
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Grand Ocean Advanced Resources Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Grand Ocean Advanced Resources Company Limited 弘海高新資源有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 65)

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF SEVEN (7) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS; (2) PROPOSED CHANGE IN BOARD LOT SIZE; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



BAOQIAO PARTNERS CAPITAL LIMITED

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



Placing Agent



Capitalised terms used in this circular shall have the same meanings as defined in the section headed "Definitions" in this circular unless the context otherwise requires.

A letter from the Board is set out on pages 12 to 52 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 53 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 54 to 102 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Thursday, 29 October 2026. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 11 November 2026 to Wednesday, 18 November 2026 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Wednesday, 11 November 2026 to Wednesday, 18 November 2026 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at 8/F, Hip Shing Hong Centre, No.55 Des Voeux Road Central, Central, Hong Kong on Tuesday, 27 October 2026 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is enclosed with this circular and was also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.grandoccean65.com). Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar and transfer office of the Company, 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 (i.e. 11:00 a.m. on Sunday, 25 October 2026) before the time appointed 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 form of proxy shall be deemed to be revoked.

The Rights Issue will proceed on a non-underwritten basis irrespective of the acceptance of the provisionally allotted Rights Shares and is subject to fulfillment of conditions. Please refer to the section headed "Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

9 October 2026

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 22 September 2026 relating to, among other things, the Rights Issue and the Change in Board Lot Size
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	Board of Directors
“Business Day”	any day(s) (excluding Saturdays, Sundays and public holidays and any day(s) on which a tropical cyclone warning signal no. 8 (or above) is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Change in Board Lot Size”	the proposed change in the board lot size of the Shares for trading on the Stock Exchange from 4,000 Shares to 5,000 Shares
“Company”	Grand Ocean Advanced Resources Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 65)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the paragraph headed “The Compensatory Arrangements” in this circular, involving the placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (if any) by the Placing Agent on a best effort basis pursuant to the Placing Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Rights Issue (including the Placing Agreement) and the transactions contemplated thereunder
“Financing Arrangements”	the financing arrangements for funding the Potential Acquisition, which will serve as evidence of the Group’s financial capability to proceed with the Potential Acquisition under the MOUs
“Funding Confirmation”	written confirmation evidencing the availability of funding of not less than HK\$200.0 million necessary to complete the Potential Acquisition to be provided by the Purchaser to the Sellers under the Irrevocable Undertaking
“FY2024”	year ended 31 December 2024
“FY2025”	year ended 31 December 2025
“General Rules of CCASS”	terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Group”	the Company and its subsidiaries
“Hainan Shidong”	Hainan Shidong Investment Company Limited* (海南石東投資有限公司), a company established under the laws of the PRC with limited liability and a shareholder holding 33% of equity interest in the Target Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HY2026”	six months ended 30 June 2026
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	Akron Corporate Finance Limited, registered with the Securities and Futures Commission in Hong Kong as a licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity, and appointed as the independent financial adviser of the Company to provide advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue and the transactions contemplated thereunder, and as to voting
“Independent Shareholder(s)”	any Shareholder(s), other than (i) all executive and non-executive Directors and their respective associates; (ii) those who are involved in or interested in the Rights Issue; and (iii) those who are required to abstain from voting at the EGM under the Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons in accordance with the Listing Rules
“Irrevocable Undertaking”	the irrevocable undertaking dated 21 September 2026 signed by the Sellers and provided to the Purchaser
“Last Trading Day”	22 September 2026, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Acceptance Date”	Monday, 23 November 2026
“Latest Practicable Date”	7 October 2026
“Latest Time for Acceptance”	4:00 p.m. on Monday, 23 November 2026 or such later time or date as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Wednesday, 9 December 2026 or such later time or date as may be agreed between the Placing Agent and the Company, being the latest time to terminate the Placing Agreement
“Lingshui Wanxing”	Lingshui Wanxing Technology Co., Ltd.* (陵水萬興科技有限公司), a company established under the laws of the PRC with limited liability and a shareholder holding 27% of equity interest in the Target Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“MOU(s)”	a memorandum of understanding dated 3 August 2026 (as supplemented and amended by the Supplemental MOU dated 21 September 2026) entered into between Shanghai Wealthy Ocean, as the purchaser, and Ordos Yusheng and Hainan Shidong, both as sellers and being shareholders of the Target Company holding 40% and 33% equity interests in the Target Company respectively in relation to the Potential Acquisition
“Ms. Ji”	Ms. Ji Yuan, the non-executive Director
“National Security Measures”	the Measures for the Security Review of Foreign Investment (外商投資安全審查辦法) adopted on 27 November 2020 and jointly promulgated by the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) on 19 December 2020
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Placing Shares placed by the Placing Agent under the Placing Agreement)
“No Action Shareholder(s)”	Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any nil-paid rights at the time such nil-paid rights lapse
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Shares”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form that have not been sold by the Company
“Ordos Coal Price Index”	Ordos Coal Price Index published by the Inner Mongolia Coal Trading Centre* (內蒙古煤炭交易中心)
“Ordos Yusheng”	Ordos Yusheng Trading Company Limited* (鄂爾多斯市昱晟商貿有限責任公司), a company established under the laws of the PRC with limited liability and a shareholder holding 40% of equity interest in the Target Company

DEFINITIONS

“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	placee(s) who are Independent Third Parties procured or to be procured by the Placing Agent to subscribe for or purchase the Placing Shares pursuant to the provisions of the Placing Agreement
“Placing”	the placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (if any) on a best effort basis by the Placing Agent and/or its sub-placing agent(s) to independent placee(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be Independent Third Party(ies), during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	DL Securities (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the placing agent to the Placing
“Placing Agreement”	the placing agreement dated 22 September 2026 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Period”	a period commencing from the first Business Day after the date of the announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares, which is expected to be Tuesday, 1 December 2026 and ending at 4:00 p.m. on Tuesday, 8 December 2026 or such later date as the Company and the Placing Agent may agree in writing, during which the Placing Agent will carry out the Placing
“Placing Shares”	collectively, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, to be placed to the Placee(s) by the Placing Agent
“Potential Acquisition”	potential acquisition of 20% to 40% equity interest in the Target Company and the transactions (including the coal offtake arrangement) contemplated thereunder under the MOU(s)

