THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in CROSSTEC Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

CROSSTEC Group Holdings Limited
易緯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3893)

(1) LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE BOND;
(2) CONNECTED TRANSACTION – LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE BOND; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



紅日资本有限公司
RED SUN CAPITAL LIMITED

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

A letter from the Board is set out on pages 7 to 26 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 27 to 28 of this circular. A letter of advice from Red Sun Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 55 of this circular.

A notice convening an EGM to be held at Unit 1205, 12/F, Gemdale Centre, 2007 Shennan Avenue, Futian District, Shenzhen, PRC on Monday, 1 September 2025 at 2:00 p.m. is set out on pages 60 to 62 of this circular. A form of proxy for the EGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete 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 and in any event not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

8 August 2025

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

"Announcement"	the announcement of the Company dated 2 June 2025
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday, any public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted) on which licensed banks in Hong Kong are generally open for business
"Capital Distribution"	has the meaning as defined in the CB instrument, a form of which is included in the Subscription Agreements, i.e. (without prejudice to the generality of that phrase) include distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution, provided that any such dividend shall not automatically be so deemed if: (i) it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Shares for all financial periods before the year ended 30 June 2025 as shown in the audited consolidated profit and loss account of the Company and its Subsidiaries for each such financial period; or (ii) to the extent that (i) above does not apply, the dividend payout ratio, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate dividend payout ratio on such class of capital charged or provided for in the accounts for the last preceding financial period. In computing such ratio, such adjustments may be made as are in the opinion of the auditors of the Company for the time being appropriate to the circumstances and shall be made in the event that the lengths of such periods differ materially.
"CB"	collectively, the HIL CB and MKI CB
"Company"	CROSSTEC Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange

"Conversion Price"	the conversion price of HK$0.11 per Share (subject to adjustments as set out in the CB instrument from time to time in the cases set out on pages 13 to 16 of this circular)
"Conversion Rights"	the rights attaching to the HIL CB and/or MKI CB to convert in whole or in part (in an integral multiple of HK$100,000) the respective outstanding principal amounts into the Conversion Shares, save that if at any time the aggregate outstanding principal amount held by a holder of the CB is less than HK$100,000, the whole (but not part only) of such aggregate outstanding principal amount of the CB may be converted
"Conversion Shares"	the Shares to be issued by the Company as a result of the exercise of the Conversion Rights attaching to the CB
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Subscription Agreements and the proposed issue of the CB contemplated thereunder, including the granting of the specific mandates for the issue of the Conversion Shares
"Group"	the Company and its subsidiaries
"HIL"	Hexing Investment Limited, a company incorporated in the British Virgin Islands
"HIL CB"	the convertible bond in the principal amount of HK$57,100,000 to be issued by the Company to HIL pursuant to the terms and conditions of the HIL Subscription Agreement
"HIL Conversion Shares"	the Shares to be issued by the Company as a result of the exercise of the Conversion Rights attaching to the HIL CB

"HIL Loans"	the unsecured loans in aggregate principal amount of HK$50,000,000, bearing interest rate of 15% per annum, due from the Company to HIL pursuant to (1) the loan agreement dated 23 September 2024 entered into between Suthep Investment Holding Limited as the original lender, and the Company as borrower, under which the original lender granted a loan with principal amount of HK$20,000,000, interest rate of 15% per annum, and maturity on 27 April 2026; and (2) the loan agreement dated 23 September 2024 entered into between Suthep Investment Holding Limited as the original lender, and the Company as borrower, under which the original lender granted a loan with principal amount of HK$30,000,000, interest rate of 15% per annum, and maturity on 20 May 2026, both of which were assigned to HIL pursuant to the deed of loan assignment dated 1 March 2025 entered into between Suthep Investment Holding Limited as assignor, and HIL as assignee. At the date of the deed of loan assignment dated 1 March 2025, both Suthep Investment Holding Limited and HIL were wholly owned by the same beneficial owner, Mr. Zhou Yi.
"HIL Subscription Agreement"	the subscription agreement dated 2 June 2025 entered into between the Company as issuer and HIL as subscriber in relation to the subscription of the HIL CB
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent board committee, comprising all the independent non-executive Directors, formed for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the MKI Subscription Agreement and proposed issue of the MKI CB
"Independent Financial Adviser"	Red Sun Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the MKI Subscription Agreement and the proposed issue of the MKI CB
"Independent Shareholders"	Shareholders other than MKI and its associates (if any) who are required by the Listing Rules to abstain from voting on the resolution(s) approving the MKI Subscription Agreement and the transactions contemplated thereunder

"Independent Third Party(ies)"	third party (parties) who is/are independent of, and not acting in concert (within the meaning of the Takeovers Code) with, and not connected with, the Company, the Directors, the chief executive or substantial shareholder(s) of the Company or its subsidiaries or any of their respective associates
"Latest Practicable Date"	31 July 2025, being the latest practicable date prior to the dissemination of this circular for ascertaining certain information for inclusion in this circular
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loans"	collectively, the HIL Loans, MKI Loans and Previous Loans
"Long Stop Date"	30 September 2025, or in respect of each of the Subscription Agreements separately, such other date as may be agreed in writing between the respective parties thereto
"MKI"	MK Investment Group Limited, a company incorporated in the British Virgin Islands
"MKI CB"	the convertible bond in the principal amount of HK$38,400,000 to be issued by the Company to MKI pursuant to the terms and conditions of the MKI Subscription Agreement
"MKI Conversion Shares"	the Shares to be issued by the Company as a result of the exercise of the Conversion Rights attaching to the MKI CB
"MKI Loans"	the unsecured loans in aggregate principal amount of HK$30,000,000, bearing interest rate of 15% per annum, due from the Company to MKI pursuant to shareholder's loan agreement dated 8 August 2023 entered into between MKI as lender, and the Company as borrower, under which the lender granted a loan with maximum drawdown amount of HK$30,000,000, loan term of 2 years from the drawdown date and interest rate of 15% per annum
"MKI Subscription Agreement"	the subscription agreement dated 2 June 2025 entered into between the Company as issuer and MKI as subscriber in relation to the subscription of the MKI CB

"Previous Loans"	the outstanding and payable interests owed by the Company pursuant to (1) the shareholder's loan agreement dated 28 October 2022 (as amended and supplemented by the supplemental agreement dated 15 March 2023) entered into between CGH (BVI) Limited as lender, and the Company as borrower, under which the lender granted a loan with principal amount of HK$20,000,000, interest rate of 2% per annum, and maturity on the earlier of (i) the date on which the lender ceases to be a shareholder of the Company or (ii) two years after the execution of the agreement; and (2) the shareholder's loan agreement dated 21 November 2022 (as amended and supplemented by the supplemental agreement dated 15 March 2023) entered into between CGH (BVI) Limited as lender, and the Company as borrower, under which the lender granted a loan with principal amount of HK$30,000,000, interest rate of 2% per annum, and maturity on the earlier of (i) the date on which the lender ceases to be a shareholder of the Company or (ii) two years after the execution of the agreement, both of which were assigned to Suthep Investment Holding Limited pursuant to the deed of loan assignment dated 23 March 2023 entered into between, among others, CGH (BVI) Limited and Suthep Investment Holding Limited, and further assigned to HIL pursuant to the deed of loan assignment dated 1 March 2025 entered into between Suthep Investment Holding Limited as assignor, and HIL as assignee. The principal amounts under the shareholder's loan agreements dated 28 October 2022 and 21 November 2022 have been replaced by the principal amounts under the two loan agreements dated 23 September 2024 entered into between Suthep Investment Holding Limited, as lender, and the Company, as borrower. CGH (BVI) Limited is a former shareholder of the Company and a company owned as to 50% by each of Mr. Lee Wai Sang and Ms. Leung Mo Shan Jackie (both being the former executive directors of the Company) at the time of entering into of the above two shareholder's loan agreements between CGH (BVI) Limited and the Company. HIL Loans does not form part of Previous Loans
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreements"	collectively, the HIL Subscription Agreement and the MKI Subscription Agreement

"Subsidiary"	as defined in the Listing Rules, and "Subsidiaries" shall be construed accordingly
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
"%"	per cent

* *References to dates and times in this circular are to Hong Kong dates and times.*

CROSSTEC Group Holdings Limited
易緯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3893)

Executive Director:
Mr. Wang Rong
(Chairman and Chief Executive Officer)

Independent Non-executive Directors:
Ms. Lee Kwai Sheung
Mr. Tse Kwok Hing, Henry
Mr. Ma Jian

Registered office:
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Headquarter and principal place of business in Hong Kong:
Unit 1301, 13/F, Technology Plaza
651 King's Road
Hong Kong

8 August 2025

To the Shareholders

Dear Sir or Madam,

(1) LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE BOND;
(2) CONNECTED TRANSACTION – LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE BOND; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the HIL Subscription Agreement and the proposed issue of the HIL CB contemplated thereunder, and the MKI Subscription Agreement and the proposed issue of the MKI CB contemplated thereunder.

The purpose of this circular is:

(i) to set out further details of the Subscription Agreements and proposed issue of the CB;

(ii) to set out the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the terms of the MKI Subscription Agreement and proposed issue of the MKI CB;

(iii) to set out the opinions of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the MKI Subscription Agreement and proposed issue of the MKI CB; and

(iv) to give the Shareholders notice of the EGM.

THE HIL SUBSCRIPTION AGREEMENT

The principal terms of the HIL Subscription Agreement are as follows:

Date

2 June 2025

Parties

(i) The Company (as issuer)

(ii) HIL (as subscriber)

Subject matter

The Company is indebted to HIL for (i) the HIL Loans, i.e. unsecured loans with aggregate principal amount of HK$50,000,000, bearing interest rate of 15% per annum payable every six months, and which are maturing in April and May 2026; and (ii) outstanding and payable interest accrued on the Previous Loans. As at the date of the HIL Subscription Agreement and Announcement, total outstanding interest accrued on the HIL Loans and Previous Loans, which the Company is unable to pay, was approximately HK$6,557,151. Assuming the Company does not make any interest payment thereafter, the total outstanding interest accrued as at 30 June 2025 will amount to approximately HK$7,132,493.

To partially capitalise the outstanding principal and interest amounts on the HIL Loans and Previous Loans, HIL has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue the HIL CB in the principal amount of HK$57,100,000. The subscription amount payable by HIL under the HIL Subscription Agreement shall be satisfied by releasing the payment obligation of the Company against the outstanding interest accrued on the Previous Loans, the entire principal amounts of the HIL Loans and most of the outstanding interest accrued on the HIL Loans as at 30 June 2025. The remaining outstanding interest under the HIL Loans in the amount of HK$32,493 as at 30 June 2025 plus outstanding interest accrued on the HIL Loans from 1 July 2025 to the date of completion of the HIL Subscription Agreement (i.e. daily interest of approximately HK$20,548 (i.e. loan principal of HK$50,000,000 times an interest rate of 15% p.a. divided by 365 days (HK$50,000,000 x 15%/365)) times number of days from 1 July 2025 to the date of completion of the HIL Subscription Agreement, both days inclusive) will be paid by the Company to HIL in cash.

