issue allows the Qualifying Shareholders the flexibility to sell off some or all of their rights entitlements in the open market (subject to the market demand) and realise the cash value therefrom.

In totality, after considering other financing alternatives as discussed above, we concur that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

3. Details of the Rights Issue

3.1 Issue statistics

<i>Basis of the Rights Issue</i>	Seven (7) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders as at the close of business on the Record Date
<i>Subscription Price</i>	HK\$0.14 per Rights Share
<i>Number of Shares in issue as at the Latest Practicable Date</i>	185,708,976 Shares
<i>Number of Rights Shares to be issued under the Rights Issue</i>	Up to 1,299,962,832 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
<i>Aggregate nominal value of the Rights Shares</i>	Up to HK\$12,999,628.32 (assuming no change in the number of Shares in issue on or before the Record Date)

<i>Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)</i>	approximately HK\$0.1357 per Rights Share (assuming no change in the number of Shares in issue on or before the Record Date)
<i>Enlarged number of Shares in issue immediately after completion of the Rights Issue</i>	Up to 1,485,671,808 Shares (assuming no change in the number of Shares in issue or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
<i>Gross proceeds from the Rights Issue</i>	Up to approximately HK\$182.0 million (assuming no change in the number of Shares in issue on or before the Record Date)
<i>Net proceeds from the Rights Issue</i>	Up to approximately HK\$176.5 million (assuming no change in the number of Shares in issue on or before the Record Date)
<i>Right of excess applications</i>	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

Assuming no change in the number of Shares in issue on or before the Record Date, the 1,299,962,832 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represent (i) 700.0% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 87.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

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

3.2 Underwriting Agreement

<i>Date</i>	15 October 2025 (after morning trading session of the Stock Exchange)
<i>Issuer</i>	The Company
<i>Underwriter</i>	Planetree Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities

<i>Number of Rights Shares to be underwritten by the Underwriter</i>	Up to 1,038,212,441 Rights Shares, on fully underwritten basis (assuming no change in the number of Shares in issue on or before the Record Date)
<i>Underwriting commission</i>	2.5% of the aggregate subscription amount in respect of the Underwritten Shares, being the gross proceeds from the Underwritten Shares

Further details of the principal terms of the Underwriting Agreement are outlined in the Letter from the Board.

3.3 Subscription Price

The Subscription Price of HK\$0.14 per Rights Share will be payable in full upon acceptance of the relevant provisional allotment of Rights Shares from a Qualifying Shareholder and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

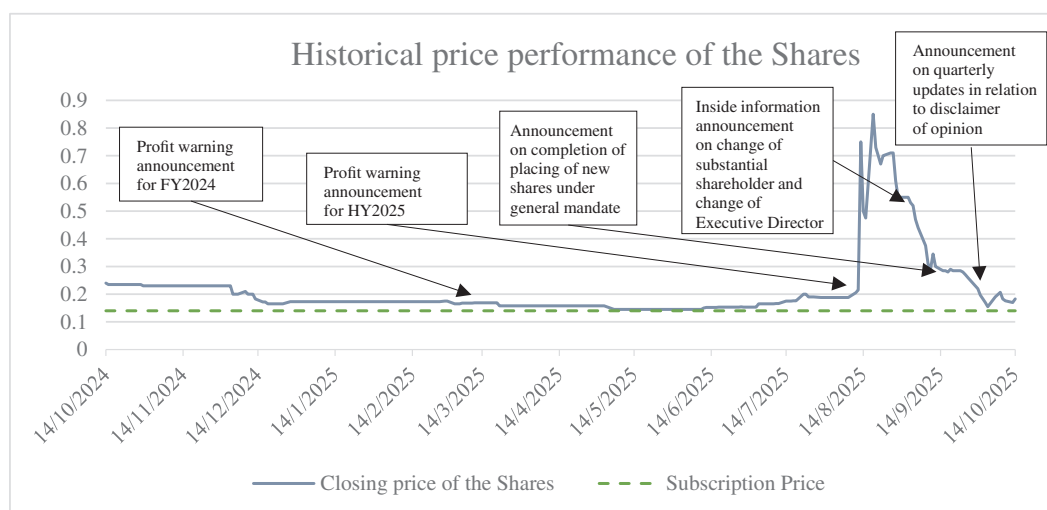
The Subscription Price represents:

