DILIGENT CAPITAL

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31 October 2025

To the Independent Board Committee and
the Independent Shareholders of
Zhong Jia Guo Xin Holdings Company Limited

Dear Sirs and Madams,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue (the "**Transaction**"), particulars of which are set out in the section headed "Letter from the Board" (the "**Letter**") contained in the circular of the Company to the Shareholders dated 31 October 2025 (the "**Circular**"), of which this letter forms part. Unless the contest requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular.

1. The proposed Rights Issue

Reference is made to the Letter.

On 15 September 2025, the Company announced its intention to raise gross proceeds of up to approximately HK$43.33 million by issuing up to 296,772,672 Rights Shares, assuming there is no change to the total issued share capital of the Company on or before the Record Date. The Subscription Price is set at HK$0.146 per Rights Share, with the allocation being two (2) Rights Shares for every one (1) Share held by Qualifying Shareholders at the close of business on the Record Date.

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

As of the Latest Practicable Date, there are 148,386,336 Shares in issue. Assuming there is no change to the total issued capital of the Company on or before the Record Date, the maximum number of 296,772,672 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 200% of the total issued share capital of the Company as of the Latest Practicable Date; and (ii) approximately 66.67% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon completion of the Rights Issue.

As of the Latest Practicable Date, the Company has no outstanding derivatives, warrants, options, convertible securities, or other similar rights that are convertible or exchangeable into Shares.

2. Implications under the Listing Rules

As the Rights Issue will increase the total issued share capital of the Company by more than 50% within the 12 months immediately preceding the Latest Practicable Date, the Rights Issue is conditional on minority Shareholders' approval at the SGM under the requirements of Rule 7.19A of the Listing Rules.

Pursuant to Rule 7.27A(1) of the Listing Rules, where Shareholders' approval is required for rights issue under Rule 7.19A, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As of the Latest Practicable Date, the Company has no controlling shareholder, as defined under the Listing Rules. Additionally, none of the Directors or chief executives of the Company holds any interest in the Shares. Therefore, none of them will be required to abstain from voting in favour of the proposed Rights Issue at the SGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Dr. Liang Jinxiang and Mr. Wong Chun Peng Stewart, has been established to consider and advise the Independent Shareholders as to whether the terms of the Rights Issue are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

OUR INDEPENDENCE

We, Diligent Capital Limited ("**Diligent Capital**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

Diligent Capital is a licensed corporation licensed under the Securities and Futures Ordinance ("**SFO**") to carry out Type 6 (advising on corporate finance) regulated activity. Mr. Felix Huen ("**Mr. Huen**") is the person signing off the opinion letter from Diligent Capital contained in the Circular. Mr. Huen has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2019, and he has participated in and completed various independent financial advisory transactions in Hong Kong.

As of the Latest Practicable Date, we confirmed that there is no relationship or interest between Diligent Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Diligent Capital's independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Transaction.

We are not associated with and have no significant connection, financial or otherwise, with the Company, its subsidiaries, its associates, or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates, or their respective substantial shareholders or associates. We are not aware of any circumstances that would affect our independence or change in our status. Diligent Capital did not provide any service to the Company in the last two years. Accordingly, we consider ourselves eligible to provide independent advice on the terms of the Rights Issue.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the "**Management**"). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy, and completeness of the information, facts, opinions, and representations provided to us by the Directors and the Management. 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, opinions expressed in the Circular have been arrived at after due and careful consideration. There are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we conducted any independent investigation into the business, financial condition, and affairs of the Company or its prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps which are applicable to the Transaction, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof), in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Rights Issue, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the Transaction

On 15 September 2025, the Company announced its intention to raise gross proceeds of approximately HK$43.33 million by issuing up to 296,772,672 Rights Shares, assuming there is no change to the total issued share capital of the Company on or before the Record Date. The Subscription Price is set at HK$0.146 per Rights Share, with the allocation being two (2) Rights Shares for every one (1) Share held by Qualifying Shareholders at the close of business on the Record Date.

1.1 Information of the Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability, and the issued Shares of which have been listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the holding company of the Group.

(a) Principal business of the Group

The Group is primarily engaged in (i) the production and sale of bottled water; (ii) property and land leasing, development, and investment; and (iii) the mining business in the PRC.

(b) Financial position of the Group

Below is a summary of the Group's (i) audited consolidated financial position as of 31 March 2025 and 31 March 2024, as extracted from the Company's annual report for the year ended 31 March 2025 (the "**2025 Annual Report**"):

	As at 31 March 2025	**As at 31 March 2024**
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Non-current assets		
– Investment properties	405,580	731,812
– Property, plant and equipment	129,740	134,231
– Right-of-use assets	296	2,592
– Intangible assets	459,517	567,615
– Interests in associates	14,571	90,000
– Deposits paid	102,980	148,338
Total non-current assets	**1,112,684**	**1,674,588**
Current assets		
– Completed properties held for sale	58,015	62,902
– Inventories	1,266	944
– Trade receivables	1,409	428
– Prepayments, deposits and other receivables	41,168	32,882
– Amount due from an associate	726	739
– Amount due from non-controlling interests	–	2,759
– Financial assets at fair value through profit or loss	1,647	1,434
– Restricted bank deposits	745	757
– Bank balances and cash	7,943	11,737
	112,919	114,582
Assets classified as held for sale	162,544	165,463
Total current assets	**275,463**	**280,045**

	As at 31 March 2025 HK$'000 (Audited)	As at 31 March 2024 HK$'000 (Audited)
Current liabilities		
– Trade payables	47,449	47,133
– Other payables and accruals	110,920	94,052
– Amount due to non-controlling interests	15,612	58,779
– Amounts due to directors	1,225	20,499
– Contract liabilities	47,893	42,811
– Lease liabilities	128	2,320
– Tax payable	1,630	5,510
Total current liabilities	**224,857**	**271,104**
Net current assets	**50,606**	**8,941**
Total assets less current liabilities	**1,163,290**	**1,683,529**
Non-current liabilities	**144,345**	**222,325**
Net assets	**1,018,945**	**1,461,204**

As indicated in the table above, as of 31 March 2025, the Group's total current assets amount to approximately HK$275,463,000. This total primarily includes (i) completed properties held for sale of approximately HK$58,015,000, (ii) prepayments, deposits, and other receivables totalling approximately HK$41,168,000, and (iii) bank balances and cash totaling approximately HK$7,943,000.