Conditions precedent

Completion under the HIL Subscription Agreement is conditional upon the fulfilment of the following conditions:

(i) the Listing Committee granting or agreeing to grant approval for the listing of, and permission to deal in, the HIL Conversion Shares to be issued upon exercise of the conversion rights pursuant to the HIL CB and such grant remaining in full force and effect;

(ii) all necessary consents, approvals (or waivers), authorisation, permission or exemption from any third parties, including but not limited to government or regulatory authorities, having been obtained by the Company in connection with the HIL Subscription Agreement, the issue of the HIL CB and the issue of the HIL Conversion Shares and such consents, approvals (or waivers), authorisation, permission or exemption remaining in full force and effect;

(iii) the compliance by the Company with all legal and other requirements under the Listing Rules and the laws of the Cayman Islands applicable to the transactions contemplated under the HIL Subscription Agreement;

(iv) the passing of the requisite respective resolution(s) by the Board and the Shareholders at the EGM approving, inter alia, the transactions contemplated under the HIL Subscription Agreement, including but not limited to the issue of the HIL CB and the granting of the specific mandate for the issue of the HIL Conversion Shares;

(v) all issued Shares remaining listed on, and not having been revoked or withdrawn from, the Stock Exchange and the Stock Exchange not having indicated that it will object to such listing and trading of the Shares on the Stock Exchange;

(vi) the representations and warranties given by the parties under the HIL Subscription Agreement being true and accurate and not misleading when made and remaining true and accurate and not misleading until the date of completion; and

(vii) there being no event existing or having occurred and no condition being in existence which would constitute an event of default as set out in the HIL Subscription Agreement.

All conditions set out above are non-waivable except that conditions (vi) and (vii) are waivable at the discretion of HIL. In the event that the conditions precedent under the HIL Subscription Agreement are not fulfilled or waived (as the case may be) on or before the Long Stop Date, the HIL Subscription Agreement shall automatically terminate and the parties shall be released from all rights and obligations thereunder, save for any liabilities for any antecedent breaches of the terms thereof.

Except for (i) the approval by the Board for the HIL Subscription Agreement and the proposed issue of the HIL CB, (ii) the approval of the Shareholders for the HIL Subscription Agreement and the proposed issue of the HIL CB, and (iii) the board approval of HIL for the HIL Subscription Agreement, no other consent, approvals (or waivers), authorisation, permission or exemption is required for the HIL Subscription Agreement to be effective.

As at the Last Practicable Date, none of the conditions set out above has been fulfilled or waived.

Completion

Completion under the HIL Subscription Agreement will take place within three (3) Business Days upon the fulfilment or waiver (as the case may be) of all the conditions precedent set out in the HIL Subscription Agreement (or such later date as may be agreed between the Company and HIL).

THE MKI SUBSCRIPTION AGREEMENT

The principal terms of the MKI Subscription Agreement are as follows:

Date

2 June 2025

Parties

(i) The Company (as issuer)

(ii) MKI (as subscriber)

Subject matter

The Company is indebted to MKI for the MKI Loans, i.e. unsecured loans with aggregate principal amount of HK$30,000,000, bearing interest rate of 15% per annum payable every six months, and which are maturing in August and September 2025. As at the date of the MKI Subscription Agreement and the Announcement, outstanding interest accrued on the MKI Loans, which the Company is unable to pay, was approximately HK$8,057,507. Assuming the Company does not make any interest payment thereafter, the total outstanding interest accrued as at 30 June 2025 will amount to approximately HK$8,402,712.

To partially capitalise the outstanding principal and interest amounts on the MKI Loans, MKI has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue the MKI CB in the principal amount of HK$38,400,000. The subscription amount payable by MKI under the MKI Subscription Agreement shall be satisfied by releasing the payment obligation of the Company against the entire principal amounts of the MKI Loans and most of the outstanding interest accrued on the MKI Loans as at 30 June 2025. The remaining outstanding interest in the amount of HK$2,712 as at 30 June 2025 plus outstanding interest accrued on the MKI Loans from 1 July 2025 to the date of completion of the MKI Subscription Agreement (i.e. daily interest of approximately HK$12,329 (i.e. loan principal of HK$30,000,000 times an interest rate of 15% p.a. divided by 365 days (HK$30,000,000 x 15%/365)) times number of days from 1 July 2025 to the date of completion of the MKI Subscription Agreement, both days inclusive) will be paid by the Company to MKI in cash.

Conditions precedent

Completion under the MKI Subscription Agreement is conditional upon the fulfilment of the following conditions:

(i) the Listing Committee granting or agreeing to grant approval for the listing of, and permission to deal in, the MKI Conversion Shares to be issued upon exercise of the conversion rights pursuant to the MKI CB and such grant remaining in full force and effect;

(ii) all necessary consents, approvals (or waivers), authorisation, permission or exemption from any third parties, including but not limited to government or regulatory authorities, having been obtained by the Company in connection with the MKI Subscription Agreement, the issue of the MKI CB and the issue of the MKI Conversion Shares and such consents, approvals (or waivers), authorisation, permission or exemption remaining in full force and effect;

(iii) the compliance by the Company with all legal and other requirements under the Listing Rules and the laws of the Cayman Islands applicable to the transactions contemplated under the MKI Subscription Agreement;

(iv) the passing of the requisite respective resolution(s) by the Board and the Independent Shareholders at the EGM approving, inter alia, the transactions contemplated under the MKI Subscription Agreement, including but not limited to the issue of the MKI CB and the granting of the specific mandate for the issue of the MKI Conversion Shares;

(v) all issued Shares remaining listed on, and not having been revoked or withdrawn from, the Stock Exchange and the Stock Exchange not having indicated that it will object to such listing and trading of the Shares on the Stock Exchange;

(vi) the representations and warranties given by the parties under the MKI Subscription Agreement being true and accurate and not misleading when made and remaining true and accurate and not misleading until the date of completion; and

(vii) there being no event existing or having occurred and no condition being in existence which would constitute an event of default as set out in the MKI Subscription Agreement.

All conditions set out above are non-waivable except that conditions (vi) and (vii) are waivable at the discretion of MKI. In the event that the conditions precedent under the MKI Subscription Agreement are not fulfilled or waived (as the case may be) on or before the Long Stop Date, the MKI Subscription Agreement shall automatically terminate and the parties shall be released from all rights and obligations thereunder, save for any liabilities for any antecedent breaches of the terms thereof.

Except for (i) the approval by the Board for the MKI Subscription Agreement and the proposed issue of the MKI CB, (ii) the approval of the Independent Shareholders for the MKI Subscription Agreement and the proposed issue of the MKI CB, and (iii) the board approval of MKI for the MKI Subscription Agreement, no other consent, approvals (or waivers), authorisation, permission or exemption is required for the MKI Subscription Agreement to be effective.

As at the Latest Practicable Date, none of the conditions set out above has been fulfilled or waived.

If the condition precedent is not fulfilled before the Long Stop Date, the Company intends to negotiate with MKI the possibility of (i) a short extension of the Long Stop Date, (ii) an extension for a short period of the loan term of the MKI Loans; or (iii) other debt restructuring proposals, subject to the consent of MKI. There will not be any penalty in the circumstance that the MKI Subscription Agreement is automatically terminated in the event that the conditions precedent under the MKI Subscription Agreement are not fulfilled or waived (as the case may be) on or before the Long Stop Date.

Completion

Completion under the MKI Subscription Agreement will take place within three (3) Business Days upon the fulfilment or waiver (as the case may be) of all the conditions precedent set out in the MKI Subscription Agreement (or such later date as may be agreed between the Company and MKI).

The HIL Subscription Agreement and the MKI Subscription Agreement and the completion and allotment and issue of the HIL CB and MKI CB respectively thereunder are not inter-conditional.

THE HIL CB AND THE MKI CB

Save for the principal amount, all the terms of the HIL CB and the MKI CB are the same. The principal terms of the CB are as follows:

Principal amount	:	HIL CB: HK$57,100,000 MKI CB: HK$38,400,000
Maturity	:	36 months from the original issue date

Interest rate : 2% per annum

Conversion price : Initially, HK$0.11 per Share, subject to adjustments.

The Conversion Price shall be adjusted in accordance with the mechanism as provided in the CB instrument in each of the following cases:

(i) an alteration of the number of the Shares by reason of any consolidation or subdivision resulting in a different par value of the Shares, following which the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), following which the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation;

(iii) a Capital Distribution being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such, following which the Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

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

where:

A = the market price (as defined in the CB instrument) on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the date next preceding the date of the Capital Distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved merchant bank (as defined in the CB instrument), of the portion of the Capital Distribution or of such rights which is attributable to one Share

Provided that:

i. if in the opinion of the approved merchant bank, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed accordingly) the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and

ii. the provisions of this sub-paragraph shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

(iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price at the date of the announcement (as defined in the CB instrument) of the terms of the offer or grant, following which the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants;

(v) an issue being made by the Company of securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined in the CB instrument) initially receivable for such securities is less than 80% of the market price, following which the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price;

(vi) an issue being made by the Company of Shares at a price which is less than 80% of the market price, following which the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued;

(vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the CB instrument) less than 80% of the market price, following which the Conversion Price shall be adjusted by multiplying it by a fraction of which the numerator shall be the total effective consideration per Share and the denominator shall be such market price; and

(viii) an issue of other equity securities of the Company for an effective consideration per Share less than 80% of the Conversion Price then in effect, following which the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of issuance of such equity securities by a fraction of which the numerator is the number of Shares in issue immediately before the date of issuance plus the number of Shares which the aggregate amount payable for the issue would purchase at the prevailing Conversion Price and the denominator is the number of Shares in issue immediately before the date of issuance plus the number of Shares to be issued or potentially be issued, based on terms of such equity securities.

For details of the adjustment mechanism of the Conversion Price, please refer to the Subscription Agreements, which contain a form of the CB instrument.

Conversion period : Commencing from the original date of issue to the close of business on the Business Day immediately prior to and exclusive of the maturity date (both dates inclusive)

Conversion rights and restrictions : A holder of the CB shall have the right to convert in whole or in part the outstanding principal amount of the CB into Conversion Shares at the Conversion Price (subject to adjustments) on any Business Day during the conversion period, subject to the following restrictions:

(i) any conversion shall be made in integral multiples of HK$100,000), save that if at any time the aggregate outstanding principal amount held by a holder of the CB is less than HK$100,000, the whole (but not part only) of such aggregate outstanding principal amount of the CB may be converted; and

(ii) the holder of the CB shall not exercise any of the Conversion Rights if

(a) the holder of the CB and parties acting in concert with it will directly or indirectly control or be interested in 30% or more of the then issued share capital of the Company as enlarged by such conversion, or such percentage of voting rights of the Company which the holder would be obliged to make a general offer under the Takeovers Code; or

(b) the Company will be unable to meet the minimum public float requirements under the Listing Rules.

Transferability	:	The CB are freely transferable subject to the conditions that no transfer (whether in whole or in part) may be made to a connected person of the Company, and the principal amount to be transferred or assigned must be at least HK$1,000,000 and in an integral multiple of HK$100,000.
Security	:	The obligations of the Company under the CB are unsecured
Status and Ranking	:	The CB constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws. The Conversion Shares to be issued upon the exercise of the Conversion Rights will be credited as fully paid and will rank *pari passu* in all respects among themselves and with other existing Shares outstanding at the date of issue of the Conversion Shares and be entitled to all dividends and other distributions the record date for which falls on a date on or after the date of their issue.
Listing	:	No application will be made for the listing of the CB on the Stock Exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights.
Voting	:	A holder of the CB will not be entitled to receive notices of, attend or vote at any Shareholders' meetings of the Company by reason only of it being a holder of the CB.
Mandatory redemption	:	The Company shall redeem at 100% of the outstanding principal amount of the CB (as the case may be) on the maturity date.
Early redemption	:	The Company shall have the right to redeem in whole or any part(s) of the principal amount of the CB in integral multiples of HK$100,000 (if at any time the aggregate outstanding principal amount held by a holder of the CB is less than HK$100,000, the whole (but not part only) of such aggregate outstanding principal amount may be redeemed), at any time on any Business Day prior to the maturity date by giving prior notice of not less than ten (10) days in writing to the holder of the CB. The CB or any part thereof so redeemed shall forthwith be cancelled by the Company.