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the People’s Republic of China
“Prospectus”	prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL(s)
“Prospectus Posting Date”	Monday, 9 November 2026 or such other date as the Company may determine, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Public Float Requirement”	the public float requirement under Rule 13.32B of the Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Friday, 6 November 2026 or such other date as the Company may determine, for the determination of the entitlements under the Rights Issue
“Registrar”	Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, the Hong Kong branch share registrar and transfer office of the Company
“Rights Issue”	proposed issue of the Rights Shares on the basis of seven (7) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	up to 1,718,758,412 Shares (assuming that there is no change in the number of Shares in issue up to the Record Date)
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Shanghai Wealthy Ocean” or “Purchaser”	Shanghai Wealthy Ocean International Trading Co. Ltd (上海弘財國際貿易有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Share(s)”	ordinary share(s) of par value of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.280 per Rights Share
“substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental MOU”	the supplemental memorandum of understanding dated 21 September 2026 entered into between Shanghai Wealthy Ocean, as the purchaser, and Ordos Yusheng and Hainan Shidong, both as sellers and being shareholders of the Target Company holding 40% and 33% equity interests in the Target Company to supplement the MOU
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs (as amended and supplemented from time to time)
“Target Company”	Ordos Yongshun Coal Company Limited* (鄂爾多斯市永順煤炭有限責任公司), a company established under the laws of the PRC with limited liability
“Target Coal Mine”	the coal mine located in Dongsheng District of Ordos City, Inner Mongolia Autonomous Region
“Unsubscribed Rights Share(s)”	the number of unsubscribed Rights Shares that are not taken up by the Qualifying Shareholders or renouncee(s) or transferees of nil-paid Rights Shares under PAL(s) during the Rights Issue
“2025 Annual Report”	the annual report of the Company for the year ended 31 December 2025
“2026 Interim Report”	the interim report of the Company for the six months ended 30 June 2026
“0%”	per cent

* For identification purposes only

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue and the Change in Board Lot Size which is indicative only and has been prepared on the assumption that the conditions of the Rights Issue will be fulfilled:

Event 2026

Latest time for lodging transfers of Shares to
qualify for attendance and voting at the EGM 4:30 p.m. on
Tuesday, 20 October

Closure of register of members of the
Company for determining the right to attend
and vote at the EGM (both days inclusive) Wednesday, 21 October to
Tuesday, 27 October

Latest time for lodging proxy forms for the EGM 11:00 a.m. on
Sunday, 25 October

Record date for determining attendance and
voting at the EGM Tuesday, 27 October

Expected date and time of the EGM 11:00 a.m. on
Tuesday, 27 October

Announcement of the poll results of the EGM Tuesday, 27 October

Re-opening of the register of members of the Company Wednesday, 28 October

The following events are conditional upon the results of the EGM and therefore the dates are tentative only:

Last day of dealings in Shares on
a cum-rights basis of the Rights Issue Wednesday, 28 October

First day for free exchange of existing share certificates Wednesday, 28 October

First day of dealings in Shares on an ex-rights
basis of the Rights Issue Thursday, 29 October

Latest date and time for the Shareholders to
lodge transfer documents of Shares in order to
be qualified for the Rights Issue 4:30 p.m. on
Friday, 30 October

EXPECTED TIMETABLE

Closure of register of members of the Company for determining entitlements to the Rights Issue (both days inclusive)	Monday, 2 November to Friday, 6 November
Record Date for determining entitlements to the Rights Issue	Friday, 6 November
Re-opening of the register of members of the Company	Monday, 9 November
Despatch of the Prospectus Documents (including the Prospectus and the PAL) (in case of the Non-Qualifying Shareholders, the Prospectus only)	Monday, 9 November
Last day for trading of the Shares with old board lot size of 4,000 Shares in the original counter	Tuesday, 10 November
First day of dealings in nil-paid Rights Shares in the new board lot of 5,000 Rights Shares	Wednesday, 11 November
Effective date of the change in board lot size from 4,000 Shares to 5,000 Shares	Wednesday, 11 November
Original counter for trading in Shares in old board lot size of 4,000 Shares becomes a counter for trading in the new board lot size of 5,000 Shares	9:00 a.m. on Wednesday, 11 November
Temporary counter for trading in old board lot size of 4,000 Shares opens	9:00 a.m. on Wednesday, 11 November
Parallel trading in Shares commences	9:00 a.m. on Wednesday, 11 November
Designated broker stands in the market to provide matching services for odd lots of Shares (both days inclusive)	Wednesday, 11 November to Monday, 21 December
Latest time for splitting the PALs	4:30 p.m. on Friday, 13 November
Last day of dealings in nil-paid Rights Shares in new board lots of 5,000 Rights Shares	Wednesday, 18 November

EXPECTED TIMETABLE

Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 23 November
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of the Net Gain	4:00 p.m. on Monday, 23 November
Announcement of the number of the Placing Shares subject to the Compensatory Arrangements	Monday, 30 November
Commencement of placing of the Placing Shares by the Placing Agent	Tuesday, 1 December
Temporary counter for trading in the Shares in old board lot of 4,000 Shares closes	4:10 p.m. on Tuesday, 1 December
Parallel trading in Shares ends	4:10 p.m. on Tuesday, 1 December
Last day for free exchange of existing share certificates	Thursday, 3 December
Latest time of placing of the Placing Shares by the Placing Agent	4:00 p.m. on Tuesday, 8 December
Latest time for the Rights Issue and placing of the Placing Shares to become unconditional	4:00 p.m. on Wednesday, 9 December
Announcement of results of the Rights Issue (including results of the placing of the Placing Shares and the amount of the Net Gain per Placing Share under the Compensatory Arrangements)	Friday, 11 December
Despatch of share certificates of fully-paid Rights Shares and refund cheques, if any (if the Rights Issue does not proceed)	Monday, 14 December

EXPECTED TIMETABLE

Commencement of dealings in

fully-paid Rights Shares 9:00 a.m. on
Tuesday, 15 December

Payment of Net Gain to relevant

No Action Shareholders or

Non-Qualifying Shareholders Thursday, 24 December

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Rights Issue and the Change in Board Lot Size set out above and all dates and deadlines specified in this circular are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement(s) by the Company as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if a tropical cyclone warning signal no. 8 (or above), “extreme conditions” caused by super typhoons as announced by the Hong Kong Government, or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “Expected Timetable” above may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD



Grand Ocean Advanced Resources Company Limited
弘海高新資源有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 65)

Executive Director:

Mr. Ng Ying Kit

Non-executive Director:

Ms. Ji Yuan

Independent non-executive Directors:

Mr. Chang Xuejun

Ms. Liu Luqing

Mr. Lam Tze Chung

Registered Office:

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

8/F
Hip Shing Hong Centre
No. 55 Des Voeux Road Central
Central
Hong Kong

9 October 2026

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
SEVEN (7) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue and the Change in Board Lot Size.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with among other things, (i) further details of the Rights Issue and Change in Board Lot Size, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the transactions contemplated thereunder; (iv) certain financial information and other general information of the Group; and (v) the notice of EGM.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of seven (7) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.280 per Rights Share, to raise gross proceeds of up to approximately HK\$481.25 million by issuing up to 1,718,758,412 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) to the Qualifying Shareholders.

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

Assuming the Rights Issue is fully subscribed, the estimated net proceeds of the Rights Issue will be approximately HK\$479.75 million (assuming no change in the number of Shares in issue on or before the Record Date). Details of the use of proceeds are set out in the paragraph headed “Use of proceeds” under the section headed “Reasons for and Benefits of the Rights Issue and the Use of Proceeds” in this letter.

Details of the Rights Issue are tabulated below.

Issue statistics

Basis of the Rights Issue	:	Seven (7) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders as at the close of business on the Record Date
Subscription Price	:	HK\$0.280 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	245,536,916 Shares
Number of Rights Shares to be issued under the Rights Issue	:	Up to 1,718,758,412 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Up to HK\$171,875,841 (assuming no change in the number of Shares in issue on or before the Record Date)

LETTER FROM THE BOARD

Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.279127 per Rights Share (assuming no change in the number of Shares in issue on or before the Record Date)
Enlarged number of Shares in issue immediately after completion of the Rights Issue	:	Up to 1,964,295,328 Shares (assuming all the Rights Shares being subscribed and/or allotted and there will be no change in the number of Shares in issue or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	Up to approximately HK\$481.25 million (assuming no change in the number of Shares in issue on or before the Record Date)
Net proceeds from the Rights Issue	:	Up to approximately HK\$479.75 million (assuming no change in the number of Shares in issue on or before the Record Date)
Rights of excess application and underwriter	:	There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten
Compensatory Arrangements	:	Any Unsubscribed Rights Shares and NQS Unsold Rights Shares (if any) will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly

As at the Latest Practicable Date, the Company does not have any outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into or confer any right to subscribe for the Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming no change in the number of Shares in issue on or before the Record Date, the 1,718,758,412 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represent (i) 700% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 87.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

The Company has not received any irrevocable commitments to accept or reject the Rights Issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

Non-underwritten Basis

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 that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The Company has engaged in extensive discussions with the Placing Agent regarding the feasibility of conducting the Rights Issue on a fully underwritten basis, a partially underwritten basis or a non-underwritten basis. After due consideration, the Company determined to proceed on a non-underwritten basis, as conducting the Rights Issue on an underwritten basis would result in a substantial increase in fundraising costs, given that the underwriting commission would be significantly higher than the placing commission of 1% payable under the Placing Agreement. In addition, the Company has discussed with the Placing Agent, among other things, the client base, placing network, distribution capabilities and the overall placing arrangements of the Placing, and is satisfied that the Placing Agent possesses the requisite experience and resources to effectively carry out the placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (if any).

Furthermore, the Directors are of the view that the proposed allocation of the proceeds from the Rights Issue under the various contemplated scenarios has been structured to strike a balance between the funding requirements of the Group's existing operations and the funding needs associated with either the Potential Acquisition or, where the Potential Acquisition does not materialise, the Coal Supply Agreement.

Accordingly, the Directors consider that conducting the Rights Issue on a non-underwritten basis is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole.

There are no statutory requirements regarding minimum subscription level in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s), or transferees of nil-paid Rights Shares (or either of them, whichever shall be appropriate), 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 (i) trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and/or (ii) result in the non-compliance of the Public Float Requirement on the part of the Company.

The Public Float Requirement under the Listing Rules shall be fulfilled by the Company at all times. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 13.32B of the Listing Rules.

LETTER FROM THE BOARD

The Subscription Price

The Subscription Price of HK\$0.280 per Rights Share will be payable in full upon acceptance of the relevant provisional allotment of Rights Shares from a Qualifying Shareholder or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of 20.00% to the closing price of HK\$0.350 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 9.80% over the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 7.69% over the average closing price of approximately HK\$0.260 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;
- (iv) a premium of approximately 5.66% over the average closing price of approximately HK\$0.265 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the Last Trading Day;
- (v) a discount of approximately 32.04% to the unaudited consolidated net assets value per Share attributable to the Shareholders of approximately HK\$0.412 as at 30 June 2026 (based on the latest published unaudited consolidated net assets value of the Group attributable to the Shareholders of approximately HK\$101,106,000 and 245,536,916 Shares in issue as at 30 June 2026); and
- (vi) a premium of approximately 0.72% over the theoretical ex-rights price of approximately HK\$0.278 per Share based on the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.260 per Share.

The Rights Issue would not result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) as the Subscription Price of HK\$0.280 per Rights Share is higher than the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.260 per Share.

The Subscription Price was determined with reference to, among other things, (i) the recent market price of the Shares under the prevailing market conditions; (ii) the latest financial position of the Group; and (iii) the reasons for and benefits of Rights Issue as discussed in the section headed “Reasons for and Benefits of the Rights Issue and the Use of Proceeds” in this letter.