The liquidity of the Group's treasury management is significantly influenced by the performance of property sales, which are crucial for meeting repayment obligations and addressing working capital needs. As disclosed in the 2025 Annual Report, the downturn in the PRC property market has caused consumers to adopt a more cautious approach. This shift has resulted in delayed investment decisions and a substantial decline in property sales. The current market conditions have raised concerns that completed properties held for sale may not sell easily, which could adversely impact the Group's treasury planning.

Furthermore, the outstanding balance of other receivables, which amounts to approximately HK$34,754,000, accounts for approximately 84% of the total amount of approximately HK$41,168,000 related to prepayments, deposits, and other receivables. This balance mainly consists of tax prepayments made in the PRC and advance payments for business-related initiatives, for which these amounts cannot be recovered as cash resources and, therefore, are not available for operational use.

In addition, assets classified as held for sale, amounting to approximately HK$162,544,000, are associated with the proposed disposal of Century Strong Limited and the related shareholder's loan, as detailed in a sale and purchase agreement dated 27 April 2023, for RMB150,000,000. However, the purchaser has postponed the completion of this transaction, resulting in an extended deadline for completion until 31 December 2025. As a result, the timing and recoverability of the proceeds from this disposal remain uncertain.

After reviewing the Group's current assets, we have conducted a comprehensive review of the Group's current liabilities. As stated in the table above, as of 31 March 2025, the Group has repayment obligations totaling approximately HK$224.86 million that are due within twelve months. This amount comprises (i) approximately HK$110.9 million in other payables and accruals; (ii) lease liabilities of approximately HK$47.9 million, and (iii) approximately HK$15.6 million owed to non-controlling interests.

As noted above, as of 31 March 2025, the Group has approximately HK$7,943,000 in available cash resources. However, considering the Company's current loss-making position and the annual administrative expenses of approximately HK$29.7 million for FY2025, it appears that these resources may not be sufficient to meet both repayment obligations and operational needs adequately.

As disclosed under the "2.2 Reasons for the Rights Issue," the Group anticipates operating expenses of approximately HK$6 million and mining maintenance and licensing fees of approximately HK$4 million. These operational needs further compound the pressure on liquidity. Therefore, we concur with the Directors' perspective that the Group is currently facing considerable pressure to secure additional funding. We believe that pursuing fundraising opportunities is a prudent and appropriate course of action.

(c) Financial performance of the Group

The following table presents the Group's key audited consolidated financial performance for the years ended 31 March 2025 ("**FY2025**") and 31 March 2024 ("**FY2024**"), as extracted from the 2025 Annual Report.

	For the years ended	
	31 March 2025	**31 March 2024**
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Revenue	20,044	14,160
Gross profit	778	10,945
Loss after taxation	(484,753)	(19,755)

For the FY2025, the Group recorded an audited total revenue of approximately HK$20.04 million, representing a significant increase of approximately 41.55% compared to the revenue of approximately HK$14.16 million for the FY2024. This growth is primarily attributed to the launch of the Group's production and sale of bottled water business, which began in March 2024.

Despite this increase in revenue, the Group experienced a decline in gross profit, which decreased from approximately HK$10.9 million in FY2024 to approximately HK$778,000 in FY2025. This decrease was mainly due to rising costs associated with the bottled water operations.

Additionally, the Group faced considerable challenges due to impairments, resulting in a substantial loss after tax of approximately HK$454.75 million for FY2025, primarily attributed to (i) a loss in the fair value of investment properties of approximately HK$315.97 million; (ii) an impairment loss of approximately HK$83.4 million related to water mining rights, and (iii) an impairment loss of approximately HK$63.9 million concerning investments in associates.

After reviewing the Group's financial performance, we concur with the Directors' view that the cash flow generated from operations may not be sufficient to meet immediate funding requirements, especially for repaying debts and addressing working capital needs.

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

2.1 The intended use of proceeds from the Rights Issue

Assuming that the Rights Issue is fully accepted and there is no change to the total issued capital of the Company on or before the Record Date, the net proceeds of the Rights Issue (the "**Net Proceeds**") are estimated to be approximately HK$40.75 million after deducting all estimated expenses related to the Rights Issue.

As stated in the Letter, the Company intends to apply the Net Proceeds as follows:

(i) approximately 14.72% of the Net Proceeds, equivalent to approximately HK$6.00 million, will be allocated towards enhancing the general working capital of the Group, specifically to support the operations of the Company's Hong Kong office over the next twelve months, including staff costs, professional fees, rental payments, and other general administrative and operational expenditures;

(ii) approximately 59.29% of the Net Proceeds, equivalent to approximately HK$24.16 million, will be allocated towards the repayment of a portion of the trade payables and other outstanding payables;

(iii) approximately 16.17% of the Net Proceeds, equivalent to approximately HK$6.59 million, will be allocated towards an investment to diversify the revenue streams for the Group's bottled water business, focusing on improving penetration in the mass market and enhancing business-to-business (B2B) distribution efforts; and

(iv) approximately 9.82% of the Net Proceeds, equivalent to approximately HK$4.00 million, will be allocated for the maintenance and licensing of the Group's mining business.

For additional details, please refer to the section titled "2.2 Reasons for the Rights Issue" provided below.

As stated in the Letter, in the event of an undersubscription of the Rights Issue, the Net Proceeds will be allocated proportionally to the uses mentioned above.

2.2 Reasons for the Rights Issue

(i) General working capital and general corporate purposes

To support the Company's regular corporate operations, the Directors have allocated approximately HK$6 million from the Net Proceeds to meet operating expenses. Following discussions with the Group's management, it has been confirmed that this allocation will be utilised after the Group has exhausted its internally generated cash resources for the payment of employee salaries, Directors' remuneration, auditors' fees, and other professional fees.

After evaluating the allocation for the Group's annual administrative expenses, it has become clear that the Group's cash resources, including those generated from operating activities throughout the year, may not be sufficient to cover these expenses. As a result, the Group's management team plans to carefully reserve cash resources and focus on improving liquidity to strengthen the Group's overall financial position. Therefore, as long as the Group's operational scope remains stable, we believe the budget allocation is appropriate and justifiable.

(ii) Repayment of outstanding liabilities

Taking into account the discussion in the section "Financial Position of the Group" above, which indicates that the Group's available cash resources may be insufficient to address its repayment obligations, the Company plans to allocate approximately HK$24.16 million from the Net Proceeds to partially repay its outstanding loans, which will help to reduce the Group's short-term debt obligations.