- (i) a discount of approximately 50.9% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 23.5% to the closing price of HK\$0.183 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 24.3% to the average closing price of approximately HK\$0.185 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 27.1% to the average closing price of approximately HK\$0.192 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the Last Trading Day;
- (v) a discount of approximately 4.1% to the theoretical ex-rights price of approximately HK\$0.146 per Share based on the benchmarked price of HK\$0.185 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.183 and the average closing price of approximately HK\$0.185 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day); and
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 21.1% represented by the theoretical diluted price of approximately HK\$0.146 to the benchmarked price of approximately HK\$0.185 per Share.

4. Evaluation of the terms of the Rights Issue and the Underwriting

4.1 Review of historical Shares closing prices

The following share price chart illustrates the daily closing price of the Shares as quoted on the Stock Exchange, during the period from 14 October 2024 up to and including the Last Trading Date (the “**Review Period**”) against the Subscription Price of HK\$0.14 per Rights Share. We consider the Review Period to be sufficient in reflecting the recent trading pattern of the Shares.



Source: website of the Stock Exchange

We note from the chart above that, during the Review Period, the closing price of the Shares fluctuated between HK\$0.145 and HK\$0.850 per Share, with an average closing price of approximately HK\$0.217 per Share.

During the period from 14 October 2024 to 3 December 2024, the closing price of the Shares was traded at HK\$0.230 per Share to HK\$0.240 per Share. It had showed a downward trend and moved at a range of HK\$0.165 per Share and HK\$0.210 per Share during the period from 4 December 2024 to 24 December 2024. Since then, the closing price of the Shares had fluctuated between HK\$0.145 per Share and HK\$0.173 per Share.

Starting from 14 July 2025, the closing prices of the Shares had increased gradually to HK\$0.215 on 12 August 2025. It surged rapidly and reached HK\$0.750 per Share on 13 August 2025, however plummeted to HK\$0.475 per Share on 15 August 2025. It had then surged and reached a period high of HK\$0.850 per Share on 18 August 2025. It then showed a steep downward trend and plummeted to HK\$0.155 per Share on 3 October 2025. We have enquired the Directors regarding the possible reasons for such rapid movement in the closing price of the Shares during the period from 12 August 2025 and 3 October 2025, and as confirmed by the Directors, save for the publication of (a) an profit warning announcement for HY2025 on 15 August 2025; (b) an inside information in relation to, among others, the change

of substantial shareholder of the Company and Executive Director on 3 September 2025; (c) an announcement on a placing of new shares under general mandate on 11 September 2025 and completion of which took place on 19 September 2025; and (d) an announcement on quarterly updates in relation to disclaimer of opinion on going concern set out in the 2024 Annual Report on 30 September 2025 (collectively, the “**Published Announcements**”), the Directors were not aware of any happening which might have affected the closing price of the Shares.

The closing prices of the Shares traded at a range of HK\$0.170 per Share and HK\$0.207 per Share from 6 October 2025 up to the Last Trading Date.

Although the Subscription Price is lower than the range of the closing prices of the Shares during the Review Period, however, considering (i) the loss making position as well as the net current liabilities and net liabilities position of the Group as set out in the section headed “1.2 Financial information of the Group” above; (ii) the Group has a genuine funding need for the repayment of debt as well as to support its business operations as set out in the section headed “2.1 Reasons for and benefits of the Rights Issue” above; (iii) the low liquidity of the Shares as discussed in the section below headed “4.2 Historical trading liquidity of the Shares”; and (iv) it is noted that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue as discussed in the section headed “4.3 Comparable analysis with recent rights issue exercises” below, we consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4.2 *Historical trading liquidity of the Shares*

Set out below in the table are the average daily trading volume of the Shares and the percentages of the average daily trading volume (the “**Average Volume**”) to the number of total issued Shares during the Review Period.