Maximum number of Conversion Shares

Assuming full conversion of the aggregate principal amounts of the CB of HK$95,500,000 at the Conversion Price into Conversion Shares, a total of maximum 868,181,818 Shares with aggregate nominal value of HK$8,681,818.18 will be issued, representing approximately 465.20% of the total existing issued share capital of the Company and approximately 82.31% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares.

Assuming full conversion of the principal amount of the HIL CB of HK$57,100,000 at the Conversion Price into HIL Conversion Shares, a total of maximum 519,090,909 Shares with aggregate nominal value of HK$5,190,909.09 will be issued, representing approximately 278.15% of the total existing issued share capital of the Company, approximately 73.56% of the Company's total issued share capital as enlarged by the issue of the HIL Conversion Shares only, and approximately 49.21% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares.

Assuming full conversion of the principal amount of the MKI CB of HK$38,400,000 at the Conversion Price into MKI Conversion Shares, a total of maximum 349,090,909 Shares with aggregate nominal value of HK$3,490,909.09 will be issued, representing approximately 187.06% of the total existing issued share capital of the Company, approximately 65.16% of the Company's total issued share capital as enlarged by the issue of the MKI Conversion Shares only, and approximately 33.10% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares.

Shareholders and potential investors should note that the conversion of the CB are subject to conversion restrictions under the CB as set forth above.

Conversion Price

The Conversion Price, being HK$0.11 per Share, represents:

(i) a discount of approximately 31.68% on the closing price of HK$0.161 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 1.85% on the closing price of HK$0.108 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements;

(iii) a premium of approximately 1.85% on the average closing price of approximately HK$0.108 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to the date of the Subscription Agreements;

(iv) a premium of approximately 1.85% on the average closing price of approximately HK$0.108 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the Subscription Agreements;

(v) a discount of approximately 1.79% on the average closing price of approximately HK$0.112 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to the date of the Subscription Agreements; and

(vi) a premium to the net asset value of the Company as at 31 December 2024 – the capital deficiency per share of the Company as at 31 December 2024 is approximately HK$0.368, i.e. capital deficiency of the Company of HK$57,249,000 divided by number of issued shares of the Company of 155,520,000 shares at 31 December 2024. The Conversion Price represents a premium in this context, as the Company was in a capital deficiency position as at 31 December 2024.

The Conversion Price was arrived at after separate arm's length negotiation between the Company and HIL and between the Company and MKI, after taking into account a combination of factors, including among other things, the following:

(i) the prevailing market price of the Shares:

The Company would like to avoid a deep discount to the recent market price of the Shares when determining the Conversion Price. Therefore, the Conversion Price is set at a premium of approximately 1.85% on the closing price of HK$0.108 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements and a premium of approximately 1.85% on the average closing price of approximately HK$0.108 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to the date of the Subscription Agreements.

(ii) the operation and financial performance of the Group, in particular the capital deficit position of the Group and the reasons for and benefits of entering into the Subscription Agreements:

The capital deficiencies of the Company as at 30 June 2024 and 31 December 2024 were approximately HK$44,427,000 and approximately HK$57,249,000 respectively. The Group incurred net losses of HK$13.1 million and HK$13.0 million for the six months ended 31 December 2024 and for the year ended 30 June 2024 respectively. In light of the Group's financial performance and financial position, HIL and MKI have indicated their worries on the profitability and going concern issue of the Company.

The Company is also aware of the challenges it faces in its industry of provision of interior design solutions, as the retail and property markets in Hong Kong are both not performing well. According to the Report on Monthly Survey of Retail Sales (March 2025) issued by the Census and Statistics Department of the Hong Kong Government in May 2025, the value index of retail sales has decreased year-on-year in every single month from April 2024 to March 2025, with a range of year-on-year decrease from 2.8% to 14.7%. According to the Hong Kong Property Review 2025 issued by the Rating and Valuation Department of the Hong Kong Government in April 2025, (a) domestic prices of residential properties fell for the past three consecutive years, with a 7.2% year-on-year decrease by December 2024; (b) overall office prices dropped by 22.6% between the fourth quarters of 2023 and 2024, with Grade A, B and C office prices falling by 24.5%, 19.5% and 19.7% respectively, and overall office rents declined by 5.0% during the corresponding period, with Grade A, B and C office rents recording decreases of 4.8%, 5.2% and 5.3% respectively; and (c) prices of retail premises decreased by 18.2% between the fourth quarters of 2023 and 2024, while rents fell by 6.5% over the same period.

Under these circumstances, the Company considers that the capitalisation of the Loans through entering into of the Subscription Agreements is the most feasible way to improve the financial position of the Company without the need of locating new investors. As such, setting the Conversion Price at about the trading market price of the Shares is a fair and reasonable basis for the negotiation with HIL and MKI in relation to the Subscription Agreements. Assuming HIL CB and MKI CB will be fully converted, the Company's liabilities of HK$57,100,000 in relation to HIL Loans and HK$38,400,000 in relation to MKI Loans will be converted into the Company's equity, and therefore the Company's net asset value will be increased by HK$95,500,000 in aggregate.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENTS

The Company is an investment holding company and the Group is principally engaged in the provision of bespoke and total interior design solutions to the retail stores and property facilities of global luxury brands, which covers a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions, design, maintenance and project consultancy, and have recently also expanded into the online game distribution business.

As disclosed in the annual report of the Company for the year ended 30 June 2024 and the interim report of the Company for the six months ended 31 December 2024, the Group recorded net loss of approximately HK$13.0 million for the year ended 30 June 2024 and approximately HK$13.1 million for the six months ended 31 December 2024. Given the loss making condition, the financial position of the Group has been adversely affected and the Group recorded net liabilities of approximately HK$44.4 million as at 30 June 2024 and approximately HK$57.2 million as at 31 December 2024, and cash and bank balances of approximately HK$16.8 million as at 30 June 2024, only approximately HK$5.3 million as at 31 December 2024 and approximately HK$5.4 million as at 31 May 2025.

As at the Latest Practicable Date, total outstanding interest accrued under the Loans is approximately HK$16.6 million which the Company does not have sufficient resources to settle in full. The MKI Loans are also due imminently in August and September 2025, while the HIL Loans are due in less than a year in April and in May 2026, which the Company is also unlikely to have the funds to repay timely. Given the relatively low level of cash balance of the Group and such cash balance was required to maintain the Group's businesses and operations, the Company considered that it was not appropriate to partially set off the outstanding interests under the Loans by existing cash resources.

Given the following factors, the Directors consider that it may not be suitable for the Company to carry on other fundraising exercises, especially for an amount comparable to the size of the outstanding amounts under the Loans:

(i) the prevailing market prices and trading volume of the Shares:

The Company notes that the closing prices of the Shares demonstrate a downward trend during the last twelve months before the entering into of the Subscription Agreements with the highest and lowest price quoted on the Stock Exchange being HK$0.660 and HK$0.098 respectively, and the average daily trading volume of the Shares in that period is thin.

This may hinder investors and/or underwriters' participation when the Company pursues other fundraising activities involving issue of a substantial number of new shares, e.g. placement of new shares under specific mandate, rights issue, open offer, etc.; and it is expected that the investors and/or underwriters may request a deep discount on the issue price.

(ii) the net liabilities position of the Group:

The capital deficiencies of the Company as at 30 June 2024 and 31 December 2024 were approximately HK$44,427,000 and approximately HK$57,249,000 respectively. The increase in the capital deficiency was due to the loss incurred during the six months ended 31 December 2024.

The Company has verbally discussed with certain banks from time to time during the past 12 months before the entering into of the Subscription Agreements in relation to a possible loan application. The Company understands that investors and banks generally look for companies with net asset position in considering investments and/or provision of loans. Therefore, the Company considers that the capital deficiency of the Company and the trend of increasing its net liabilities are unfavorable factors for the Company in negotiating other fundraising exercises.

(iii) the recent completion of a placing exercise by the Company in February 2025:

The Company completed a placing of new shares under general mandate on 28 February 2025 and raised net proceeds of HK$6,010,000. The Company considers that such placing of new shares under general mandate is achievable, as the process takes a short period of time and does not require any subsequent shareholder approval.

The Company considers that it may be possible to refresh the general mandate and raise further funds through the refreshed general mandate. However, the maximum limit of the refreshed general mandate is only 20% of the number of Shares; under the current market price of the Shares, placing of new shares under the refreshed general mandate cannot raise sufficient monies to repay the Loans (MKI Loans will be matured in August and September 2025), nor even to fully settle the outstanding interests under the Loans.

Regarding placing of new shares by the Company under specific mandate, although more Shares can be issued and thus more monies can be raised, it may be difficult for the Company to attract investors given more Shares are involved and a long process is required under which the investors shall face a higher degree of uncertainty on the share price of the Company.

Further, frequent placing of new shares by the Company may not be welcomed by existing Shareholders and/or potential investors. Therefore, the Company considers that fundraising through placing of new shares under (refreshed) general mandate and/or specific mandate may not be appropriate.

Accordingly, the Company has decided to negotiate with its creditors, i.e. HIL and MKI, on the proposed settlement plan of the outstanding amounts under the Loans on terms that are favourable to the Company and may improve the financial position of the Company.

As a result of such negotiations, the parties have agreed to settle the majority of the outstanding amounts under Loans as to HK$95,500,000 through the proposed issue of the CB. While no net proceeds will be received by the Company from the issue of the CB, there will also be no immediate cash outflow incurred by the Company in the settlement of the Loans. The Conversion Price is at a slight premium on or at similar level to the recent closing prices of the Shares. The CB have longer terms and bear substantially lower interest rates than the HIL Loans and MKI Loans, which will reduce the Company's short-term debt pressure and improve liquidity of the Company. Any exercise of Conversion Rights by HIL and/or MKI and issue of Conversion Shares will, despite the dilution effect on shareholding interest of existing Shareholders, reduce the gearing level and finance cost of the Group and hence strengthen the overall financial position of the Group. Taking into account the foregoing as a whole, the Directors consider that the proposed loan capitalisation by issue of the CB is an appropriate loan restructuring plan for the Company, in particular, it will allow the Company to settle the outstanding amounts under the Loans without utilising existing financial resources of the Company.

In view of the above, the Directors (including the independent non-executive Directors) considers that the terms of the Subscription Agreements and proposed issue of the CB are on normal commercial terms and fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

As advised by HIL and MKI, as at the Latest Practicable Date, both of HIL and MKI have the intention to convert HIL CB and MKI CB respectively, subject to the conversion restrictions attached to the CB; and in determining whether to convert the HIL CB or MKI CB respectively, they would consider, among others, their funding needs, the latest share price of the Company and the Company's latest business performance and financial position.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 186,624,000 Shares in issue, and no outstanding options, warrants, derivatives, or other securities which carry rights to subscribe for or be converted into Shares.

The following table illustrate the shareholding structure of the Company as at the Latest Practicable Date and, assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the date of issuance of the Conversion Shares, immediately upon full conversion of the CB into Conversion Shares.

Shareholders	As at the Latest Practicable Date		Immediately after full conversion of the HIL CB into HIL Conversion Shares only		Immediately after full conversion of the MKI CB into MKI Conversion Shares only		Immediately after full conversion of the HIL CB and MKI CB into Conversion Shares	
	Numbers of Shares held	*Approx.% of total Shares in issue*	*Numbers of Shares held*	*Approx.% of total Shares in issue*	*Numbers of Shares held*	*Approx.% of total Shares in issue*	*Numbers of Shares held*	*Approx.% of total Shares in issue*
MKI	24,700,000	13.24	24,700,000	3.50	373,790,909	69.77	373,790,909	35.44
HIL	–	–	519,090,909	73.56	–	–	519,090,909	49.21
Other Public Shareholders	161,924,000	86.76	161,924,000	22.94	161,924,000	30.23	161,924,000	15.35
Total	186,624,000	100.00	705,714,909	100.00	535,714,909	100.00	1,054,805,818	100.00

Note:

These scenarios are for illustrative purposes only. The conversion of both the HIL CB and MKI CB shall be subject to the restrictions as set forth in the paragraph headed "Conversion rights and restrictions" under the section "THE HIL CB AND THE MKI CB" above.