In this context, we have thoroughly reviewed all relevant loan documents and understand that the Directors intend to allocate the Net Proceeds of approximately HK$24.16 million specifically to the following areas:

- approximately HK$15.60 million will be paid to a minority shareholder of Good Union (China) Limited ("**Good Union**"), in which the Company holds a 67% equity interest;

- approximately HK$7.50 million will be paid to China Develop Trading Limited ("**China Develop**"), an Independent Third Party; and

- approximately HK$1.06 million will be used to settle the Group's outstanding legal fees.

With the upcoming settlement reminder from Good Union and China Develop in 2025, including a demand note received by the Company from Good Union on 1 August 2025, the Company has decided to prioritise its settlement obligations. In particular, the allocation of part of the Net Proceeds to settle the demand note from Good Union is considered appropriate, as it will reduce immediate debt obligations, ease liquidity pressure and mitigate potential default risks arising from overdue liabilities. This decision aligns with the Group's goal of strengthening its financial position. We believe that this allocation is both fair and reasonable.

(iii) Strategic business expansion and investment

Following discussions with the Group's management, we have gained insights into the Company's ongoing evaluation of potential acquisitions and collaborative arrangements with downstream supply chain operators and commercial water distribution partners. The Directors acknowledge that enhancing distribution capacity is essential for the growth and overall performance of the Group during this critical start-up phase.

To strengthen its market presence in China, the Group plans to allocate additional financial resources to penetrate the mass market segment through strategic e-commerce initiatives and retail partnerships. Additionally, the Company aims to engage scalable business-to-business (B2B) clients in the PRC. To achieve this, the Company plans to explore the following strategies:

(i) establish strategic partnerships by acquiring a majority stake in a B2B redistributor or supply chain company that operates national retail chains with various sales channels. This will facilitate effective market penetration for the water products; and

(ii) collaborate with instant retail platforms to meet the evolving consumer demand for convenience.

In addition, the Company will focus on product diversification, including the development of custom bottled water for B2B clients and building relationships with OEM clients to seize growth opportunities across various segments of the water business.

(iv) Mining maintenance and licensing

As highlighted in the 2025 Annual Report, environmental and pollution-control regulations in the PRC have become increasingly stringent, especially with the implementation of the "Three Lines and One List" governance mechanism. Regulatory inspections conducted in 2024, along with further guidance in 2025, require the Group to upgrade its facilities, optimise processes, and obtain specialised certifications before commencing commercial production. These compliance obligations, along with the complex multi-tier approval processes, have caused delays in the start of commercial operations. As of the Latest Practicable Date, the Company is managing two mining operations in Yunnan Province, the PRC, both of which require maintenance to resume operations. This need for repair is mainly due to damage caused by a typhoon in September 2024. Additionally, the Company is working to secure the necessary mining licenses to support its future operations. To address these challenges, the Company plans to allocate approximately HK$4 million from the Net Proceeds to support mining maintenance and ensure adherence to licensing requirements for resuming production purposes.

The Directors would like to emphasise that the Group is dedicated to utilising its internal resources, securing loans from financial institutions, and partnering with strategic investors to raise the necessary capital. This strategy will ensure the Group meets the required financial needs for operating its existing mines after successfully acquiring the mining license and starting production.

We recognise that the Group is currently working to meet the requirements for securing the mining licenses. Additional capital needs will be assessed once the mines are ready for production. At this stage, we agree with the Directors that it is prudent to allocate HK$4 million for maintenance and to ensure compliance with licensing obligations, thereby protecting the interests of the Company and its Shareholders. Any plans for further capital requirements will be considered after this initial allocation. Therefore, we believe that allocating HK$4 million to its mining maintenance and adhering to licensing requirements is a fair and reasonable approach.

Conclusion

Given the factors mentioned above, we would like to summarise: (i) the Group is currently facing financial difficulties and does not have sufficient cash resources to meet its repayment obligations and working capital needs; (ii) in addition to addressing these immediate financial challenges, the Company plans to invest additional resources into its bottled water business to broaden its revenue base and improve long-term financial performance; and (iii) the Group also aims to activate its mining operations, starting with securing maintenance and licensing for the mine as the first step in this process.

After a comprehensive review and assessment of the Group's financial position, including available cash resources, the strategy for repaying liabilities, and a robust business plan focused on diversifying operations, we concur with the Board that the proposed allocation of resources and the Rights Issue are in the best interests of the Company and its Shareholders.

2.3 Alternative fundraising alternatives

In addition to the Rights Issue, we understand that the Directors have explored other fundraising options, including bank borrowings, placements, or an open offer. When considering debt financing, the Directors noted that bank loans would incur interest costs and may require the provision of security, meaning that creditors would have priority over shareholders. This type of financing would also add an interest burden and increase the Group's gearing ratio, while imposing repayment obligations. Furthermore, securing debt financing on favourable terms within a timely manner may not be possible.

On the other hand, equity fundraising, such as through the placement of new shares, is generally smaller in scale compared to a Rights Issue. It could also result in an immediate dilution of existing shareholders' interests, as it does not allow them to participate in the expanded capital base of the Company, which is not the intention of the Company.

Unlike an open offer, a Rights Issue allows shareholders to sell their nil-paid rights. It will enable qualifying shareholders to maintain their proportional shareholding interests and continue participating in the Company's future development.

When considering other equity financing options, we observed that the significant fluctuations in Share prices during the Review Period, as detailed in the section titled "4.2.1 Review of the Historical Price Performance of the Shares," have hindered the Company's ability to engage placing agents or subscribers unless a substantial discount to the current trading price and high placing commission are offered. We further acknowledge that the Company has approached three additional securities firms regarding this matter. Unfortunately, two of the potential agents declined to present any terms, while the third requested a substantial fee. This request was based on an initial assessment of the Group's financial losses over the past several years, along with considerations of the market price and trading volume of the shares. Additionally, issuing a large volume of securities through placement or subscription of new Shares would lead to significant dilution for existing Shareholders, limiting their ability to participate in fundraising efforts and retain their proportional shareholding. In light of these considerations, we align with the Directors' assessment that a Rights Issue represents the most viable option among the available equity fundraising alternatives. Furthermore, given the Group's current financial position, characterised by limited cash resources, we believe that pursuing debt financing would incur additional costs, thereby exacerbating the financial strain on the Group and negatively impacting its cash flow and overall financial performance. Consequently, we concur with the Directors in regarding debt financing as an unfavorable option.