Month	Number of trading days in each month <i>Number of days</i>	Average Volume <i>in Shares</i>	Percentage of the Average Volume to total number of issued Shares <i>%</i> <i>(Note)</i>
2024			
October (from 14 October 2024)	14	12,589	0.009%
November	21	4,850	0.003%
December	20	16,912	0.012%
2025			
January	19	21	0.00001%
February	20	1,308	0.001%
March	21	12,777	0.008%
April	19	577	0.0004%
May	20	512	0.0003%
June	21	49,939	0.032%
July	22	19,069	0.012%
August	21	4,052,464	2.619%
September	22	6,786,278	3.654%
October (up to and including the Last Trading Date)	8	12,748,747	6.865%

Source: website of the Stock Exchange

Note: The calculation is based on the average daily trading volume for the month divided by the total number of issued Shares at the end of that month during the Review Period (or at the Last Trading Date for October 2025).

As illustrated above, during the Review Period, the Average Volume was ranging from approximately 0.00001% to 6.865% for the total number of issued Shares as at the end of each respective month (or at the Last Trading Date for October 2025), with an average of approximately 1.017%.

We note that there was a sharp increase in daily trading volume of the Shares between 13 August 2025 up to the Last Trading Date that resulted in higher Average Volume in August, September and October 2025. We have enquired the Directors regarding the possible reasons for such increase in the Average Volume, and as confirmed by the Directors, save for the

publication of the Published Announcements and the announcement on the Rights Issue on 15 October 2025, the Directors were not aware of any happening which might have affected the Average Volume in August, September and October 2025. Excluding the Average Volume in August, September and October 2025 (representing 51 days out of 248 days or approximately 21% during the Review Period), the Average Volume was ranging from approximately 0.00001% to 0.032% for the total number of issued Shares, with an average of approximately 0.0078%.

Based on the above, we consider that the trading liquidity of the Shares is in general thin during the Review Period. In view of (i) the thin trading volume of the Shares as illustrated above; and (ii) the loss making position as well as the net current liabilities and net liabilities position of the Group as discussed above which would hinder the Group from obtaining further financing from financial institutions, we are of the view that the Rights Issue is an appropriate and reasonable equity financing method for the Group.

4.3 Comparable analysis with recent rights issue exercises

To further assess the fairness and reasonableness of the terms of the Rights Issue, we have conducted our independent research based on comparable analysis through identifying rights issues announced by companies listed on the Main Board and GEM of the Stock Exchange between 14 July 2025 and the Last Trading Date (the “**Comparison Review Period**”). We consider that the Comparison Review Period is sufficient as it is intended to identify the most recent rights issue transactions conducted by companies listed on the Main Board and GEM of the Stock Exchange under the market conditions and sentiment similar to that of the Rights Issue, thus allowing reasonable comparison of their commercial terms. Given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the Announcement under the prevailing market conditions; and (ii) we are able to identify sufficient and reasonable samples size for selection of comparables within the Comparison Review Period. We consider the Comparison Review Period of approximately three months is fair and reasonable. Based on the aforementioned criteria, on a best effort basis, we have noted and reviewed an exhaustive list of 22 similar rights issues (together as the “**Comparables**”).

Notwithstanding that the subject companies constituting the Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and different reasons for their respective fund-raising activities, we would still consider, in light of our selection criteria, capturing recent rights issues by listed companies under similar market conditions and sentiments can provide Shareholders with a broad perspective of recent market trend of this type of transaction which is similar to that of the Rights Issue.