Under the circumstance immediately after full conversion of the HIL CB into HIL Conversion Shares only, MKI, which will hold 3.5% of total Shares in issue after such conversion, will be included as a public shareholder. Under this circumstance, approximately 26.44% of the total Shares in issue are held by all public shareholders (including MKI).

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

On 28 February 2025, the Company completed a placing exercise under general mandate and issued 31,104,000 new Shares at the price of HK$0.20 per Share to six placees. The net proceeds was approximately HK$6,010,000, of which HK$3,000,000 have been fully utilised for the payment of subcontracting charges for interior solutions projects as originally intended; and of which HK$3,010,000 have been fully utilised for general working capital of the Group as originally intended. Further details are set out in the Company's announcements dated 7 February 2025 and 28 February 2025.

Save as above, the Company had not conducted any equity fund raising activities in the past twelve months immediately preceding the date of the Announcement.

INFORMATION ON THE SUBSCRIBERS

HIL is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Zhou Yi (周異). To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, HIL and its ultimate beneficial owner and associates are Independent Third Parties. The principal business activity of HIL is investment holding.

MKI is a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. Zhu Guofei (朱國飛); 25% by Mr. Zhang Zhilong (張志龍); 25% by Mr. Zhang Yuekun (張躍昆) and 25% by Ms. Ma Feng (馬鳳). The principal business activity of MKI is investment holding. As at the date of this circular, MKI holds 24,700,000 Shares, representing approximately 13.24% of the existing number of issued Shares, and is hence a substantial shareholder and a connected person of the Company under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

HIL CB

The HIL Conversion Shares will be issued under a specific mandate to be sought from the Shareholders at the EGM. The issue of the HIL Conversion Shares is further conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the HIL Conversion Shares.

MKI CB

As MKI is a connected person of the Company, the entering into of the MKI Subscription Agreement and the issue of the MKI Conversion Shares constitutes a connected transaction of the Company, and is subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The MKI Conversion Shares will be issued under a specific mandate to be sought from the Independent Shareholders at the EGM. The issue of the MKI Conversion Shares is further conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the MKI Conversion Shares.

As none of the Directors have material interest in the Subscription Agreements or the transactions contemplated thereunder, no Director was required to abstain from voting at the Board meeting held to approve the Subscription Agreements.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the MKI Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, are in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole, and how to vote at the EGM. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened at Unit 1205, 12/F, Gemdale Centre, 2007 Shennan Avenue, Futian District, Shenzhen, PRC on Monday, 1 September 2025 at 2:00 p.m. (i) for the Shareholders to consider and approve the HIL Subscription Agreement and the proposed issue of the HIL CB contemplated thereunder, including the granting of the specific mandate for the issue of the HIL Conversion Shares, and (ii) for the Independent Shareholders to consider and approve the MKI Subscription Agreement and the proposed issue of the MKI CB contemplated thereunder, including the granting of the specific mandate for the issue of the MKI Conversion Shares. Set out on pages 60 to 62 of this circular is a notice convening the EGM. A form of proxy for use by the Shareholders at the EGM or any adjourned meeting is also enclosed herewith.

MKI, which held 24,700,000 Shares, representing approximately 13.24% of the existing number of issued Shares, and its associates (if any) will be required to abstain from voting on the resolutions relating to the MKI Subscription Agreement, issue of the MKI CB and granting of specific mandate for the issue of the MKI Conversion Shares at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder will be required to abstain from voting any of the resolutions to be proposed at the EGM.

If you are unable to attend and/or vote at the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon 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 and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, all vote of shareholders at a general meeting must 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. Therefore, the proposed resolution as set out in the notice of EGM will be voted by poll. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM to be held on Monday, 1 September 2025, the register of members of the Company will be closed from Wednesday, 27 August 2025 to Monday, 1 September 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 August 2025. The record date for the purpose of ascertaining shareholders' entitlement to attend and vote at the EGM is Monday, 1 September 2025.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 27 and 28 of this circular which contains its recommendation to the Independent Shareholders on the terms of the MKI Subscription Agreement and proposed issue of the MKI CB; and (ii) the letter from the Independent Financial Adviser set out on pages 29 to 55 of this circular which contains its recommendation and advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Board (including the independent non-executive Directors) considers that although the Subscription Agreements are not conducted in the ordinary and usual course of business of the Group, the Subscription Agreements are fair and reasonable, on normal commercial terms, 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 ordinary resolution to be proposed at the EGM to approve the HIL Subscription Agreement and the proposed issue of the HIL CB contemplated thereunder, and recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the MKI Subscription Agreement and the proposed issue of the MKI CB contemplated thereunder.

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

Shareholders and potential investors should note that completion of the Subscription Agreements are conditional upon satisfaction of the conditions as set out in this circular and therefore, the proposed issue of the CB may or may not proceed.

Shareholders and potential investors 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.

By Order of the Board
CROSSTEC Group Holdings Limited
WANG Rong
Executive Director

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the MKI Subscription Agreement and the proposed issue of the MKI CB contemplated thereunder.

CROSSTEC Group Holdings Limited
易緯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3893)

8 August 2025

To the Independent Shareholders

Dear Sir or Madam,

(1) LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE BOND;
(2) CONNECTED TRANSACTION – LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE BOND; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company to the Shareholders dated 8 August 2025 (the "**Circular**"), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the MKI Subscription Agreement and the proposed issue of the MKI CB contemplated thereunder, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Red Sun Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the MKI Subscription Agreement and the proposed issue of the MKI CB contemplated thereunder as set out on pages 29 to 55 of the Circular and the letter from the Board as set out on pages 7 to 26 of the Circular, as well as the additional information set out in the appendix to the Circular.

Having taken into account the terms of the MKI Subscription Agreement and the proposed issue of the MKI CB contemplated thereunder, and the factors and reasons considered by the Independent Financial Adviser and its conclusion and recommendation as stated in its letter of advice, we are of the opinion that the terms of the MKI Subscription Agreement and the proposed issue of the MKI CB contemplated thereunder are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned. While the MKI Subscription Agreement and the proposed issue of the MKI CB contemplated thereunder are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole. We, therefore, recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
CROSSTEC Group Holdings Limited

Ms. Lee Kwai Sheung	**Mr. Tse Kwok Hing Henry**	**Mr. Ma Jian**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of a letter of advice from Red Sun Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the proposed issue of the MKI CB contemplated thereunder which has been prepared for the purpose of incorporation in this circular.

紅日資本有限公司
RED SUN CAPITAL LIMITED

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

Tel: (852) 2857 9208
Fax: (852) 2857 9100

8 August 2025

To the Independent Board Committee and
the Independent Shareholders of
CROSSTEC Group Holdings Limited

Dear Sirs,

CONNECTED TRANSACTION – LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE BOND

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the MKI Subscription Agreement (together with the transactions contemplated therein, including the issue of the MKI CB under specific mandate), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 8 August 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 2 June 2025 (after trading hours), the Company entered into the MKI Subscription Agreement with MKI, pursuant to which MKI has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue the MKI CB in the principal amount of HK$38,400,000, which shall be satisfied by discharging part of the payment obligation of the Company on the MKI Loans ("**Loan Capitalisation**").

LISTING RULES IMPLICATIONS

As set out in the Letter from the Board, as MKI is a connected person of the Company, the entering into of the MKI Subscription Agreement and the issue of the MKI Conversion Shares constitutes a connected transaction of the Company, and is subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The MKI Conversion Shares will be issued under a specific mandate to be sought from the Independent Shareholders at the EGM. The issue of the MKI Conversion Shares is further conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the MKI Conversion Shares.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors namely, Ms. Lee Kwai Sheung, Mr. Tse Kwok Hing Henry and Mr. Ma Jian, has been formed to advise the Independent Shareholders as to whether the MKI Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, are in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole, and how to vote at the EGM. Red Sun Capital Limited has 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 are independent from and not connected with the Company, MKI and their respective shareholders, directors or chief executives, or any other parties that could reasonably be regarded as relevant to our independence, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the MKI Subscription Agreement, including the proposed issue of the MKI CB under specific mandate and the transaction contemplated thereunder. During the past two years, Red Sun Capital has not acted as an independent financial adviser to the Company under the Listing Rules. Apart from the normal advisory fee payable to us in connection with this engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Group that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Group 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 relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company ("**Management**"). We have assumed that all statements, information and representations provided by the Directors and the Management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided 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.

Our review and analysis were based upon, among other things, including, (i) MKI Subscription Agreement; (ii) the Announcement; (iii) the Circular; (iv) the annual report of the Company for the year ended 30 June 2024 ("**2024 Annual Report**") and the interim report for the six months ended 31 December 2024 ("**2024 Interim Report**"). We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company, to enable us to reach an informed view and to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, the Management or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, there are no other facts not contained in this letter, the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

This letter issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the MKI Subscription Agreement, including the issue of MKI CB and the transaction contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE MKI SUBSCRIPTION AGREEMENT

In arriving at our opinion in respect of the MKI Subscription Agreement, we have taken into consideration the following principal factors and reasons:

(1) Principal business and financial information of the Group

As set out in the Letter from the Board, the Company is an investment holding company and the Group is principally engaged in the provision of bespoke and total interior design solutions to the retail stores and property facilities of global luxury brands, which covers a wide range of services including millwork and furniture provision, façade development and fabrication, interior solutions, design, maintenance and project consultancy, and have recently expanded into online game distribution business.

Set out below are the summarised consolidated income statements of the Group for the years ended 30 June 2023 and 2024 as extracted from the 2024 Annual Report, and the six months ended 31 December 2023 and 2024 from the 2024 Interim Report.

Summary of consolidated statement of profit or loss

	For the six months ended 31 December		For the year ended 30 June	
	2024	**2023**	**2024**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	**45,713**	**26,983**	**73,811**	**48,004**
Sales of millwork and furniture	2,166	1,699	12,014	9,800
Sales of facade fabrication	–	–	–	575
Interior solution projects	39,998	25,707	61,408	34,171
Maintenance services	50	54	366	869
Design and project consultancy services	25	23	23	2,589
Online game distribution service	3,474	–	–	–
Gross profit/(loss)	**2,044**	**15,763**	**14,764**	**(11,418)**
(Loss)/Profit for the period/year attributable to the owners of the Company	**(13,052)**	**6,722**	**(13,044)**	**(53,556)**

*Financial performance for the year ended 30 June 2023 ("**FY2023**") and the year ended 30 June 2024 ("**FY2024**")*

As set out in 2024 Annual Report, the Group recorded revenue of approximately HK$73.8 million for FY2024, representing an increase of approximately 53.8% from approximately HK$48.0 million for FY2023, which was due to the Company putting more resources and emphasising on developing local business in the PRC and Hong Kong, as well as exploring business in Australia, resulting in an increase in revenue due to various new projects obtained in the PRC, Hong Kong and Australia. The Group's recorded gross loss of approximately HK$11.4 million for FY2023 and gross profit of approximately HK$14.8 million for FY2024. The turnaround from gross loss for FY2023 to a gross profit for FY2024 was mainly due to the reversal of accrued contract costs and the reversal of expected loss on onerous contracts.