After a thorough evaluation, we have concluded that the Rights Issue effectively addresses the Group's cash flow requirements, considering its overall financial position. Furthermore, it prioritises the interests of Shareholders by granting Qualifying Shareholders the first opportunity to participate and safeguard their shareholdings from dilution. We agree with the Directors that, after considering other alternatives, raising capital through the Rights Issue is in the best interest of the Company and its Shareholders as a whole.

3. Principal terms of the Rights Issue

Set out below are the principal terms of the Rights Issue:

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.146 per Rights Share
Number of Shares in issue as of the Latest Practicable Date	:	148,386,336 Shares
Maximum number of Rights Shares to be issued	:	296,772,672 Rights Shares, assuming there is no change to the total issued share capital of the Company on or before the Record Date

Assuming there is no change to the total issued capital of the Company on or before the Record Date, the maximum number of 296,772,672 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 200% of the total issued share capital of the Company as of the Latest Practicable Date; and (ii) approximately 66.67% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon completion of the Rights Issue.

As of the Latest Practicable Date, the Company has no outstanding derivatives, warrants, options, convertible securities, or other similar rights that are convertible or exchangeable into Shares.

3.1 Non-underwritten basis

There will not be any excess application arrangements regarding the Rights Issue, and the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlements under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights

Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5) of the Listing Rules.

3.2 Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

The Company, therefore, appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent places on a best-effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders on a pro-rata basis.

4. Evaluation of the terms of the Subscription Price

4.1 The Subscription Price

The Subscription Price is HK$0.146 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Share(s) applies for the Rights Share(s).

The Subscription Price represents:

(i) a discount of approximately 37.87% to the closing price of HK$0.2350 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 33.64% to the closing price of HK$0.2200 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 35.23% to the closing price of approximately HK$0.2254 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 42.59% to the average closing price of approximately HK$0.2543 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 14.45% to the theoretical ex-rights price of approximately HK$0.1707 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK$0.2200 per Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 24.78%, which is calculated based on the theoretical diluted price of approximately HK$0.1748 per Share ("**Theoretical Diluted Price**") (as defined under Rule 7.27B of the Listing Rules, taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day; (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day); and

(vii) a discount of approximately 97.87% to the latest published audited consolidated net asset value per Share as at 31 March 2025 of approximately HK$6.8668 based on the net asset value of HK$1,108,945,000 and 148,386,336 Shares from the annual report of the Company published on 28 April 2025 for the year ended 31 March 2025. The Directors consider the discount represented by the Subscription Price to the audited consolidated net asset value per New Ordinary Share as at 31 March 2025 to be fair and reasonable with reasons set out below in this letter.

As stated in the Letter, the Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; (iii) the reasons for and benefits of the proposed Rights Issue as discussed in the section headed "Reason for the Rights Issue and the use of proceeds" in the Circular; and (iv) the amount of funds the Company intends to raise under the Rights Issue.

4.2 Evaluation of the Subscription Price

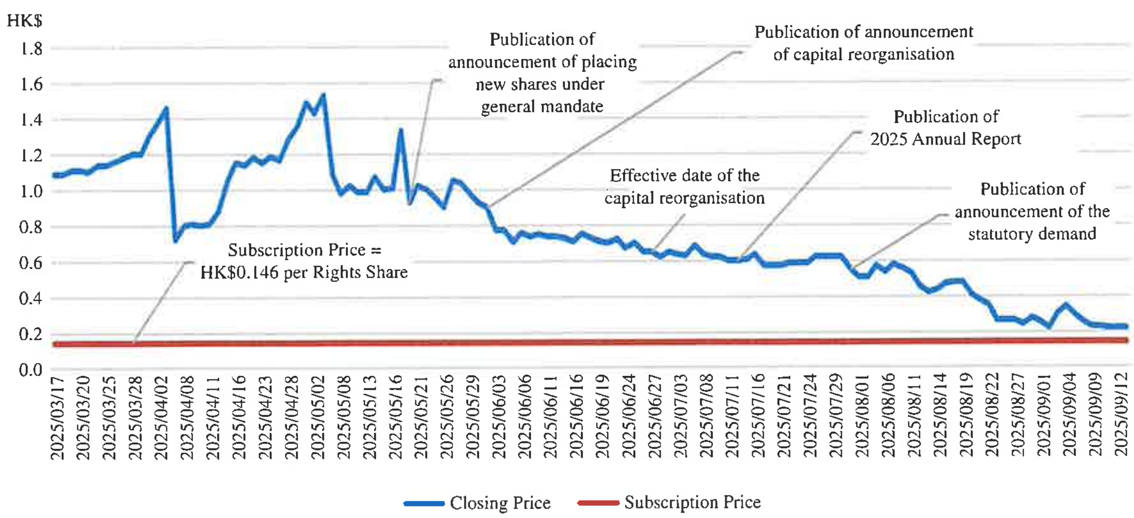
To assess the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to (a) the historical Share price performance; (b) the historical trading volume and liquidity of the Shares; and (c) the market comparable in respect of recent issuance of subscription shares under a rights issue, as set out below.

4.2.1 Review of the historical price performance of the Shares

Below is a chart illustrating the movement of the closing prices of the Shares as quoted on the Stock Exchange from 17 March 2025, up to and including the Last Trading Day, which represents six months preceding the Last Trading Day (the "**Review Period**").

After careful consideration, we believe that the six-month period is an appropriate timeframe for effectively capturing general market sentiment. This duration aligns with the latest market trends and fluctuations in Share prices, thereby providing a reliable reflection of market attitudes toward the Shares. This timeframe provides a comprehensive overview of recent Share price performance while fully integrating relevant information regarding the Group's overall performance. Therefore, we consider the Review Period adequate for effectively illustrating Share price performance, thus it is fair and reasonable.

Historical Share price performance during the Review Period



Source: The website of the Stock Exchange

During the Review Period, the Shares achieved the highest closing price of HK$1.53 on 6 May 2025 (the "**Highest Closing Price**"), while the lowest closing price of HK$0.22 was recorded on 15 September 2025 (the "**Lowest Closing Price**"), being the Last Trading Day. The average closing price for the Shares during the Review Period was approximately HK$0.76 (the "**Average Closing Price**"). The Subscription Price reflects (i) a discount of approximately 90.46% to the Highest Closing Price, (ii) a discount of approximately 33.64% to the Lowest Closing Price, and (iii) a discount of approximately 80.86% to the Average Closing Price, observed during the Review Period.