Date of announcement	Company name	Stock code	Basic of entitlement	Premium/(discount) of subscription price per rights share to closing price per share on the last trading day prior to the announcement of rights issue (%)	Discount of subscription price to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day prior to the announcement of rights issue (%)	Theoretical dilution effect (%)	Excess application	Underwritten	Underwriting commission (%)
23/7/2025	Future Machine Limited	1401	1 for 2	(72.3)	(72.3)	24.1	No	No	N/A
25/7/2025	Shin Hwa World Limited	582	1 for 1	(34.2)	(33.1)	17.1	Yes	Best-effort	1.00
30/7/2025	Da Yu Financial Holdings Limited	1073	1 for 2	(16.7)	(18.9)	6.7	Yes	No	N/A
30/7/2025	XJ International Holdings Co., Ltd.	1765	1 for 12	(2.0)	(0.5)	0.2	No	No	N/A
4/8/2025	TOMO Holdings Limited	6928	1 for 2	(62.1)	(63.2)	21.3	No	No	N/A
6/8/2025	Value Convergence Holdings Limited	821	2 for 1	(4.3)	(5.9)	3.1	Yes	No	N/A
13/8/2025	Capital VC Limited	2324	1 for 1	(27.3)	(24.8)	13.6	No	No	N/A
13/8/2025	China Information Technology Development Limited	8178	3 for 8	(55.1)	(55.2)	15.1	Yes	Fully	7.07
14/8/2025	China Energy Development Holdings Limited	228	1 for 2	(19.9)	(19.9)	6.6	Yes	No	N/A
26/8/2025	Jisheng Group Holdings Limited	8133	3 for 1	(14.3)	(14.3)	10.6	No	No	N/A
4/9/2025	Many Idea Cloud Holdings Limited	6696	6 for 1	(22.1)	(24.6)	20.6	No	No	N/A
4/9/2025	Aeso Holding Limited	8341	2 for 1	(25.7)	(23.1)	17.1	No	No	N/A
10/9/2025	China Automotive Interior Decoration Holdings Limited	48	3 for 2	(29.7)	(29.3)	17.8	No	Fully	4.50
15/9/2025	Zhong Jia Guo Xin Holdings Company Limited	899	2 for 1	(33.6)	(35.2)	24.8	No	No	N/A
19/9/2025	Immunotech Biopharm Ltd	6978	1 for 5	(47.7)	(47.8)	8.1	Yes	Best-effort	1.45
22/9/2025	Gameone Holdings Limited	8282	1 for 2	1.7	(1.0)	0.6	Yes	Best-effort	0.50
26/9/2025	Perfectech International Holdings Limited	765	1 for 2	(18.1)	(20.7)	7.0	Yes	No	N/A
2/10/2025	China New Economy Fund Limited	80	1 for 2	(29.3)	(27.2)	9.7	Yes	No	N/A
3/10/2025	Macau Legend Development Limited	1680	1 for 2	(45.5)	(44.4)	15.8	Yes	Fully	3.00
5/10/2025	Fire Rock Holdings Limited	1909	1 for 2	(20.2)	(27.9)	9.1	No	Non-fully	No
9/10/2025	CCIAM Future Energy Limited	145	1 for 2	(18.6)	(19.1)	6.6	No	No	N/A
9/10/2025	Hao Bai International (Cayman) Limited	8431	4 for 1	(19.2)	(27.1)	23.2	No	No	N/A
			Average	(28.0)	(28.9)	12.7			2.92
			Minimum	1.7	(0.5)	0.2			0.50
			Maximum	(72.3)	(72.3)	24.8			7.07
	The Company		7 for 1	(23.5)	(24.3)	21.1	Yes	Fully	2.50

Subscription price

From the table as set out above, the subscription price of the Comparables ranged from a premium of approximately 1.7% to a discount of approximately 72.3%, with an average discount of approximately 28.0% and relative to their respective closing prices per share on the last trading day. The discount of approximately 23.5% of the Company's Subscription Price to the closing price per Share on the Last Trading Day falls within this range and is lower than the average discount of the Comparables.