Loss for the year attributable to the owners of the Company amounted to approximately HK$13.0 million for FY2024 compared to approximately HK$53.6 million for FY2023. The reduction in the loss for the year attributable to owners of the Company was mainly attributable to (i) the change from gross loss for FY2023 to gross profit for FY2024; (ii) the decrease in the impairment losses on property, plant and equipment during FY2024; (iii) the gain on early termination of a lease during FY2024; and (iv) the decrease of administrative expenses during FY2024.

*Financial performance for the six months ended 31 December 2023 ("**6M2023**") and the six months ended 31 December 2024 ("**6M2024**")*

As set out in 2024 Interim Report, the Group recorded revenue of approximately HK$45.7 million for 6M2024, representing an increase of approximately 69.4% from approximately HK$27.0 million for 6M2023, mainly because the Group has successfully secured certain new projects during 6M2024. The Group also recorded a decrease in gross profit of approximately 87.0% from approximately HK$15.8 million for 6M2023 to approximately HK$2.0 million for 6M2024, which was mainly due to increase in direct costs during 6M2024.

Loss for the period attributable to the owners of the Company amounted to approximately HK$13.1 million, as compared to profit for the period attributable to owners of the Company of approximately HK$6.7 million for 6M2023. Such change was mainly due to following one-off items during 6M2023, namely (i) the reversal of contract cost on modification of contracts of approximately HK$6.3 million; (ii) the reversal of expected loss on onerous contracts of approximately HK$6.4 million; and (iii) gain on early termination of a lease of approximately HK$4.8 million.

The Company showed positive revenue growth from FY2023 to FY2024 and continued this trend into 6M2024. Despite revenue growth, gross profit suffered a significant decline in 6M2024 due to rising direct costs, impacting overall profitability. The increase in direct costs during 6M2024 as compared to 6M2023 was mainly the result of the increase in revenue during 6M2024 and the recognition of reversal of contract costs and expected loss during 6M2023 but not 6M2024.

Summary of consolidated statement of financial position

	As at 31 December 2024	**As at 30 June 2024**
	HK$'000 (unaudited)	*HK$'000* (audited)
Non-current assets	9,586	10,310
Current assets	55,891	53,303
Total assets	**65,477**	**63,613**
Non-current liabilities	55,508	35,764
Current liabilities	67,218	72,276
Total liabilities	**122,726**	**108,040**
Net liabilities	(57,249)	(44,427)

We noted from the 2024 Interim Report that the Group recorded net liabilities of approximately HK$57.2 million as at 31 December 2024 compared to approximately HK$44.4 million as at 30 June 2024.

Total assets of the Group amounted to approximately HK$65.5 million as at 31 December 2024, representing an increase of approximately 2.9% as compared to approximately HK$63.6 million as at 30 June 2024, which was mainly attributable to (i) increase in contract assets to approximately HK$37.4 million as at 31 December 2024 from approximately HK$24.9 million as at 30 June 2024; and (ii) decrease in cash and cash equivalents of approximately HK$11.5 million from approximately HK$16.8 million as at 30 June 2024 to approximately HK$5.3 million as at 31 December 2024.

Total liabilities of the Group amounted to approximately HK$122.7 million as at 31 December 2024, representing an increase of approximately 13.6% as compared to approximately HK$108.0 million as at 30 June 2024, which was mainly due to (i) the increase in contract liabilities of approximately HK$8.3 million from approximately HK$2.6 million as at 30 June 2024 to approximately HK$10.9 million as at 31 December 2024; and (ii) the increase in trade and other payables of approximately HK$5.1 million from approximately HK$20.7 million as at 30 June 2024 to approximately HK$25.8 million as at 31 December 2024.

The increase in net liabilities signals potential financial stress, as liabilities have grown more than assets. While total assets have increased, the significant drop in cash reserves could affect liquidity. The substantial increase in non-current liabilities raises concerns about long-term financial sustainability and interest obligations.

(2) Reasons for and benefits of the MKI Subscription and Loan Capitalisation

As set out in the 2024 Annual Report and 2024 Interim Report, the Group recorded a net loss of approximately HK$13.0 million for the year ended 30 June 2024 and approximately HK$13.1 million for the six months ended 31 December 2024. According to the Company's 2024 Interim Report, such loss was mainly attributable to the suspension or delay of business activities caused by the COVID-19 pandemic in early years, which subsequently led to a drop in business sentiment. As a result, a slowdown in implementing the business strategies in relation to renovation and new shops/outlets roll out of certain customers were noted. In addition, it is noted that the change from consolidated net profit of the Group for the six months ended 31 December 2023 to a consolidated net loss of the Group for the six months ended 31 December 2024 was due to the one-off items accrued during the six months ended 31 December 2023, namely (i) reversal of contract cost on modification of contracts; (ii) the reversal of expected loss on onerous contracts; and (iii) a gain on early termination of a lease.

Due to the loss-making condition, the financial position of the Group has been adversely affected and the Group recorded net liabilities of approximately HK$44.4 million as at 30 June 2024 and approximately HK$57.2 million as at 31 December 2024, with cash and cash equivalents of approximately HK$16.8 million as at 30 June 2024, approximately HK$5.3 million as at 31 December 2024, and approximately HK$5.4 million as at 31 May 2025.

As at the Latest Practicable Date, total outstanding interest accrued under the Loans is approximately HK$16.6 million. The Company had defaulted on its obligations due to its failure to make timely repayment of the interests accrued under the loan agreement in respect of the MKI Loans, which could exhibit an immediate request of repayment of the principal amount and interest by MKI in which the Company does not have sufficient resources to settle in full given the limited cash and cash equivalents available. As the MKI Loans are due imminently in August and September 2025, while the HIL Loans are due in less than a year in April and in May 2026, the Company has explored alternatives methods to settle the MKI Loans when they fall due.

Given the prevailing market prices and trading volume of the Shares, the net liabilities position of the Group, as well as the recent completion of a placing exercise by the Company in February 2025, the Directors consider that it may not be suitable for the Company to carry on other fundraising exercises, especially for an amount comparable to the size of the outstanding amounts under the Loans. Accordingly, the Company has decided to negotiate with its creditors, including MKI, on the proposed settlement plan of the outstanding amounts under the Loans on terms that are favourable to the Company and may improve the financial position of the Company.

As advised by the Directors, the Directors have considered alternative means for raising funds to settle the MKI Loans, such as bank borrowings, share issuance or rights issue. However, the Management of the Company considered that these options were not feasible due to, where applicable, the Group's financial position, insufficient collateral or lack of interests from potential investors at the material time.

In respect of debt and/or equity financing, we noted that (i) from the 2024 Annual Report, the net liabilities position of the Group as at 30 June 2024 and 31 December 2024 and the Group incurred net losses of approximately HK$53.6 million and HK$13.0 million for the years ended 30 June 2023 and 2024, respectively; (ii) the Company has recently completed a placing of new shares in February 2025, details of which set out in the announcement of the Company dated 7 February 2025; (iii) the sizeable amount of the MKI Loans (comprising the outstanding principal amount and the interest accrued) which amounts to approximately HK$38.4 million in aggregate as at 30 June 2025 in which if bank borrowings were to pursue will significantly increase the gearing ratio of the Group and incur further interest expenses; (iv) the lack of appropriate assets as collateral for credit facilities as the Group recorded tangible fixed assets of approximately HK$5.9 million as at 31 December 2024, representing approximately 5.4% of the aggregated principal amounts and outstanding interests of MKI CB and HIL CB; (v) issuance of new shares or rights issue typically involve a longer process due to due diligence requirements, prolonged negotiations with underwriters or placing agents, and a higher expenses arise from professional fees, underwriting commission or other services expenses; and (v) the thin liquidity of the Shares as discussed in the paragraphs headed "5.2 Trading Liquidity of Shares" in this letter, it would be challenging for the Group to obtain new borrowings nor conduct shares placement or rights issue of a size comparable to the MKI Loans without offering a deep discount. Therefore, the likelihood of conducting such fundraising exercise successfully under favourable terms is low, thus no substantive progress in attempting the above alternatives fundraising methods were noted. In addition, we are given to understand that one of the rationales of the Loan Capitalisation is to improve the overall capital base, reduce finance costs and reduce liquidity pressure of the Company which would not be achievable through bank borrowings or debt financings, therefore the Company is of the view that the Loan Capitalisation through the issue of MKI CB would be the best financing option as compared to the above financing alternatives method.

With regards to the above, the Company decided to negotiate with MKI on the proposed settlement plan with a view to improve the overall financial position of the Company. The Directors are of the view that Loan Capitalisation, through the issuance of MKI CB, will definitely improve the Group's financial position, strengthen its capital base and reduce the financial burden without a significant amount of cash outflow, allowing the Group to utilise the available cash and resources to identify future investment or growth opportunities. Pursuant to the MKI Subscription Agreement, the Conversion Price of MKI CB will be fully settled on a dollar-for-dollar basis, by way of partially set-off the outstanding principal and interest amounts on the MKI Loans as at 30 June 2025, with the remaining balance to be paid by the Company to MKI in cash. Accordingly, a substantially less amount of cash outflow will be incurred in the settlement of the MKI Loans. In addition, as set out in the Letter from the Board, in determining whether to convert the MKI CB, the subscriber would consider, among others, their funding needs, the latest Share price of the Company and the Company's latest business performance and financial position.

After taking into account that: (i) the deteriorating financial position and financial performance of the Group as mentioned above; (ii) the settlement of the outstanding principal amount and the interest accrued from the MKI Loans through the issuance of MKI CB will not exert immediate cash outflow burden on the Group; (iii) the MKI Subscription demonstrates the solid confidence shown by the continuing financial support from MKI as the substantial shareholder of the Company, which is beneficial to the Group's future business development and operation; (iv) upon conversion of the MKI CB, the financial position of the Group would be improved as the net liabilities of the Group of approximately HK$57.2 million as at 31 December 2024 will be reduced accordingly; (v) a fund raising exercise through bank borrowings or issuance of new shares are not feasible under the current circumstances considering the Group's recent loss-making performance and net liabilities position as mentioned above; and (vi) the imminent need to strengthen the financial position of the Group by reducing the overall gearing ratio and finance cost arising from current liabilities to prepare for future development, the Board considers and we concur with their views that the terms of the MKI Subscription Agreement and the transaction contemplated thereunder, including the Loan Capitalisation through the issuance of the MKI CB, are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(3) Information of MKI

MKI is a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. Zhu Guofei, 25% by Mr. Zhang Zhilong, 25% by Mr. Zhang Yuekun and 25% by Ms. Ma Feng. The principal business activity of MKI is investment holding. As at the Latest Practicable Date, MKI holds approximately 24,700,000 Shares, representing approximately 13.24% of the existing number of issued Shares, and is hence a substantial shareholder and a connected person of the Company pursuant to the Listing Rules.

(4) Principal terms of the MKI Subscription Agreement

Subject matter

The Company is indebted to MKI for the MKI Loans, i.e. unsecured loans with aggregate principal amount of HK$30,000,000, bearing interest rate of 15% per annum payable every six months, and which are maturing in August and September 2025. As at the date of the MKI Subscription Agreement and the Announcement, outstanding interest accrued on the MKI Loans, which the Company is unable to pay, was approximately HK$8,057,507. Assuming the Company does not make any interest payment thereafter, the total outstanding interest accrued as at 30 June 2025 will amount to approximately HK$8,402,712.

To partially capitalise the outstanding principal and interest amounts on the MKI Loans, MKI has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue the MKI CB in the principal amount of HK$38,400,000. The subscription amount payable by MKI under the MKI Subscription Agreement shall be satisfied by releasing the payment obligation of the Company against the entire principal amounts of the MKI Loans and most of the outstanding interest accrued on the MKI Loans as at 30 June 2025. The remaining outstanding interest in the amount of HK$2,712 as at 30 June 2025 plus outstanding interest accrued on the MKI Loans from 1 July 2025 to the date of completion of the MKI Subscription Agreement (i.e. daily interest of approximately HK$12,329 times number of days from 1 July 2025 to the date of completion of the MKI Subscription Agreement, both days inclusive) will be paid by the Company to MKI in cash.