LETTER FROM THE BOARD

In determining the Subscription Price, the Directors have reviewed:—

- (i) the closing prices of the Shares over the last three-month period immediately prior to the Last Trading Day (i.e. from 23 June 2026 to 22 September 2026, the “**Review Period**”). During the Review Period, the highest and lowest closing prices of the Shares were HK\$0.315 and HK\$0.190 respectively and the average closing prices was approximately HK\$0.240. The Subscription Price of HK\$0.280 per Rights Share represents (i) a premium of approximately 14.29% and 32.14% over the respective average and lowest closing prices of the Shares for the Review Period; and (ii) a discount of approximately 12.50% to the highest closing price of the Shares for the Review Period;
- (ii) the current financial position of the Group, which the Group had reported net assets attributable to the Shareholders of approximately HK\$101.1 million as at 30 June 2026 and, the Subscription Price of HK\$0.280 per Rights Share represents a discount of approximately 32.04% to the unaudited consolidated net assets value per Share of approximately HK\$0.412 as at 30 June 2026; and
- (iii) the reasons for and benefits of the Rights Issue, taking into account the funding required for the Potential Acquisition and the enhancement of the existing coal mining operations.

In light of the above, the Directors consider that the prevailing Share prices and overall price trends during the Review Period reflected the market’s assessment of the Group’s recent financial position, as well as prevailing market sentiment. Taking into account that the Subscription Price of HK\$0.280 per Rights Share falls within the range of the closing prices of the Shares during the Review Period and represents a premium of approximately 14.29% over the average closing price per Share during the Review Period, the Directors consider that the Subscription Price is fair and reasonable. In addition, the Subscription Price was determined after taking into account both the Group’s funding requirements and the interests of the Shareholders, with the objective of enabling the Company to raise the necessary funds while affording Qualifying Shareholders a reasonable opportunity to maintain their respective proportional shareholding interests in the Company through participation in the Rights Issue.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee of this circular) consider that, in view of prevailing market conditions and factors as described above, the terms of the Rights Issue, including the Subscription Price, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Rights Share (i.e. Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.279127 per Rights Share.

LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfilment of the following conditions:

- (i) the passing of the Independent Shareholders at the EGM of an ordinary resolution to approve the Rights Issue, the Placing Agreement and the respective transactions contemplated thereunder (more than 50% of the Independent Shareholders either in person or by proxy at the EGM by way of poll);
- (ii) the delivery of the Prospectus Documents to the Stock Exchange and the issue by the Stock Exchange on or before the Prospectus Posting Date of a certificate authorising registration of the Prospectus Documents with the Registrar of Companies in Hong Kong;
- (iii) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders and the publication of the Prospectus Document on the website of the Stock Exchange on or before the Prospectus Posting Date;
- (iv) the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms in the new board lot size of 5,000 Shares; and
- (v) the Placing Agreement not having been terminated pursuant to the terms thereof, and remaining in full force and effect.

All conditions set out above cannot be waived. If any of the above conditions is not fulfilled at or prior to the Latest Time for Termination, the Rights Issue will not proceed.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

Status of the Rights Shares

The Rights Shares (when allotted, fully-paid or credited as fully-paid and issued) will *rank pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

LETTER FROM THE BOARD

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will treat nominees (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s)) must be lodged with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 30 October 2026.

The Company expects to send the Prospectus Documents to the Qualifying Shareholders on Monday, 9 November 2026.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus (without the PAL(s)) to the Non-Qualifying Shareholders for their information only.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of seven (7) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by lodging a duly completed PAL with a remittance for the Rights Shares being accepted with the Registrar by 4:00 p.m. on the Latest Acceptance Date.

LETTER FROM THE BOARD

Rights of the Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue.

Based on the register of members of the Company as at the Latest Practicable Date, the Company had a total of six (6) Overseas Shareholders with registered address in the PRC holding an aggregate of 58,965,945 Shares, representing approximately 24.02% of the total issued share capital of the Company.

The Company has made enquiries in accordance with Rule 13.36(2) of the Listing Rules regarding the feasibility of extending the Rights Issue to such six (6) Overseas Shareholders. Taking into account the legal advice provided by legal adviser in the PRC, the Directors are of the view that the relevant PRC legal restrictions and requirements of the regulatory body or stock exchange in the PRC do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses located in the PRC from the Rights Issue. Therefore, such Overseas Shareholders are not Non-Qualifying Shareholders and the Rights Issue will be extended to such Overseas Shareholders.

The Company will continue to ascertain whether there are any other Overseas Shareholders (other than the aforesaid) as at the Record Date and, if applicable, will make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholder (if any) as at the Record Date.

The Prospectus Documents to be despatched in connection with the Rights Issue will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Board notes the requirements specified in Rule 13.36(2)(a) of the Listing Rules and is in the process of making enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange as to the feasibility of extending the Rights Issue to the Overseas Shareholders. If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to the relevant Overseas Shareholders and, where appropriate, to holders of other equity securities of the Company entitled to be offered them, pro rata (apart from fractional entitlements) to their existing holdings, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, such Overseas Shareholders will become Non-Qualifying Shareholders and the Rights Issue will not be extended to them. The Company will, to the extent permitted under the relevant laws and regulations, and where reasonably practicable, send the Prospectus to the Non-Qualifying Shareholders for information purposes only but will not send any PAL to them.

The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

LETTER FROM THE BOARD

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Non-Qualifying Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out above, certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on or before Monday, 14 December 2026 to those persons who have validly accepted and, where applicable, applied for, and paid for the Rights Shares, to their registered addresses at their own risk.

If the Rights Issue does not become unconditional, refund cheques without interest are expected to be posted on or before Monday, 14 December 2026 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

No Fractional entitlement to the Rights Shares

No fractional entitlements to the Rights Shares will be provisionally allotted to the Qualifying Shareholders. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and sold by the Company in the open market if a premium (net of expense) can be obtained. Any of these Rights Shares remain not sold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Odd lot arrangement

No odd lot matching services will be provided by the Company in respect of the Rights Shares.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Rights Shares in both their nil-paid and fully-paid forms.

LETTER FROM THE BOARD

Application for listing of the Rights Shares

The Company will apply to the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Dealing in the Rights Shares (in both nil-paid and fully-paid forms) will be in the new board lots of 5,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. The Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy and any other applicable fees and charges in Hong Kong.

The Compensatory Arrangements

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of any Unsubscribed Rights Shares and NQS Unsold Rights Shares by offering such Unsubscribed Rights Shares and NQS Unsold Rights Shares to independent placees for the benefit of those 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 as stipulated by Rule 7.21(1)(a) of the Listing Rules.