For the five consecutive trading days, including and up to the last trading day, the subscription price of the Comparables ranged from a discount of approximately 0.5% to a discount of approximately 72.3%, with an average discount of approximately 28.9%. The discount of approximately 24.3% of the Company's Subscription Price for the five consecutive trading days, including and up to the Last Trading Day falls within this range and is lower than the average discount of the Comparables.

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. All of the Comparables 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. Therefore, we are of the view that the Subscription Price is acceptable and in line with recent market transactions.

Theoretical dilution effect

From the table as set out above, the theoretical dilution effect of the rights issue conducted by the Comparables ranged from a discount of 0.2% to 24.8% with an average discount of approximately 12.7%. Despite the theoretical dilution effect of the Rights Issue of approximately 21.1% is higher than the average of the Comparables, it falls within the range of the Comparables.

Underwriting commission

From the table as set out above, we noted that the commission rates payable to underwriters of the Comparables ranged from 0.50% to 7.07% with an average of approximately 2.92%. The underwriting commission for the Rights Issue of 2.5% is within the range of commission rates payable of the Comparables and is lower than the average commission rates payable of the Comparables. Accordingly, we are of the opinion that the underwriting commission of 2.50% is fair and reasonable.

5. Dilution effect of the Rights Issue on the Shareholding interests

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who

do not take up the Rights Issue can, subject to the then-prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue.

For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 87.5%.

Having considered (i) all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) the Qualifying Shareholders have the opportunity to sell their nil-paid rights to subscribe for the Rights Shares in the market if they do not wish to take up the Rights Issue entitlements; and (iii) the Group has a genuine funding need for the repayment of debt as well as to support its business operations as set out in the section headed "2.1 Reasons for and benefits of the Rights Issue" above, we are of the view that the potential dilution effect on the shareholding is acceptable and justifiable.

6. Potential financial effects of the Rights Issue

6.1 *Net tangible assets*

The unaudited pro forma statement of unaudited consolidated net tangible assets of the Group attributable to the owners of the Company adjusted for the effect of the Rights Issue as at 30 June 2025 (the "**Pro Forma Statement**"), which is prepared as if the Rights Issue had taken place on 30 June 2025, is set out under Appendix II to the Circular. According to the Pro Forma Statement, the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2025 was approximately HK\$173.78 million and would turnaround to be unaudited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$2.70 million (based on the estimated net proceeds from the Rights Issue of approximately HK\$176.50 million on 1,299,962,832 Rights Shares to be issued at the Subscription Price of HK\$0.14 per Rights Share) as if the Rights Issue had taken place on 30 June 2025.

6.2 *liquidity*

The estimated net proceeds from the Rights Issue are expected to enhance the Group's cash and bank balance, and therefore the current assets, by approximately HK\$176.50 million and the Rights Issue is expected to improve the Group's liquidity position immediately after its completion.

Having considered the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interests of the Company and the Shareholders. Shareholders should note that the above analysis is based on full subscription basis. Subject to the fulfilment of conditions, the Rights Issue will proceed on a fully underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares.

We wish to draw your attention that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATION

Having considered of the above principal factors and reasons, we consider that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interest of the Company and its Shareholders as a whole. We therefore advise that the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM.

Yours faithfully,
For and on behalf of
AMASSE CAPITAL LIMITED



Stephen Lau
Director

Mr. Stephen Lau ("Mr. Lau") is a licensed person registered with the SFC and a responsible officer of Amasse Capital Limited to carry out Type 6 (advising on corporate finance) and a representative of Amasse Capital Limited to carry out Type 1 (dealing in securities) regulated activities under the SFO. Mr. Lau is also a representative of Amasse Asset Management Limited licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. He has over 10 years of experience in the finance industry.