Date:	2 June 2025
Parties:	(i) The Company (as issuer) (ii) MKI (as subscriber)
Principal amount:	HK$38,400,000
Maturity:	36 months from original issue date
Interest rate:	2% per annum
Conversion price:	Initially, HK$0.11 per Share, subject to adjustments. The Conversion Price shall be adjusted in accordance with the mechanism as provided in the CB instrument in each of the following cases: (i) an alteration of the number of the Shares by reason of any consolidation or subdivision resulting in a different par value of the Shares, following which the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), following which the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation;

(iii) a Capital Distribution being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such, following which the Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

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

where:

A = the market price (as defined in the CB instrument) on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the date next preceding the date of the Capital Distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved merchant bank (as defined in the CB instrument), of the portion of the Capital Distribution or of such rights which is attributable to one Share

Provided that:

i. if in the opinion of the approved merchant bank, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed accordingly) the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and

ii. the provisions of this sub-paragraph shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

(iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price at the date of the announcement (as defined in the CB instrument) of the terms of the offer or grant, following which the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants;

(v) an issue being made by the Company of securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined in the CB instrument) initially receivable for such securities is less than 80% of the market price, following which the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price;

(vi) an issue being made by the Company of Shares at a price which is less than 80% of the market price, following which the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued;

(vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the CB instrument) less than 80% of the market price, following which the Conversion Price shall be adjusted by multiplying it by a fraction of which the numerator shall be the total effective consideration per Share and the denominator shall be such market price; and

(viii) an issue of other equity securities of the Company for an effective consideration per Share less than 80% of the Conversion Price then in effect, following which the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of issuance of such equity securities by a fraction of which the numerator is the number of Shares in issue immediately before the date of issuance plus the number of Shares which the aggregate amount payable for the issue would purchase at the prevailing Conversion Price and the denominator is the number of Shares in issue immediately before the date of issuance plus the number of Shares to be issued or potentially be issued, based on terms of such equity securities.

For details of the adjustment mechanism of the Conversion Price, please refer to the MKI Subscription Agreement, which contain a form of the CB instrument.

Conversion period: Commencing from the original date of issue to the close of business on the Business Day immediately prior to and exclusive of the maturity date (both dates inclusive)

Conversion rights and restrictions: A holder of the CB shall have the right to convert in whole or in part the outstanding principal amount of the CB into Conversion Shares at the Conversion Price (subject to adjustments) on any Business Day during the conversion period, subject to the following restrictions:

(i) any conversion shall be made in integral multiples of HK$100,000), save that if at any time the aggregate outstanding principal amount held by a holder of the CB is less than HK$100,000, the whole (but not part only) of such aggregate outstanding principal amount of the CB may be converted; and

(ii) the holder of the CB shall not exercise any of the Conversion Rights if

(a) the holder of the CB and parties acting in concert with it will directly or indirectly control or be interested in 30% or more of the then issued share capital of the Company as enlarged by such conversion, or such percentage of voting rights of the Company which the holder would be obliged to make a general offer under the Takeovers Code; or

(b) the Company will be unable to meet the minimum public float requirements under the Listing Rules.

Transferability: The CB are freely transferable subject to the conditions that no transfer (whether in whole or in part) may be made to a connected person of the Company, and the principal amount to be transferred or assigned must be at least HK$1,000,000 and in an integral multiple of HK$100,000.

Security: The obligations of the Company under the MKI CB are unsecured

Status and Ranking: The CB constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws.

The Conversion Shares to be issued upon the exercise of the Conversion Rights will be credited as fully paid and will rank pari passu in all respects among themselves and with other existing Shares outstanding at the date of issue of the Conversion Shares and be entitled to all dividends and other distributions the record date for which falls on a date on or after the date of their issue.

Listing: No application will be made for the listing of the CB on the Stock Exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights.

Voting: A holder of the CB will not be entitled to receive notices of, attend or vote at any Shareholders' meetings of the Company by reason only of it being a holder of the CB.

Mandatory redemption: The Company shall redeem at 100% of the outstanding principal amount of the CB (as the case may be) on the maturity date.

Early redemption: The Company shall have the right to redeem in whole or any part(s) of the principal amount of the CB in integral multiples of HK$100,000 (if at any time the aggregate outstanding principal amount held by a holder of the CB is less than HK$100,000, the whole (but not part only) of such aggregate outstanding principal amount may be redeemed), at any time on any Business Day prior to the maturity date by giving prior notice of not less than ten (10) days in writing to the holder of the CB. The CB or any part thereof so redeemed shall forthwith be cancelled by the Company.

Conditions precedent

Completion under the MKI Subscription Agreement is conditional upon, among others, the fulfilment of the following conditions:

(i) the Listing Committee granting or agreeing to grant approval for the listing of, and permission to deal in, the MKI Conversion Shares to be issued upon exercise of the conversion rights pursuant to the MKI CB and such grant remaining in full force and effect;

(ii) all necessary consents, approvals (or waivers), authorisation, permission or exemption from any third parties, including but not limited to government or regulatory authorities, having been obtained by the Company in connection with the MKI Subscription Agreement, the issue of the MKI CB and the issue of the MKI Conversion Shares and such consents, approvals (or waivers), authorisation, permission or exemption remaining in full force and effect;

(iii) the compliance by the Company with all legal and other requirements under the Listing Rules and the laws of the Cayman Islands applicable to the transactions contemplated under the MKI Subscription Agreement;

(iv) the passing of the requisite respective resolution(s) by the Board and the Independent Shareholders at the EGM approving, inter alia, the transactions contemplated under the MKI Subscription Agreement, including but not limited to the issue of the MKI CB and the granting of the specific mandate for the issue of the MKI Conversion Shares;

(v) all issued Shares remaining listed on, and not having been revoked or withdrawn from, the Stock Exchange and the Stock Exchange not having indicated that it will subject to such listing and trading of the Shares on the Stock Exchange;

(vi) the representations and warranties given by the parties under the MKI Subscription Agreement being true and accurate and not misleading when made and remaining true and accurate and not misleading until the date of completion; and

(vii) there being no event existing or having occurred and no condition being in existence which would constitute an event of default as set out in the MKI Subscription Agreement.

All conditions set out above are non-waivable except that conditions (vi) and (vii) are waivable at the discretion of MKI. In the event that the conditions precedent under the MKI Subscription Agreement are not fulfilled or waived (as the case may be) on or before the Long Stop Date, the MKI Subscription Agreement shall automatically terminate and the parties shall be released from all rights and obligations thereunder, save for any liabilities for any antecedent breaches of the terms thereof.

Except for (i) the approval by the Board for the MKI Subscription Agreement and the proposed issue of the MKI CB, (ii) the approval of the Independent Shareholders for the MKI Subscription Agreement and the proposed issue of the MKI CB, and (iii) the board approval of MKI for the MKI Subscription Agreement, no other consent, approvals (or waivers), authorisation, permission or exemption is required for the MKI Subscription Agreement to be effective.

As at the Latest Practicable Date, none of the conditions set out above has been fulfilled or waived.

If the condition precedent is not fulfilled before the Long Stop Date, the Company intends to negotiate with MKI the possibility of (i) a short extension of the Long Stop Date, (ii) an extension for a short period of the loan term of the MKI Loans; or (iii) other debt restructuring proposals, subject to the consent of MKI. There will not be any penalty in the circumstance that the MKI Subscription Agreement is automatically terminated in the event that the conditions precedent under the MKI Subscription Agreement are not fulfilled or waived (as the case may be) on or before the Long Stop Date.

Completion

Completion under the MKI Subscription Agreement will take place within three (3) Business Days upon the fulfilment or waiver (as the case may be) of all the conditions precedent set out in the MKI Subscription Agreement (or such later date as may be agreed between the Company and MKI).

The HIL Subscription Agreement and the MKI Subscription Agreement and the completion and allotment and issue of the HIL CB and MKI CB respectively thereunder are not inter-conditional.

Maximum number of Conversion Shares

Assuming full conversion of the aggregate principal amounts of the CB of HK$95,500,000 at the Conversion Price into Conversion Shares, a total of maximum 868,181,818 Shares with aggregate nominal value of HK$8,681,818.18 will be issued, representing approximately 465.20% of the total existing issued share capital of the Company and approximately 82.31% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares.

Assuming full conversion of the principal amount of the HIL CB of HK$57,100,000 at the Conversion Price into HIL Conversion Shares, a total of maximum 519,090,909 Shares with aggregate nominal value of HK$5,190,909.09 will be issued, representing approximately 278.15% of the total existing issued share capital of the Company, approximately 73.56% of the Company's total issued share capital as enlarged by the issue of the HIL Conversion Shares only, and approximately 49.21% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares.

Assuming full conversion of the principal amount of the MKI CB of HK$38,400,000 at the Conversion Price into MKI Conversion Shares, a total of maximum 349,090,909 Shares with aggregate nominal value of HK$3,490,909.09 will be issued, representing approximately 187.06% of the total existing issued share capital of the Company, approximately 65.16% of the Company's total issued share capital as enlarged by the issue of the MKI Conversion Shares only, and approximately 33.10% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares.

Conversion Price

The Conversion Price, being HK$0.11 per Share, represents:

(i) a discount of approximately 31.68% on the closing price of HK$0.161 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 1.85% on the closing price of HK$0.108 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements;

(iii) a premium of approximately 1.85% on the average closing price of approximately HK$0.108 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to the date of the Subscription Agreements;

(iv) a premium of approximately 1.85% on the average closing price of approximately HK$0.108 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the Subscription Agreements;

(v) a discount of approximately 1.79% on the average closing price of approximately HK$0.112 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to the date of the Subscription Agreements; and

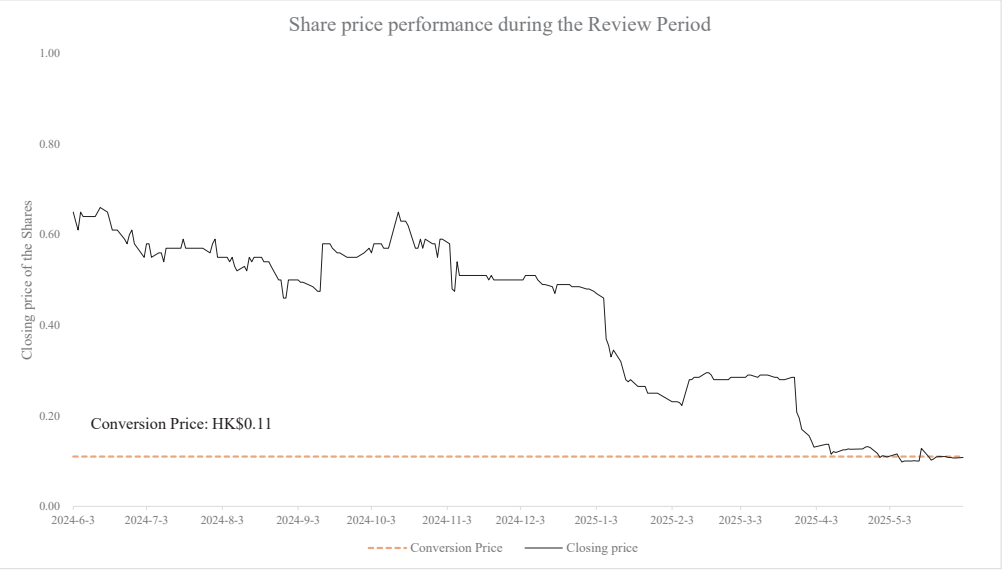
(vi) a premium to the net asset value of the Company as at 31 December 2024 – the capital deficiency per share of the Company as at 31 December 2024, is approximately HK$0.368, i.e. capital deficiency of the Company of HK$57,249,000 divided by number of issued shares of the Company of 155,520,000 shares as at 31 December 2024. The Conversion Price represents a premium in this context, as the Company was in a capital deficiency position as at 31 December 2024.