Accordingly, on 22 September 2026 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (i.e. “**Net Gain**”) will be paid to the

LETTER FROM THE BOARD

relevant No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Tuesday, 8 December 2026, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on a pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights lapse) whose nil-paid rights are not validly accepted in full, by reference to the extent to which the Shares comprised in his/her/its nil-paid rights are not validly accepted; and
- B. the relevant Non-Qualifying Shareholders by reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

THE PLACING AGREEMENT

On 22 September 2026 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement.

The principal terms of the Placing Agreement are set out below.

Date : 22 September 2026 (after trading hours)

Issuer : The Company

Placing Agent : DL Securities (HK) Limited

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not a Shareholder; and (ii) are Independent Third Parties.

Placing Period : A period commencing from the first Business Day after the date of the announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares, which is expected to be Tuesday, 1 December 2026, and ending at 4:00 p.m. on Tuesday, 8 December 2026 or such later date as the Company and the Placing Agent may agree in writing.

LETTER FROM THE BOARD

- Commission and expense : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars equivalent to 1% of the amount which is equal to the placing price multiplied by the number of Placing Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.
- Placing price of the Placing Shares : The placing price of the Placing Shares shall be not less than the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Placing Shares.
- Placees : The Placing Agent undertakes to use its best endeavours to procure that (i) the Placing Shares shall only be placed to professional persons, institutional and/or individual investor(s) who and whose respective ultimate beneficial owner(s) shall be Independent Third Parties and are not acting in concert with any of the Company, its connected persons (as defined in the Listing Rules) and their respective associates; (ii) the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and (iii) the Company will continue to comply with the Public Float Requirement upon completion of the Placing and the Rights Issue.
- Ranking of the successfully placed Placing Shares : The successfully placed Placing Shares (when allotted, issued and fully paid, if any) shall *rank pari passu* in all respects among themselves and with the existing Shares in issue as at the date of allotment and issue.

LETTER FROM THE BOARD

Conditions of the Placing Agreement : The Placing is conditional upon the fulfilment of the following conditions:

- (i) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares, including the Unsubscribed Rights Shares and the NQS Unsold Rights Shares;
- (ii) the passing of all necessary resolutions to be proposed at the EGM to be convened to consider and, if thought fit, approve, among others, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder;
- (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
- (iv) the Placing Agreement not having been terminated pursuant to the terms thereof.

In the event that the above condition precedents (other than (iii) and (iv) above which can be waived by the Placing Agent in its absolute discretion) have not been fulfilled on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof).

LETTER FROM THE BOARD

Termination and Force Majeure : If any of the following events occur at any time prior to the Latest Time for Termination, the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, provided that such notice is received prior to 10:00 a.m. on the Business Day immediately preceding the Latest Time for Termination, the Placing Agreement shall thereupon cease to have effect and none of the parties hereto shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:

(a) there develops, occurs or comes into force:

- (i) any event, development or change and including an event or change in relation to or a material adverse development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong, national or international, or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement; or
- (ii) the imposition of any moratorium, suspension (for more than seven (7) trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Company; or
- (iv) a material adverse change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong; or

LETTER FROM THE BOARD

- (v) any litigation or claim being instigated against any member of the Company, which has or may have a material adverse effect on the business or financial position of the Company and which in the reasonable opinion of the Placing Agent would materially and adversely affect the success of the Placing; or
- (b) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to completion which, if it had occurred or arisen before the date of the Placing Agreement, would have rendered any of such representations and warranties untrue or incorrect in any material respect, or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (c) there is any adverse change in the financial position of the Company which is material in the context of the Placing; or
- (d) there occurs any adverse change in market conditions which makes it inexpedient or inadvisable to proceed, or any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than thirty (30) consecutive Business Days, excluding any suspension in connection with the clearance of the announcement, the circular or other documents in connection with the Placing; or
- (e) the Placing Shares are not approved by the relevant regulatory bodies and/or regulatory authorities to be placed to any places as contemplated in the Placing Agreement.

The terms of the Placing Agreement, including the commission payable, was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Company, the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of Placing Agreement (including the commission payable) are on normal commercial terms and are fair and reasonable.

LETTER FROM THE BOARD

As explained above, the Placing Shares will be placed by the Placing Agent to independent placees on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Placing Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole after taking into account the following considerations:

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the respective No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to the Placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by an independent licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the Placing Shares. The Placing Agent and its ultimate beneficial owner(s) (i) are not a Shareholder; and (ii) are Independent Third Parties;
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders, it also provides a distribution channel for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares for the Company, and a compensatory mechanism for the Qualifying Shareholders and the Non-Qualifying Shareholders. Besides, the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company. As such, the Board considered that the absence of excess application arrangements is acceptable; and
- (iv) the terms of the Placing Agreement, including the placing commission, are on normal commercial terms.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in the production and sale of coal.

The Rights Issue will serve a dual purpose, safeguarding the continued enhancement of the Group's existing coal mining operations and general working capital requirements as well as financing the Potential Acquisition.

LETTER FROM THE BOARD

Upgrading the Coal Mining Infrastructures of Inner Mongolia Coal Mine 958

The Group currently operates a coal mine (the “**Inner Mongolia Coal Mine 958**”) in Inner Mongolia through an indirect non-wholly-owned subsidiary, namely, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited. The Inner Mongolia Coal Mine 958 has an approved annual coal production capacity of 1,200,000 tonnes.

As reported in the 2025 Annual Report, the Group recorded declines in both coal output and revenue for FY2025 as compared with FY2024. The Group produced and sold approximately 870,000 tonnes of coal during FY2025, as compared with 902,000 tonnes and 908,000 tonnes produced and sold respectively, in FY2024. In view of tighter regulatory requirements of the PRC coal mining industry, particularly related to the intelligent mining, production safety and environmental protection, the Inner Mongolia Coal Mine 958 requires significant capital investment to upgrade aged infrastructures and purchase new mining machineries to meet the new industry standards after approximately 15 years of use.

Compliance with the relevant safety regulations requires reliable dual-circuit power supply system, advanced mechanisation and intelligent monitoring to mitigate major safety system hazards. Furthermore, more advanced machinery is required to carry out mining operations for the current complex underground geographical conditions to ensure safe and efficient extraction of mineable resources. Purchasing modern equipment will not only secure compliance with government safety standards but also reduce operational risks, such as regulatory intervention and enforced suspension, thereby safeguarding both production continuity and labour safety. In light of the above and following the grant of land use rights certificate to the Inner Mongolia Coal Mine 958 in 2025, the Board considers it is the right time to raise funding to sustain the future mining operations.