During the Review Period, the Company released several announcements, including the announcements related to (i) placing of new shares under general mandate, published on 20 May 2025; (ii) a proposed capital reorganisation, published on 2 June 2025; (iii) the 2025 Annual Report, published on 14 July 2025; (iv) a profit warning, published on 18 June 2025; and (v) an announcement regarding inside information related to a statutory demand, published on 31 July 2025. Save as the mentioned announcements, the Company did not disclose any other material information to the public.

Considering the considerations above, we believe that the significant fluctuations in Share Price during the Review Period create considerable uncertainty in pricing, complicating efforts for Shareholders to accurately assess the fair value of their Shares through fundamental analysis. In these situations, Shareholders may expect higher returns as compensation for the increased risks involved. Therefore, we agreed that this volatility creates significant challenges in determining the fair value of Shares, which in turn leads to a considerable discount in the Subscription Price. This strategy aims to encourage Qualifying Shareholders' participation in the Rights Issue.

However, it is crucial to consider additional factors to evaluate the fairness and reasonableness of the subscription price.

To assess the fairness and reasonableness of the Subscription Price as compared to the recent closing price of the Shares, we have further, based on the information available from the Stock Exchange's website, observed the trading volume and liquidity of the Shares and identified the Comparables (as defined below) for further analysis. Please refer to the subsection headed "Comparison with recent transactions" for details on the analysis.

4.2.2 Review of the trading volume and liquidity of the Shares

Set out below is the table showing (i) the monthly total trading volume of the Shares; (ii) the number of trading days of each month; (iii) the average daily trading volume of the Shares; and (iv) the percentage of the average daily trading volume of the Shares to the total issued Shares at the end of each month during the Review Period:

Month	**Monthly trading volume of the Shares** *(Shares)*	**Number of trading days in the month** *(days)*	**Average daily trading volume of the Shares in the month** *(Shares)* *(Note 1)*	**Total issued Share as at the end of the month** *(Shares)* *(Note 2)*	**Percentage of average daily Trading volume of the Shares to total number of Shares** *(approximate)* *(Note 3)*
From 17 March 2025 to 31 March 2025	1,867,927	11	169,812	1,313,763,360	0.01%
April 2025	6,482,354	19	341,177	1,313,763,360	0.03%
May 2025	19,883,508	20	994,175	1,313,763,360	0.08%
June 2025	3,698,512	21	176,120	148,386,336	0.12%
July 2025	12,536,630	22	569,847	148,386,336	0.38%
August 2025	11,585,492	21	551,690	148,386,336	0.37%
From 1 September 2025 to 15 September 2025	10,746,044	11	976,913	148,386,336	0.66%

Source: Website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/ period.

2. Pursuant to the announcement dated 2 June 2025 and the circular dated 9 June 2025 published by the Company, the capital organisation took effect on 27 June 2025.

3. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each respective month.

During the Review Period, the monthly trading volume of the Shares varied significantly. It ranged from a low of 1,867,927 Shares traded between 17 March 2025 and 31 March 2025 to a peak of 19,883,508 Shares traded in May 2025. This represents approximately 0.01% of the total issued Shares for the lowest volume and approximately 0.08% for the highest volume.

In light of the low trading volume, we believe that Shareholders may encounter challenges in selling their Shares promptly at a more favorable price. Furthermore, the Company may face difficulties raising equity funds from third parties without offering a substantial discount to the prevailing Share price. Given the low trading liquidity and the observed downward trend in the closing price of the Shares during the Review Period, we understand that the Directors do not have specific information to ascertain the factors contributing to this significant decrease in share price.

However, this situation illustrates a volatile market environment marked by substantial fluctuations. Such volatility often leads to increased uncertainty in pricing, making it difficult for Shareholders to assess the fair value of the Shares accurately. Additionally, we noticed that (i) the Group is currently facing ongoing financial losses, which have a considerable impact on its financial position. This scenario may adversely influence the determination of the Subscription Price; and (ii) the limited liquidity of the Shares observed during the Review Period indicates the possibility of a significant discount to the Subscription Price. This adjustment may serve to encourage Shareholders to accept the allotment under the Rights Issue, together with the factors explained in the subsection "4.2.3 Comparison with recent transactions" below, we concur with the Directors that the terms of the Subscription Price are fair and reasonable, thus encouraging Qualifying Shareholders to participate in the Rights Issue and to support the future development of the Company.

4.2.3 Comparison with recent transactions

To evaluate the reasonableness of the Subscription Price, we have identified an exhaustive list of 32 transactions conducted by companies listed on the Stock Exchange (the "**Comparables**"). This process was based on the information available from the Stock Exchange's website.

Despite the Comparables including rights issues of different funding needs, profitability, and financial positions compared to the Company, the criteria for selecting the Comparables were as follows: (i) the companies must be listed on the Stock Exchange; (ii) the exclusion of rights issue transactions of A-Shares and H-Shares; (iii) our analysis primarily focuses on the principal terms of the rights issues, and we have not found any established evidence indicating a correlation between the size of the rights issue and its underlying principal terms; (iv) including transactions from Comparables with different funding needs and business operations provides a more comprehensive understanding of market sentiment in our analysis; (v) the proposed rights issues announced during the Review Period; and (vi) the inclusion of Comparables was conducted without any artificial selection or filtering, ensuring that they authentically represent recent market trends among other Hong Kong-listed issuers.

We noted that some of the Comparables included excess application arrangements in their rights issues, whereas the Rights Issue does not have such provisions. We believe these arrangements serve as additional execution mechanisms and do not diminish the relevance of the Comparables when evaluating key terms. Important factors to consider in this context include the subscription price discount, the basis of entitlement, and the theoretical dilution effect. Therefore, even though some of the Comparables have excess application arrangements, they are still suitable references for assessing the terms of the Rights Issue.

Since the terms of the Comparables are established under comparable market conditions and sentiments to those associated with the issuance of Rights Shares, and the Review Period includes an exhaustive list of the Comparables, allowing for effective analysis, we believe that the Comparables serve as an accurate reflection of the recent market trend regarding rights issue. we believe that our comparable analysis, based on the criteria outlined above, is valuable for evaluating the fairness and reasonableness of the Subscription Price. Hence, we are of the view that the Comparables provide fair and representative samples for our analysis.

Shareholders should note that the financial performance, operations, and prospects of the Company are not the same as the subject companies of the Comparables, and we have not conducted any independent verification with regard to the financial performance, businesses, operations, and prospects of such companies of the Comparables. Despite the subject companies of the Comparables having different fundraising purposes, financial positions, scales, and entitlements, as well as fundraising sizes compared to those of the Company, the Comparables can demonstrate recent market practices of rights issue transactions conducted by companies listed on the Stock Exchange.