As stated in the Letter from the Board, the Conversion Price was arrived at after arm's length negotiation between the Company and MKI after taking into account a combination of factors, among other things: (i) prevailing market price of the Shares, (ii) operation and financial performance of the Group, in particular the capital deficit position of the Group; and (iii) the reasons for and benefits of entering into MKI Subscription Agreement as set out in the Letter from the Board.

(5) Evaluation of the principal terms of the MKI CB

5.1 Historical Share price performance

We have reviewed the movement in historical closing prices and the chart below reflects the movement in closing prices for the period from 3 June 2024 to 2 June 2025, being a twelve-month trading period from the date of the MKI Subscription Agreement (the "**Review Period**"). We consider that the Review Period is reasonable and representative for our analysis to conduct a fair comparison between the Conversion Price and historical closing price of Shares as the twelve-month period allows a sufficient demonstration of the performance of Shares in response to prevailing market and operating conditions, and to avoid distortions caused by any specific events within a shorter period.



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the closing prices of the Shares of the Company demonstrated a downward trend with the highest and lowest price quoted on the Stock Exchange being HK$0.660 and HK$0.098, respectively. The average daily closing price of the Share during the Review Period was approximately HK$0.414. It is noted that the Conversion Price of HK$0.11 is within the range of the daily closing prices of the Shares during Review Period and represents (i) a discount of 83.3% over the highest closing price per Share during the Review Period; (ii) a premium of 12.2% over the lowest closing price per Share during the Review Period; and (iii) a discount of 73.3% of the average closing price per Share during the Review Period.

Although the Conversion Price is below the average closing price during the Review Period, having considered that (i) the Conversion Price represents a premium over the closing price on the date of the MKI Subscription Agreement and the average closing price for the 5 consecutive trading days immediately prior to the date of the MKI Subscription Agreement; (ii) the Conversion Price is within the range of the daily closing prices of the Shares during the Review Period; (iii) the Shares exhibited a downward trend during the Review Period due to weak market sentiment and conditions; and (iv) the operation and financial performance of the Group, details of which is discussed in the paragraph headed "(1) Principal business and financial information of the Group", we are of the view that, the Conversion Price is justifiable.

5.2 Trading liquidity of Shares

We have also conducted analysis on the historical trading volume and liquidity of the Shares during the period from 3 June 2024 up to the Latest Practicable Date with a summary of the average daily trading volume of the Shares with respect to the total number of issued Shares as at the end of respective month/period. It is considered the aforesaid period is a reasonable period covering the annual cycle of the Shares for our analysis purpose, demonstrating a fair representation of the market trading as well as the overall market perception towards the Shares, offering a fair and reliable reflection of how the market values the Shares of the Company.

Month/period	**Number of trading days**	**Average daily trading volume**	**Percentage of average trading volume to total number of issued Shares** *(Note)*
2024			
June (from 3 June 2024)	19	385,842	0.25%
July	22	98,358	0.06%
August	22	136,636	0.09%
September	19	36,263	0.02%
October	21	187,071	0.12%
November	21	90,119	0.06%
December	20	38,300	0.02%
2025			
January	19	363,553	0.23%
February	20	246,550	0.13%
March	21	412,310	0.22%
April	19	791,684	0.42%
May	20	1,822,209	0.98%
June	21	273,238	0.15%
July (up to and including Latest Practicable Date)	22	704,841	0.38%
Minimum			0.02%
Maximum			0.98%
Average			0.22%

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: Calculated based on the total number of Shares in issue at the end of the respective month/period.

As set out in the table above, during the review period of the trading liquidity analysis, the average daily trading volume for each month or period as a percentage to the total number of Shares in issue at the end of respective month or period ranged from approximately 0.02% to 0.98% with an average of 0.22%.

It is noted that the trading liquidity of the Shares is considerably thin during the Review Period where 5 out of 12 months or periods have a trading liquidity of below 0.1% of the then total number of issued Shares. We are of the view that thin trading liquidity may hinder investors/ underwriters to participate when the Company tried to pursue fundraising activities by way of a placement of shares, rights issue or open offer.

5.3 Comparable analysis on the Conversion Price

To further assess the fairness and reasonableness of the terms of the MKI CB, we conducted a search of recent issues of convertible bonds under specific mandate by companies listed on the Main Board of the Stock Exchange, excluding (i) the issuance of convertible bonds for acquisition, which we considered to be not comparable to the MKI CB as the purposes of acquisition is for generating future income; (ii) perpetual convertible bonds with no maturity date, which we considered to be not comparable to the MKI CB in terms of the nature as the perpetual convertible bonds offer a steady stream of interest indefinitely; and (iii) the proposed issue of the convertible bonds that have been terminated and lapsed as at the Latest Practicable Date, for a period of six months prior to the date of the MKI Subscription Agreement through published information on the Stock Exchange's website (the "**Selection Criteria**"). The Selection Criteria is not confined to issues to connected persons but also including issues to Independent Third Party as it provides recent and relevant information in relation of convertible bonds issues conducted during recent period to demonstrate a more accurate representation of prevailing market practices under the prevailing market conditions. We consider that the six-month period is appropriate in providing a general reference for the recent market practice in relation to the key terms of the comparable issues under similar market conditions and sentiment to provide a reasonable and meaningful comparison.

Based on such Selection Criteria and to the best of our knowledge, effort and endeavour, we have identified five comparable companies (the "**Comparable Issues**") on an exhaustive basis. Shareholders should note that the size, principal business, operations, financial positions and prospects of the respective companies may not be identical to the Company. We have not conducted any in-depth investigation into the size, principal business, operations, financial positions and prospects of the Comparable Issues. This analysis is aiming in providing a general reference for the recent market practice in relation to the key terms of the Comparable Issues under similar type of transactions, we consider that our comparable analysis and the Selection Criteria are fair and reasonable and useful for Independent Shareholders' reference.

We set out our findings in the table below:

Date of announcement	Company name (Stock Code)	Interest rate per annum	Maturity	Connected *Yes (Y) / No (N)*	Premium/ (discount) to net asset value per share as at the respective latest financial period/year	Premium/ (discount) of conversion price over/to the closing price on the last trading day/ on the date of the respective announcement/ agreement	Premium/ (discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day/on the date of the respective announcement/ agreement
		(%)	*(year)*		*(%)*	*(%)*	*(%)*
30 May 2025	China Carbon Neutral Development Group Limited (1372)	5.0	2	N	N/A (Note 1)	(83.5)	(80.1)
25 April 2025	Guangdong – Hong Kong Greater Bay Area Holdings Limited (1396)	0.0	1	N	976.3 (Note 2)	90.3	156.1
21 April 2025	Daido Group Limited (544) ("**Daido**")	6.0	3	N	N/A (Note 1)	(20.0)	(18.9)
14 April 2025	Wai Chun Bio-Technology Limited (660) ("**Wai Chun**")	2.0	3	Y	N/A (Note 1)	(7.9)	(13.4)
11 April 2025	Wai Chun Group Holdings Limited (1013) ("**Wai Chun Group**")	2.0	3	Y	N/A (Note 1)	(5.3)	(16.4)
Including Outliers	Maximum	6.0%	3.0			90.3%	156.1%
	Minimum	0.0%	1.0			(83.5)%	(80.1)%
	Average	3.0%	2.4			(5.3)%	5.5%
	Median	2.0%	3.0			(7.9)%	(16.4)%
	Standard deviation				N/A	62.2%	88.7%
	The Company	**2.0**	**3**		**N/A (Note 1)**	**1.9%**	**1.9%**
Excluding Outliers	Maximum	6.0%	3.0			(5.3%)	(13.4%)
	Minimum	2.0%	3.0			(20.0%)	(18.9%)
	Average	3.3%	3.0			(11.0%)	(16.2%)
	Median	2.0%	3.0			(7.9%)	(16.4%)

Notes:

1. *The respective company recorded capital deficit as at their respective latest financial period/year.*

2. *The conversion price of the subject Comparable Issue of HK$5.50 represents a premium of 976.3% to the net asset value per share of HK$0.511 of the subject company as at 31 December 2024, which is calculated based on the equity attributable to owners amounted to approximately RMB389,126,000 as at 31 December 2024 (equivalent to approximately HK$416,364,820) divided by the total number of shares in issue of 814,103,100 as at the date of the subject announcement.*

As shown in the above table, we noted that the conversion prices of the Comparable Issues ranged from (i) a discount of approximately 83.5% to a premium of approximately 90.3% over the respective closing prices of the shares on the last trading day/on the date of the relevant announcement/agreement, with a median discount of approximately 7.9% and an average discount of approximately 5.3%; and (ii) a discount of approximately 80.1% to a premium of approximately 156.1% over the respective average closing prices of the shares on the last five trading days up to and including the date of the respective announcement/agreement, with a median discount of approximately 16.4% and an average premium of approximately 5.5%.

We noted the conversion price of the convertible bonds issued by Guangdong – Hong Kong Greater Bay Area Holdings Limited (the "**First Outlier**") represented premium of 90.3% and 156.1% to the closing price of the shares of the First Outlier on the last trading day/on the date of the relevant announcement/agreement and closing price of five trading days of the shares of the First Outlier prior to and including the last trading day/the date of the respective announcement/agreement, the absolute values of which are more than one standard deviation of the Comparable Issues of 62.2% and 88.7%, respectively. Therefore, the First Outlier is considered an outlier among all the Comparable Issues. The investors of the First Outlier may be less inclined to convert their convertible bonds into shares of the First Outlier since the conversion price is significantly above the current market price. Given the lower possibility of the investor of the First Outlier to convert the convertible bonds into shares of the First Outlier and the high premium of the conversion price compared to other Comparable Issues, we have re-performed the above analysis excluding the First Outlier.

We also noted the conversion price of the convertible bonds issued by China Carbon Neutral Development Group Limited (the "**Second Outlier**", together with the First Outlier, the "**Outliers**") represented a discount of 83.5% to the closing price of the shares of the Second Outlier on the last trading day/on the date of the relevant announcement/agreement, the absolute value of which is more than one standard deviation of the Comparable Issues of 62.2%, and the conversion price of the convertible bonds issued by the Second Outlier represented a discount of 80.1% to the closing price of the shares of the Second Outlier of five trading days of the shares of the Second Outlier prior to and including the last trading day/ the date of the respective announcement/agreement, which is near the standard deviation of the Comparable Issues of 88.7%. Based on the above, the Second Outlier is considered an outlier among all the Comparable Issues. The investors of the Second Outlier may be more certain and willing to convert their convertible bonds into shares of the Second Outlier since the conversion price is significantly lower than the current market price. Given the certainty of the Second Outlier to convert the convertible bonds into shares of the Outlier and the deep discount of the conversion price compared to other Comparable Issues, we have re-performed the above analysis excluding the Outliers.

As shown in the above table, we noted that the conversion prices of the Comparable Issues, excluding the Outliers, ranged from (i) a discount of approximately 5.3% to 20.0% over the respective closing prices of the shares on the last trading day/on the date of the relevant announcement/agreement (the "**Market Range**"), with a median discount of approximately 7.9% (the "**Market Median**") and an average discount of approximately 11.0% (the "**Market Average**"); and (ii) a discount of approximately 13.4% to approximately 18.9% to the respective average closing prices of the shares on the on the last five trading days up to and including the date of the respective announcement/agreement (the "**5-Day Market Range**"), with a median discount of approximately 16.4% (the "**5-Day Market Median**") and an average discount of approximately 16.2% (the "**5-Day Market Average**").