Coal business development of the Group

The National Security Measures was officially came into force on 18 January 2021. Pursuant to the National Security Measures, foreign investments in specific sectors including energy and resources, if considered important energy and resources related to national security, are subject to mandatory national security review (the “**National Security Review**”). The National Security Review would be a prolonged process to the completion of acquisition of controlling equity interests or obtaining de facto controls in coal mines in the PRC which are classified as “important energy and resources related to national security”, whereas Hong Kong enterprises (including Hong Kong listed companies) are classified as foreign investors and required to comply with the National Security Measures as advised by the Company’s PRC legal advisers.

Over the years, the Group has been actively pursuing investment opportunities in mining and energy markets with an aim to mitigate the pressures and difficulties faced by the Inner Mongolia Coal Mine 958 and to broaden and strengthen the Group’s business portfolio. In view of the demand of power for high technology sectors development such as artificial intelligence (“**AI**”), the Group has intensified its efforts in identifying coal mine targets in the Inner Mongolia region, the PRC.

LETTER FROM THE BOARD

In light of the new National Security Measures, the Company has been advised that acquisition of minority equity interests in the Target Company represents a feasible and certain transaction structure for the Potential Acquisition in a timely manner. This approach will ensure adherence to the applicable regulatory framework, facilitate approval processes, and mitigate the risk of non-compliance with national security and foreign investment controls.

In this context, the Group entered into the MOUs in respect of the Potential Acquisition (together with the coal offtake arrangement). The Directors believe that the Potential Acquisition will create strategic value for the Company by increasing coal reserves in the Inner Mongolia region, the PRC and broadening the geological strength and revenue stream of its coal business through the coal offtake arrangement, thereby serving the interests of the Company and its Shareholders as a whole. In addition, the Sellers have irrevocably undertaken to the Purchaser under the Irrevocable Undertaking that subject to the Purchaser providing satisfactory Funding Confirmation, the Sellers shall dispose of and transfer to the Purchaser the agreed equity interest in the Target Company pursuant to the MOUs. In the event the Potential Acquisition cannot proceed, the Sellers shall procure the Target Company to enter into a coal supply agreement with the Purchaser (the “**Coal Supply Agreement**”). Further details of the MOUs and the Potential Acquisition are included in the section headed “The MOUs and the Potential Acquisition” in this letter.

Progress has been made in advancing the Potential Acquisition. Professional advisers, including legal counsel, financial advisers, and valuation experts, have been engaged for the Potential Acquisition. In addition, technical experts have been appointed to prepare a Competent Person’s Report on the Target Coal Mine in compliance with the requirements of the Listing Rules. These steps form part of the necessary preparatory work to ensure regulatory compliance and to support the Company’s consideration of the Potential Acquisition. In addition, the Company has performed site visits and conducted due diligence on the business and financials of the Target Company and the Target Coal Mine, results of which are satisfactory to the management of the Group. As a condition precedent to the execution of the formal equity transfer agreement, the Group must have secured the Financing Arrangements required for the Potential Acquisition, which the Sellers required the Group to provide evidence of fund demonstrating its ability to make such payment prior to the execution of the formal equity transfer agreement. It is expected that the Group will enter into the formal equity transfer agreement in early November 2026, whereas the Sellers have requested a refundable down payment of 20% of the consideration of the Potential Acquisition, payable within three (3) Business Days upon signing of the formal equity transfer agreement.

Replenishment of general working capital

As disclosed in 2025 Annual Report and 2026 Interim Report, the Company recorded net losses of approximately HK\$63.8 million, HK\$69.4 million, and HK\$10.8 million for FY2024, FY2025 and HY2026 respectively. The decline was mainly attributable to reduced output and revenue from the Inner Mongolia Coal Mine 958, arising from the aged infrastructure and mining equipment, together with more complex underground geological conditions. In addition, the Group reported a decrease in cash and cash equivalents from approximately HK\$71.4 million as at 31 December 2025 to approximately HK\$43.9 million as at 30 June 2026 (of which approximately HK\$59.7 million and HK\$32.4 million were kept in the PRC as at 31 December 2025 and 30 June 2026 respectively) as well as a net operating cash outflow of approximately HK\$21.7 million for HY2026 and approximately HK\$10.7 million for FY2025.

LETTER FROM THE BOARD

Reflecting the declining cash flow position of the Group and as the Group's operating cashflows are primarily generated in the PRC, the Board has resolved to allocate up to HK\$20.0 million for replenishment of the Group's general working capital. The proceeds will be deployed as to 80% and 20% for operations in Hong Kong and the PRC respectively to support essential expenditures including payroll, rental, and administrative expenses, as well as legal, audit, and other professional fees, thereby ensuring the Group's ability to maintain an appropriate level of liquidity and meet its ongoing obligations.

Board's View

In light of the capital investment requirement of the Inner Mongolia Coal Mine 958 and the size of the Potential Acquisition or if the Potential Acquisition cannot proceed, the Coal Supply Agreement pursuant to the Irrevocable Undertaking, the Board has evaluated the Group's existing financial capabilities and settlement plans for the associated financial obligations. After considering various financing alternatives, the Board has concluded that the Rights Issue is both timely and necessary. It will enable the Group to meet the financing requirements of the Potential Acquisition, satisfying the necessary capital investment in the Inner Mongolia Coal Mine 958 as well as strengthening the operating working capital base of the Group while providing Shareholders with an opportunity to participate in the Company's equity fundraising activities at prevailing market prices of the Shares.

In the event that the funds raised from the Rights Issue are less than anticipated, the Group will acquire a reduced percentage of equity interest in the Target Company, in accordance with the terms mutually agreed with the Sellers. This flexibility ensures that the transaction will remain viable even under constrained funding scenarios. Nevertheless, raising sufficient funds is crucial to the Group, as it directly determines the scale of equity interests of the Target Company to be acquired, and the timely completion of the Potential Acquisition. Shareholders will also be able to benefit from the potential development in the coal mining business of the Group when the strategic benefits of the Potential Acquisition materialises.

Furthermore, the Board considers that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the Rights Issue represents a critical financing initiative that will reinforce the Group's existing mining operations while simultaneously supporting the Potential Acquisition and the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the aforesaid factors.