Date of initial announcement	Company name	Stock code	Basis of entitlement	Gross Proceeds *(HK$' million)*	Premium/ (Discount) of subscription price over/to the closing share price on the last trading day	Premium/ (Discount) of subscription price over/to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of the subscription price over/to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement *(Note 1)*	Excess Application/ Compensatory Arrangements
19/03/2025	Pacific Legend Group Limited	8547	1 for 2	13.7	(13.79%)	(13.79%)	(53.99%)	4.60%	1.25%	No	Compensatory Arrangements
11/04/2025	ISP Holdings Limited	2340	1 for 2	10.8	(74.50%)	(73.38%)	(85.59%)	24.85%	N/A	No	Excess application
16/04/2025	Bonjour Holdings Limited	653	3 for 1	107.5	(25.93%)	(27.93%)	(75.91%)	20.95%	2.00%	No	Excess application
16/04/2025	AustAsia Group Ltd.	2425	2 for 5	313.8	(29.11%)	(29.11%)	(80.95%)	8.23%	N/A	No	Excess application
25/04/2025	Melco International Development Limited	200	1 for 2	780.0	(72.93%)	(71.03%)	3,328.67%	24.31%	N/A	No	Excess application
29/04/2025	C Cheng Holdings Limited	1486	1 for 2	14.4	(67.21%)	(66.44%)	(92.75%)	22.40%	3.00%	No	Compensatory Arrangements
07/05/2025	SEEC Media Group Limited	205	1 for 2	40.5	(23.61%)	(26.17%)	(53.78%)	No	3.00%	No	Compensatory Arrangements
09/05/2025	China Sci-Tech Industrial Investment Group Limited	339	1 for 2	10.1	(43.10%)	(47.40%)	Net liabilities	16.20%	1.50%	No	Compensatory Arrangements
13/05/2025	Shougang Century Holdings Limited	103	3 for 20	160.4	12.30%	14.30%	(40.10%)	No	N/A	No	Excess application
13/05/2025	Capital Realm Financial Holdings Group Limited	204	3 for 1	155.7	4.17%	21.36%	(86.28%)	No	3.00%	No	Compensatory Arrangements
15/05/2025	Zhongzheng International Company Limited	943	1 for 2	114.6	0.00%	0.00%	(54.40%)	No	2.00%	Yes	Underwriting
22/05/2025	China Health Group Limited	673	3 for 10	80.9	(28.60%)	(37.10%)	12.40%	23.60%	2.00%	Yes	Underwriting
23/05/2025	Grand Talents Group Holdings Limited	8516	5 for 2	27.5	(33.00%)	(33.00%)	(38.15%)	23.57%	3.00%	No	Compensatory Arrangements
02/06/2025	Lvji Technology Holdings Inc.	1745	1 for 2	151.8	(32.10%)	(33.10%)	(72.60%)	11.30%	N/A	Yes	Excess application & Underwriting
04/06/2025	Howkingtech International Holding Limited	2440	1 for 2	154.8	(49.70%)	(50.00%)	50.20%	16.70%	N/A	No	Excess application
10/06/2025	Greenheart Group Limited	94	1 for 2	33.7	(9.25%)	(4.97%)	(88.80%)	3.00%	2.00%	No	Compensatory Arrangements
10/06/2025	Pinestone Capital Limited	804	3 for 2	60.7	(40.71%)	(41.63%)	(75.64%)	24.98%	5.00%	No	Compensatory Arrangements
17/06/2025	Risecomm Group Holdings Limited	1679	5 for 1	127.9	(22.48%)	(21.63%)	Net liabilities	18.73%	0.50%	No	Compensatory Arrangements

Date of initial announcement	Company name	Stock code	Basis of entitlement	Gross Proceeds *(HK$' million)*	Premium/ (Discount) of subscription price over/to the closing share price on the last trading day	Premium/ (Discount) of subscription price over/to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of the subscription price over/to the latest net asset value per share	Theoretical dilution effect	Placing commission rate	Underwriting arrangement *(Note 1)*	Excess Application/ Compensatory Arrangements
25/06/2025	Sino Splendid Holdings Limited	8006	3 for 2	17.7	(11.10%)	(12.10%)	(52.40%)	6.67%	2.50%	No	Compensatory Arrangements
07/07/2025	Sanergy Group Limited	2459	1 for 2	45.6	(55.60%)	(56.30%)	(89.00%)	18.80%	3.50%	No	Compensatory Arrangements
08/07/2025	Alco Holdings Limited	328	4 for 1	148.5	(19.00%)	(19.00%)	Net liabilities	15.52%	1.50%	No	Compensatory Arrangements
23/07/2025	Future Machine Limited	1401	1 for 2	140.0	(72.28%)	(72.28%)	(28.61%)	24.09%	1.00%	No	Compensatory Arrangements
25/07/2025	Shin Hwa World Limited	582	1 for 1	182.6	(34.21%)	(33.07%)	(97.12%)	17.11%	N/A	Yes	Excess application & Underwriting
31/07/2025	Da Yu Financial Holdings Limited	1073	1 for 2	136.7	(16.67%)	(18.92%)	(45.45%)	6.67%	N/A	No	Excess application
04/08/2025	Tomo Holdings Limited	6928	1 for 2	40.5	(62.10%)	(63.20%)	25.00%	21.30%	1.00%	No	Compensatory Arrangements
06/08/2025	Value Convergence Holdings Limited	821	2 for 1	222.6	(42.60%)	(58.60%)	(71.06%)	3.11%	2.50%	No	Compensatory Arrangements
13/08/2025	Capital VC Limited	2324	1 for 1	54.0	(27.30%)	(24.80%)	(82.00%)	13.60%	3.00%	No	Compensatory Arrangements
13/08/2025	China Information Technology Development Limited	8178	3 for 8	35.4	(55.05%)	(55.24%)	(63.00%)	15.12%	N/A	Yes	Underwriting
14/08/2025	China Energy Development Holdings Limited	228	1 for 2	238.7	(19.90%)	(19.90%)	(73.34%)	6.63%	N/A	No	Excess application
26/08/2025	Jisheng Group Holdings Limited	8133	3 for 1	34.4	(14.29%)	(14.29%)	(45.45%)	10.57%	1.50%	No	Compensatory Arrangements
04/09/2025	Many Idea Cloud Holdings Limited	6696	6 for 1	273.8	(22.08%)	(24.56%)	(90.53%)	20.63%	0.20%	No	Compensatory Arrangements
04/09/2025	Aeso Holding Limited	8341	2 for 1	17.6	(25.70%)	(23.10%)	(83.00%)	17.12%	2.50%	No	Compensatory Arrangements
			maximum	780.0	12.30%	21.36%	3,328.67%	24.98%	5.00%		
			average	123.3	(32.11%)	(32.39%)	58.50%	15.73%	2.16%		
			medium	94.2	(27.95%)	(28.52%)	(71.06%)	16.91%	2.00%		
			minimum	10.1	(74.50%)	(73.38%)	(97.12%)	3.00%	0.20%		
15/09/2025	Zhong Jia Guo Xin Holdings Company Limited	899	2 for 1	43.33	(33.64%)	(35.23%)	(97.87%)	24.78%	5.00%	No	Compensatory Arrangements