We noted that the Conversion Price represents a premium of approximately 1.9% over the closing price on the date of the MKI Subscription Agreement and a premium of approximately 1.9% over the average closing price for the last five consecutive trading days immediately prior to the date of the MKI Subscription Agreement, which was above the Market Range and the 5-Day Market Range and higher than the Market Average and Market Median.

Conclusion

Although the prevailing market conditions and market sentiment is showing a slow improvement demonstrated by the recent Hang Seng Index movement during Review Period with the lowest recorded at 16,647 points as at 6 August 2024 and highest at 24,771 points as at 19 March 2025, and the Conversion Price of HK$0.11 per Conversion Share is below the average closing price of the Company during the Review Period as discussed in the paragraphs headed "5.1 Historical Share price performance", having considered the factors as set out below:

(i) the financial performance of the Company in recent years given the Group net losses of approximately HK$53.6 million and HK$13.0 million during FY2023 and FY2024 respectively, despite recording a positive revenue growth as discussed under the paragraphs headed "(1) Principal business and financial information of the Group";

(ii) the general downward trend in the closing prices of Shares during the Review Period which may be contributed by, among others, the historical financial performance of the Group with persistent losses and deteriorating financial performance as mentioned above;

(iii) the Conversion Price is close to the prevailing market prices of the Shares, representing a premium of approximately 1.9% on the date of the MKI Subscription Agreement and over the 5 consecutive trading days immediately prior to the date of the MKI Subscription Agreement;

(iv) the Conversion Price is above the Market Range and the 5-Day Market Range and higher than the Market Average and Market Median;

(v) the imminent funding needs of the Group to settle the MKI Loans which is due imminently in August and September 2025 with limited cash and cash equivalents of approximately only HK$5.3 million as at 31 December 2024, and approximately HK$5.4 million as at 31 May 2025; and

(vi) its difficulty in conducting fundraising activities through alternative methods such as bank borrowings or equity financing due to, among others, a lack of tangible assets for collateral or thin liquidity of the Company's Shares as discussed in the paragraphs headed "5.2 Trading liquidity of Shares",

we are of the view that the Conversion Price is aligned with market conditions and is fair and reasonable so far as the Independent Shareholders are concerned.

5.4 Analysis on the interest rate

We note that the interest rates in respect of the Comparable Issues, excluding the Outliers, ranged from 2.0% to 6.0% per annum (the "**Interest Range**"), with an average of approximately 3.3% per annum and a median of approximately 2.0% per annum. The interest rate of the MKI CB therefore falls within the Interest Range of the Comparable Issues and is below the average and equals to median interest rate of the Comparable Issues. Notwithstanding that the profitability and financial positions of the Group may not be the same as the Comparable Issues, the analysis of Comparable Issues provides a general reference for the recent market practice in relation to the interest rates of the convertible bonds based on sufficient numbers of sampling transactions. Having considered that the Comparable Issues comprise issues of convertible bond(s) based on our search conducted according to the Selection Criteria, the comparable analysis on the interest rate of the convertible bonds without limiting to companies that are with similar profitability and financial positions as that of the Group is fair and useful for Independent Shareholders' reference.

Taking into account that (i) the MKI CB bears the interest rate of 2% per annum which is within the Interest Range, is below the average interest rate and equals to the median interest rate of the Comparable Issue; (ii) the MKI CB interest rate of 2% per annum is substantially lower than the interest rate of the MKI Loans (i.e. 15% per annum); and (iii) the existing cash level of the Group amounting to approximately HK$5.4 million as at 31 May 2025, we are of the view that the interest rate of the MKI CB is fair and reasonable.

5.5 Analysis on the maturity period

Furthermore, it is also noted that the terms to maturity of the Comparable Issues, excluding the Outliers, are 3 years. The maturity of the MKI CB is 3 years from the original issue date, therefore equals to the maturity of the Comparable Issues. Accordingly, we are of the view that the maturity of the MKI CB aligns with market practice and is fair and reasonable.

(6) Dilution effect on the shareholding interests of the existing public Shareholders

As at the Latest Practicable Date, there were no other outstanding options, warrants, derivatives, or other securities which carry rights to subscribe for or be converted into Shares.

For illustrative purpose only, the table below illustrates the shareholding structures of the Company (i) as at the date of Latest Practicable Date (assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the occurrence of the relevant events mentioned below); (ii) immediately upon conversion of the MKI CB into MKI Conversion Shares only; and (iii) immediately after full conversion of the HIL CB and MKI CB into Conversion Shares.

Shareholders	**As at the Latest Practicable Date**		**Immediately after full conversion of the MKI CB into MKI Conversion Shares only**		**Immediately after full conversion of the HIL CB and MKI CB into Conversion Shares**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
MKI	24,700,000	13.24	373,790,909	69.77	373,790,909	35.44
HIL	–	–	–	–	519,090,909	49.21
Other public Shareholders	161,924,000	86.76	161,924,000	30.23	161,924,000	15.35
Total	186,624,000	100.00	535,714,909	100.00	1,054,805,818	100.00

Note: The shareholding percentage is for illustrative purpose only. Under the terms of the MKI CB, the holder shall not exercise any of the Conversion Rights to an extent which would trigger any mandatory general offer under the Takeovers Code. The conversion of the MKI CB shall be subject to the restrictions as set forth in the terms headed "Conversion rights and restrictions" under the paragraphs headed "(4) Principal terms of the MKI Subscription Agreement".

With reference to the above table, the shareholding interest of public Shareholders would be diluted from approximately 86.76% to 30.23%, immediately after full conversion of the MKI CB into MKI Conversion Shares. Having considered the reasons and benefits of the MKI Subscription and the Loan Capitalisation, including, among others:

(i) the imminent funding needs of the Group given the limited cash and bank balances of approximately HK$5.4 million as at 31 May 2025, which is insufficient to settle the outstanding amount of the MKI Loans that is due imminently in August and September 2025, which amounted to approximately HK$38.4 million as at 30 June 2025, and the existing cash balance of the Group will be required for maintaining the Group's businesses and operations;

(ii) the Loan Capitalisation could enable the Group to strengthen its capital base by reducing the financial burden without a significant amount of cash outflow and easing the liquidity pressure caused by the current liabilities, thus enable to utilise the Group's internal resources on existing business operation or support future development;

(iii) the Loan Capitalisation could reduce the financial burden of the Group by settling the entire principal amounts and most of the outstanding interests accrued on the MKI Loans without an immediate and significant cash outflow;

(iv) the Group's finance costs will be reduced given that the interest rate of MKI CB is substantially lower (i.e 2% per annum) as compared to the interest rate of the MKI Loans (i.e 15% per annum); and

(v) the Conversion Price is fair and reasonable, details of which are set out in the paragraphs headed "(5) Evaluation of the principal terms of the MKI CB" in this letter,

we are of the view that the aforesaid dilution effect is fair and reasonable as far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that although the entering into of the MKI Subscription Agreement is not in the ordinary and usual course of business of the Group, the terms of the MKI Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the MKI Subscription Agreement.

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in shares, underlying shares and debentures

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions in the Shares/underlying Shares

Name of Shareholder	Nature of interest	Number of issued Shares held	Approximate % of the total issued share capital of the Company	*Note*
MK Investment Group Limited	Beneficial owner	24,700,000	13.24%	*I*

Notes:

I The data shown in the table is based on disclosure of interests form filed up to the Latest Practicable Date and the announcement of the Company dated 28 February 2025 in relation to the completion of placing of new shares under general mandate as published on the website of the Stock Exchange. MK Investment Group Limited was interested in 24,700,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and/or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

None of the Directors or proposed Director is a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have, since 30 June 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors had any interests in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2024, being the date to which the latest audited financial statements of the Group were made up.

7. EXPERT'S QUALIFICATION AND CONSENT

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

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

As at the date of this circular, Red Sun Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears. The following expert's statements were issued on the date of this circular and were made for incorporation or reference (as the case may be) in this circular.

As at the Latest Practicable Date, Red Sun Capital Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 30 June 2024, being the date to which the latest audited financial statements of the Group was made up.

As at the Latest Practicable Date, Red Sun Capital Limited was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Chow Yun Cheung, who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(c) The registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

(d) The headquarter and principal place of business in Hong Kong of the Company is Unit 1301, 13/F, Technology Plaza, 651 King's Road, Hong Kong.

(e) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crosstec.com.hk) from the date of this circular up to and including the date of the EGM for a period of not less than 14 days:

(a) the MKI Subscription Agreement; and

(b) the HIL Subscription Agreement.

CROSSTEC Group Holdings Limited
易緯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3893)

NOTICE IS HEREBY GIVEN that a general meeting of CROSSTEC Group Holdings Limited (the "**Company**") will be held at Unit 1205, 12/F, Gemdale Centre, 2007 Shennan Avenue, Futian District, Shenzhen, PRC on Monday, 1 September 2025 at 2:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company. Unless otherwise specified, capitalised terms herein shall have the same meanings as those terms defined in the circular dated 8 August 2025 (the "**Circular**") issued by the Company of which this notice forms part.

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the Subscription Agreement (a copy of which has been produced to this meeting marked "A" and signed by the chairman of this meeting for the purpose of identification) dated 2 June 2025 entered into between the Company as issuer and Hexing Investment Limited ("**HIL**") as subscriber in relation to the subscription of the HIL CB in the principal amount of HK$57,100,000 to be issued by the Company to HIL (the "**HIL Subscription Agreement**"), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

   (b) conditional upon the Listing Committee approving the listing of, and granting permission to deal in, the HIL Conversion Shares to be allotted and issued upon exercise of the conversion rights pursuant to the HIL CB, the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the HIL Conversion Shares subject to the terms of the HIL CB;

   (c) any one Director of the Company, or any two Directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be necessary, appropriate, desirable or expedient to implement or give effect to, or are incidental to, ancillary to or in connection with the HIL Subscription Agreement and the transactions contemplated thereunder, and to agree to make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

2. "**THAT**:

(a) the Subscription Agreement (a copy of which has been produced to this meeting marked "B" and signed by the chairman of this meeting for the purpose of identification) dated 2 June 2025 entered into between the Company as issuer and MK Investment Group Limited ("**MKI**") as subscriber in relation to the subscription of the MKI CB in the principal amount of HK$38,400,000 to be issued by the Company to MKI (the "**MKI Subscription Agreement**"), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee approving the listing of, and granting permission to deal in, the MKI Conversion Shares to be allotted and issued upon exercise of the conversion rights pursuant to the MKI CB, the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the MKI Conversion Shares subject to the terms of the MKI CB; and

(c) any one Director of the Company, or any two Directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be necessary, appropriate, desirable or expedient to implement or give effect to, or are incidental to, ancillary to or in connection with the MKI Subscription Agreement and the transactions contemplated thereunder and to agree to make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

By order of the Board
CROSSTEC Group Holdings Limited
WANG Rong
Executive Director

Hong Kong, 8 August 2025

As at the date of this notice, the Board comprises Mr. Wang Rong as an executive Director, and Ms. Lee Kwai Sheung, Mr. Tse Kwok Hing Henry and Mr. Ma Jian as independent non-executive Directors.

Notes:

(1) A member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.

(2) In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in any event or not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.

(3) In order to ascertain the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 27 August 2025 to Monday, 1 September 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the EGM, all transfer of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Tuesday, 26 August 2025. The record date for the purpose of ascertaining shareholders' entitlement to attend and vote at the EGM is Monday, 1 September 2025.

(4) Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

(5) The resolution as set out in this notice to be put to vote at the EGM will be decided by way of poll as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(6) All times and dates specified herein refer to Hong Kong local times and dates.