LETTER FROM THE BOARD

Use of proceeds

Assuming the Rights Issue is fully subscribed, the estimated gross proceeds of the Rights Issue will be approximately HK\$481.25 million (assuming no change in the number of Shares in issue on or before the Record Date). The corresponding estimated net proceeds of the Rights Issue, after deducting the related expenses, will be approximately HK\$479.75 million, which are intended to be used in the following manner:

	Amount HK\$' million <i>Approximate</i>	Percentage to the net proceeds <i>Approximate</i>
1. Enhancing the existing coal mine infrastructures, facilities and machineries:		
(i) Upgrading the existing aged underground supporting frames and infrastructures and purchasing of 20 units hydraulic roof support;	17.40	3.63%
(ii) Setting up a double-circuit underground electrical wiring system;	40.37	8.41%
(iii) Building an enclosed coal yard for coal storage; and	20.18	4.21%
(iv) Upgrading the existing power generator set and other aged equipment including coal conveying belt	14.15	2.95%
Subtotal	92.10	19.20%
2. Setting up and upgrading the software of control and monitoring systems of the existing coal mine:		
(i) Setting up coal conveying belt monitoring and control system;	3.83	0.80%
(ii) Upgrading the existing safety production, ventilation and gas monitoring system; and	7.40	1.54%
(iii) Setting up 5G labour positioning system	2.55	0.53%
Subtotal	13.78	2.87%

LETTER FROM THE BOARD

	Amount HK\$' million <i>Approximate</i>	Percentage to the net proceeds <i>Approximate</i>
3. Consideration for the Potential Acquisition and the relevant costs and expenses:		
(i) Consideration of the Potential Acquisition	348.00	72.54%
(ii) Relevant costs and expenses, including professional fees in relation to the Potential Acquisition	5.87	1.22%
Subtotal	353.87	73.76%
4. General working capital		
(i) Payroll expense – administrative staff, including directors' remuneration and senior management	11.83	2.47%
(ii) Rental and administrative expenses		
(a) Rental expense	3.02	0.63%
(b) Other administrative expenses, including the annual listing fee, financial printing fee, Hong Kong and Caymen Islands share registrar service fee, insurance, etc.	2.15	0.45%
Subtotal	5.17	1.08%
(iii) Legal, audit and other professional fees		
(a) Legal fee	0.75	0.16%
(b) Audit fee	1.50	0.30%
(c) Other professional fees	0.75	0.16%
Subtotal	3.00	0.62%
Subtotal	20.00	4.17%
Total	479.75	100.00%

In the event of undersubscription of the Rights Issue, the net proceeds raised will be applied on the following basis:

The Potential Acquisition

The Potential Acquisition involves the acquisition of 20% to 40% equity interest in the Target Company. The Group and the Sellers have agreed that the formal equity transfer agreement will be executed once the percentage of equity interest to be acquired and the consideration are determined, having regard to the funding available from the Rights Issue and the valuation of the Target Company.

LETTER FROM THE BOARD

Pursuant to the MOUs, the proposed consideration for the Potential Acquisition will be settled in cash and is expected to be no more than RMB300.0 million (equivalent to approximately HK\$348.0 million), subject to valuation and mutual agreement of the parties. The Group expects to enter into the formal equity transfer agreement in early November 2026. The refundable down payment, representing 20% of the consideration, shall be payable within three (3) Business Days upon signing of the formal equity transfer agreement.

Subject to the fulfilment of conditions precedent of the Potential Acquisition, 20% of the consideration is expected to be utilised in December 2026 as the down payment, and the remaining 80% of the consideration is expected to be utilised upon completion of the Potential Acquisition in the first quarter of 2027. Based on maximum consideration of RMB300.0 million (equivalent to approximately HK\$348.0 million) for 40% equity interest of the Target Company, 20% equity interest in the Target Company would be valued at approximately RMB150.0 million (equivalent to approximately HK\$174.0 million), together with transaction-related costs of approximately HK\$5.9 million, resulting in a total of approximately HK\$179.9 million.

In consideration of the relevant size of proceeds to be applied for the Potential Acquisition,

- (i) if the net proceeds raised from the Rights Issue are less than HK\$200.0 million, all proceeds will be applied to upgrading coal mining infrastructure of the existing coal mine and general working capital of the Group;
- (ii) if the net proceeds raised from the Rights Issue are equal to or exceed HK\$200.0 million, the net proceeds will be applied first towards payment of the consideration for the Potential Acquisition and the associated costs and expenses, provided that the equity interest to be acquired in the Target Company will not be less than 20%; and with any remaining proceeds allocated on a pro-rata basis for upgrading coal mining infrastructure of the existing coal mine and general working capital of the Group; and
- (iii) if the net proceeds raised from the Rights Issue are equal to or exceed HK\$200.0 million and the Potential Acquisition would not proceed, the net proceeds will be applied first towards the advance payment of the Coal Supply Agreement of RMB100.0 million (equivalent to approximately HK\$116.0 million) pursuant to the Irrevocable Undertaking; and with the any remaining proceeds allocated on a pro-rata basis for upgrading coal mining infrastructure of the existing coal mine and general working capital of the Group. For the avoidance of doubt, assuming the Rights Issue will be fully subscribed, and after taking into account the proposed application of proceeds of approximately HK\$241.9 million, comprising (i) approximately RMB100.0 million (equivalent to approximately HK\$116.0 million) for the Coal Supply Agreement, (ii) approximately HK\$105.9 million for upgrading coal mining infrastructure of the existing coal mine, and (iii) approximately HK\$20.0 million for general working capital, the remaining proceeds will amount to approximately HK\$237.85 million. Such proceeds will be applied towards for the acquisition of other coal mines which may be identified by the Company from time to time.

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Existing Coal Mining Operations

Based on the current upgrading plan of Inner Mongolia Coal Mine 958, coal production will continue during the course of the upgrading works and the implementation of the upgrading plan is expected to take a period of around twelve (12) months to complete. The plan comprises mainly the following phases (i) design and planning; (ii) quotation and purchase of systems, materials and machinery; (iii) construction of new infrastructures; and (iv) testings and commissioning. Based on the current planning of the management of Inner Mongolia Coal Mine 958, this part of proceeds from the Rights Issue are anticipated to be fully deployed by 31 December 2027 (i.e. in the next 12 months upon completion of the Rights Issue in December 2026).