Note:

1. The respective Comparables had no Compensatory Arrangements ascribed to the adaption of excess application.

The table above presents a detailed overview of the subscription prices of the Comparables in relation to their respective closing prices on or before the Last Trading Day. These prices varied, showing a discount of approximately 74.50% to a premium of approximately 12.30%, with an average discount of approximately 32.11% ("**Comparison 1**").

In further examining the subscription prices in comparison to the average closing prices over the five trading days before the Last Trading Day, we found that the results showed a comparable range, with the prices varying from a discount of approximately 73.38% to a premium of approximately 21.36%, with an average discount of approximately 32.39% ("**Comparison 2**").

In addition to the analyses conducted in Comparison 1 and Comparison 2, our findings indicate that the subscription prices of the Comparables, relative to their latest net asset value per share, ranged from a discount of approximately 97.12% to a premium of approximately 3,328.67%, with an average premium observed across these comparisons of approximately 58.50% ("**Comparison 3**").

As a result, the discount of approximately 33.64% to the closing price of HK$0.2200 per Share as quoted on the Stock Exchange on the Last Trading Day, and the discount of approximately 35.23% to the average closing price of HK$2.84 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day, fall within the established range of the Comparables and are closely aligned with the average figures derived from Comparison 1 and Comparison 2. Additionally, the discount of approximately 97.87% to the net asset value per Share as of 31 March 2025 falls outside the range of the Comparables in Comparison 3.

In addition to Comparison 1, Comparison 2, and Comparison 3, we have identified that the theoretical dilution effect of the Rights Issue closely aligns with the maximum figures derived from the Comparable. To conduct a detailed evaluation of this, we would like to clarify that the theoretical dilution effect represents the potential reduction in ownership stake for existing shareholders resulting from the issuance of new shares. Nevertheless, a rights issue allows existing shareholders the opportunity to purchase additional shares, enabling the Company to raise capital while maintaining their ownership stakes. Although higher theoretical dilution may raise concerns, the Rights Issue is being offered at a significant discount to the current market price, which can benefit Qualifying Shareholders. This mechanism is crucial for the Company to secure funding for growth, debt repayment, and strategic business initiatives, all of which can enhance long-term value. Furthermore, Qualifying Shareholders have the option to mitigate dilution by exercising their rights. Given these considerations, we believe that if the funds raised from the Rights Issue are utilised effectively, they can lead to an increase in the Company's value, potentially offsetting any dilution effects over time. Therefore, after thorough analysis of the factors below, we conclude that, despite the Rights Issue indicating a high theoretical dilution effect compared to the Comparables, it remains a fair and reasonable course of action.

Furthermore, we have observed significant variations in the ranges of Comparison 1, Comparison 2, and Comparison 3. Since there is no solid justification for excluding outliers from the Comparables, we have chosen to include them in our analysis. This approach aims to minimise potential bias in the results and ensure a more accurate representation of the data. By incorporating the outliers, we intend to provide a comprehensive understanding of the Comparables population.

Based on the information provided, we conducted an independent analysis to identify comparable factors and reviewed the previously mentioned results. While evaluating the Comparables, we recognised that (i) market sentiment at the time of a rights issue can differ, affecting investor reactions depending on recent performance and relevant news; and (ii) companies may have different capital requirements and strategic objectives, which can influence the reasoning behind their rights issues. Consequently, the findings from the Comparables offered only limited insight into industry standards and past performance.

To further assess the fairness and reasonableness of the Rights Issue, we examined a variety of specific quantitative factors. These included the Group's trends in financial position and performance, its business strategies and directions, the rationale behind the Rights Issue, the intended use of the funds raised from the Rights Issue, the benefits of the Rights Issue for the Shareholders, and the performance and liquidity of the Shares.

Despite the Subscription Price reflects a significant discount of (i) approximately 33.64% to the closing price of HK$0.2200 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) approximately 35.23% to the closing price of approximately HK$0.2254 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; (iii) approximately 97.87% to the latest published audited consolidated net asset value per Share as at 31 March 2025; and (iv) approximately 24.78% to the theoretical dilution effect based on the Theoretical Diluted Price, we considered the following factors when assessing the Subscription Price:

(i) the Group has experienced continuous annual financial losses since 2021, leading to a substantial decline in its net asset value, which decreased from approximately HK$2,077 million as of 31 March 2021 to approximately HK$1,019 million as of 31 March 2025. These persistent losses raise significant concerns regarding the Company's capacity to achieve profitability in the future, which could negatively impact investor confidence and market valuation. Furthermore, the ongoing financial challenges may suggest the need for further impairments on the carrying amount of assets, which would further contribute to a reduction in net asset value. In light of these circumstances, we anticipate that Shareholders may adjust the net asset value downward to account for the increased risk and diminished future cash flows associated with the Company's current financial difficulties. This adjustment may, in turn, influence the determination of the Subscription Price;

(ii) the observed overall downward trend, the high volatility of the closing price of the Shares, coupled with the limited liquidity of the Shares during the Review Period, indicates the potential for a considerable discount to the Subscription Price. This adjustment may serve to encourage the Qualifying Shareholders to participate in the Rights Issue;

(iii) the Rights Issue is available to all Qualifying Shareholders, whose interests of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares;

(iv) those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market;

(v) the theoretical dilution effect of the Rights Issue falls within the range of the Comparables; and

(vi) the reasons in the section headed "2.2 Reasons for and benefits of the Rights Issue and the intended use of proceeds" above in this letter.

Considering the factors mentioned above, we agree with the Directors that the benefits of the Rights Issue outweigh the significant discount applied to the Subscription Price. We recognise that the Company is committed to prioritising the involvement of Qualifying Shareholders in the Rights Shares. As a result, the Company has established a substantial discount to encourage participation in the Rights Issue, balancing its cash flow needs with the interests of its Shareholders. Therefore, we believe that offering a substantial discount on the Subscription Price is an effective strategy to attract subscriptions from Qualifying Shareholders.

In light of the above, we consider that the determination of the Subscription Price is fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Placing Agreement

On 15 September 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement. Principal terms of the Placing Agreement are summarised below:

Placing Agent:	Silverbricks Securities Company Limited has been appointed as the bookrunner and placing agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best-effort basis. The Placing Agent is a licensed corporation authorised to conduct Type 1 regulated activities (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) under the Securities and Futures Ordinance (SFO). To the best of the Directors' knowledge, information, and belief, and after making all reasonable inquiries as of the Latest Practicable Date, the Placing Agent is a wholly-owned subsidiary of the Company.
Placing Price:	The placing price for the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be set at a minimum equal to the Subscription Price.
Placing commission:	The commission payable to the Placing Agent shall be 5% of the actual gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (the "**Placing Commission**").
Placees:	The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s), shall be third party(ies) independent of the Directors, chief executive of the Company or Substantial Shareholders or any of its subsidiaries or any of their respective associates.

The Placing Agent shall also ensure that (i) none of the placees, and whose ultimate beneficial owner(s), shall own 10% of more of the total number of Shares in issue immediately upon completion of the Rights Issue; (ii) the public float requirement under Rule 8.08 of the Listing Rules remains to be fulfilled by the Company upon completion of the Rights Issue; and (iii) the placees, and whose ultimate beneficial owner(s), (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% or more of the voting rights of the Company immediately after completion of the Rights Issue.

Ranking of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares: The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Consolidated Shares then in issue.

5.1 Evaluation of the Placing Price

As stated above, the placing price for the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case may be) will be at least equal to the Subscription Price; we consider this to be fair and reasonable.

5.2 Evaluation of the Placing Commission

To assess the fairness and reasonableness of the Placing Commission, we conducted a thorough analysis of the commission charged by placing agents of the Comparables, where applicable. Our findings indicate that the placement commissions among these companies varied from 0% to 5%. The Placing Commission, set at 5%, falls within this established range, as set out in the sub-section "Comparison with other rights issue" in this letter.

Although the Placing Commission represents the highest commission set by the placing agents of the Comparables, in evaluating the fairness of the Placing Commission, we have carefully considered the volatility and trading volume of the Shares during the Review Period. Our analysis in this letter reveals that significant fluctuations in Share Price during the Review Period create considerable uncertainty in pricing. Additionally, the low trading liquidity suggests that Shareholders may face challenges in selling their shares promptly at a more favorable price. This situation also presents difficulties for the Placing Agent in effectively marketing the Shares.

Following our discussions with the Directors, we have concluded that establishing the Placing Commission at this level is essential for motivating the Placing Agent to attract investors for the Unsubscribed Shares. Furthermore, the successful placement of these Unsubscribed Shares is also vital for addressing the Company's immediate cash flow requirements. Hence, we conclude that the Placing Commission, pursuant to the Placing Agreement, is fair and reasonable.

After a thorough review of the Placing Agreement, including the provisions regarding the Placing Agent's responsibilities for securing placees, the termination clause, and the warranties provided by the Placing Agent, we find that these terms align with prevailing market practices. Additionally, we believe that these terms ensure the Company complies with applicable Listing Rules and other regulatory requirements. Therefore, we conclude that all terms of the Placing Agreement are fair and reasonable.

6. Potential dilution in public shareholding interests

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not take up the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and the Placing.

For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue and the Placing will be diluted by up to a maximum of approximately 24.78%.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; and (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable and justifiable.

7. Possible financial effect of the Rights Issue

7.1 Effect on net asset value

Reference is made to the statement of unaudited pro forma statement of adjusted consolidated net asset value of the Group as set out in Appendix II to the Circular.

As at 31 March 2025, based on (i) the audited consolidated net tangible assets of the Group attributable to the equity holder of the Company of approximately HK$476.06 million; and (ii) the 148,386,336 Consolidated Shares in issue (assumed that the Share Consolidation had become effective), the audited consolidated net asset value per Share attributable to the Shareholders amounted to approximately HK$3.318 per Consolidated Share.

On the assumptions that completion of the Rights Issues had taken place on 31 March 2025, the Share Consolidation had become effective and 296,772,672 Rights Shares had been issued, immediately upon completion of the Rights Issue, (i) the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company would become approximately HK$533.17 million; and (ii) the number of Shares in issue would become 445,159,008 Consolidated Shares, resulting in the unaudited pro forma adjusted consolidated net asset value per Consolidated Share attributable to the Shareholders of approximately HK$1.198.

Despite a reduction of approximately 63.89% in the consolidated net asset value per share upon completion of the Rights Issue, we have carefully considered (i) the reasons for the Rights Issue as outlined in the section titled "2. Reasons for and benefits of the Rights Issue and the intended use of proceeds" in this letter, and (ii) the rights of the Qualifying Shareholders to take up their respective entitlements. This allows them to maintain their shareholdings in the Company and participate in the Group's potential growth. In our view, the overall impact on the consolidated net asset value per share is fair and reasonable, and it serves the best interests of the Company and its Shareholders as a whole.

7.2 Effect on working capital

As indicated by the Company, part of the Net Proceeds will be utilised as general working capital for the Group. Consequently, the Group's working capital position is expected to improve upon completion of the Rights Issue.

It is important to note that the analyses provided are for illustrative purposes only and do not reflect the Group's actual financial position following the completion of the Rights Issue.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Rights Issue and the Placing are fair and reasonable; (ii) on normal commercial terms; and (iii) the Rights Issue and the Placing are in the interests of the Company and the Shareholders. Accordingly, we recommend that the Independent Board Committee advise the Shareholders to vote in favour of the resolutions at the SGM in relation to the Rights Issue and the Placing.

Yours faithfully
For and on behalf of
Diligent Capital Limited

Felix Huen
Director

*Mr. Felix Huen ("**Mr. Huen**") is the person signing off the opinion letter from Diligent Capital contained in the Circular. Mr. Huen has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2019, and he has participated in and completed various independent financial advisory transactions in Hong Kong.*