General Working Capital

The remaining net proceeds is expected to be fully utilised by 31 December 2027 (i.e. in the next 12 months upon completion of the Rights Issue in December 2026) as the Group's general operating expenses for payroll expenses, rental and administrative expenses as well as professional fees.

In view of the above, the Directors consider that the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Other fund raising alternatives

The Board has considered other fund raising alternatives including but not limited to debt financing and equity financing such as the subscription or placing of new Shares and open offer.

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

As for subscription or placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Group. As for open offer, while it is similar to a rights issue in offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

Based on the above, despite the potential dilution impact of the Rights Issue on the shareholding interests of the Non-Qualifying Shareholders and those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled, the Directors consider that fund raising through the Rights Issue is in the best interests of the Company and the Shareholders as a whole, having considered that the Rights Issue offers all Qualifying Shareholders (i) the first right to maintain their respective pro-rata shareholding interests in the Company and an opportunity to participate in the growth and development of the Group in proportion to their shareholdings; and (ii) the flexibility to deal in the nil-paid rights in the open market.

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In view of the above and the reasons described in the section headed “Reasons for and Benefits of the Rights Issue and the Use of Proceeds” above, the Board considers that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund-raising activities in the next 12 months.

THE MOUS AND THE POTENTIAL ACQUISITION

On 3 August 2026 and 21 September 2026, Shanghai Wealthy Ocean, an indirect wholly-owned subsidiary of the Company, as the Purchaser, entered into the MOU and the Supplemental MOU respectively with Ordos Yusheng and Hainan Shidong, both being shareholders of the Target Company holding 40% and 33% equity interests respectively (collectively the “Sellers” and each a “Seller”) in relation to the Potential Acquisition. Each of the Sellers, the Target Company and their respective ultimate beneficial owners are Independent Third Parties.

Principal Terms of the MOUs

The principal terms of the MOUs are summarised as follows:

Equity Interest to be acquired

Pursuant to the MOUs, Shanghai Wealthy Ocean proposes to acquire 20% to 40% equity interest in the Target Company. The equity interest of the Target Company to be acquired will be determined upon the confirmation of available funding raised by the Company of not less than HK\$200.0 million at the expiry of the exclusivity period given in the MOUs as set out below, which will also be adjusted according to the valuation results given by an independent professional valuer engaged by the Company and final agreement with the relevant Seller. Upon which, a formal equity transfer agreement will be executed within five (5) Business Days as agreed between the Seller and Shanghai Wealthy Ocean.

Consideration

The proposed consideration in relation to the Potential Acquisition will be settled in cash and is expected to be no more than RMB300.0 million (equivalent to approximately HK\$348.0 million), subject to valuation of the Target Company and mutual agreement of the parties. A refundable down payment, being 20% of the consideration shall be payable by the Purchaser to the Seller within three (3) Business Days upon signing of the formal equity transfer agreement. In the event that any condition precedent is not satisfied or waived as the case may be by the agreed date, the down payment shall be refunded to the Purchaser in full no later than three (3) Business Days following termination of the formal equity transfer agreement.

LETTER FROM THE BOARD

Conditions precedent to the MOUs

The execution of the formal equity transfer agreement of the Potential Acquisition is conditional upon, among other matters, satisfactory due diligence and the Financing Arrangements, valuation confirming that the Target Company's 100% equity value is not less than RMB650.0 million (equivalent to approximately HK\$754.0 million, the "**Floor Value**") and in compliance with the Listing Rules, together with other customary conditions applicable to acquisition transactions. The Floor Value is determined based on a preliminary discounted cash flow valuation given by an independent professional valuer engaged by the Company based on a prudent assessment of coal resources data, latest operation metrics and historical financial information up to 30 June 2026 provided by the Target Company. Besides, the Floor Value also represents the lowest valuation of the Target Company acceptable to the Sellers for entering into the formal equity transfer agreement for the Potential Acquisition after arm's length negotiations among the parties.

As at the Latest Practicable Date, the Company together with the competent person and valuer engaged by the Company, have substantially completed their due diligences on the Target Company and the Target Coal Mine, results of which are satisfactory to the management of the Group. The Company has been provided with proper books and records related to the financials of the Target Company as well as sufficient coal resources information and supporting evidence of the Target Coal Mine required for the valuation. Further drilling works in respect of the Target Coal Mine has also been completed, providing additional geological information to support the assessment of its coal resources and reserves.

If the agreed value of the Target Company, determined with reference to final valuation of the Target Company, exceeds the Floor Value, the Company will apply up to the maximum proceeds of RMB300.0 million (equivalent to approximately HK\$348.0 million) to acquire the maximum equity interests possible (subject to the cap of 40%) in the Target Company, enabling the Group to maximise the potential economic benefits from the investment in the Target Company and enhance the volume of coal available to the Group in the coal offtake arrangement. Based on the current assessment of the Company and its independent professional valuer, the final valuation of the Target Company is expected not to exceed RMB800.0 million, (equivalent to approximately HK\$928.0 million) an amount acceptable to the Group. Accordingly, the maximum proceeds of RMB300.0 million (equivalent to approximately HK\$348.0 million) is sufficient for acquisition of the target equity interests in the Target Company as stipulated in the MOUs. As such, the Directors consider the above application of proceeds a fair use of Shareholders' funds.

LETTER FROM THE BOARD

Management and Governance

The Target Company will continue to be managed by its existing management team, with the participation of the personnel nominated by the Group as disclosed below.

Subject to execution of the formal equity transfer agreement of the Potential Acquisition, Shanghai Wealthy Ocean and the remaining shareholders of the Target Company, will enter into a new shareholders' agreement and articles of association of the Target Company simultaneously, which will provide Shanghai Wealthy Ocean, as a shareholder of the Target Company, with all shareholder rights under the PRC Company Law, including but not limited to rights of dividend distribution, transfer of equity interests, distribution of residual assets, access to information, and voting rights at shareholders' meetings. In proportion to its equity interest, Shanghai Wealthy Ocean shall also be entitled to nominate candidate(s) for the board of directors of the Target Company, and the Seller together with other shareholders shall vote in favour of such nominee(s) at the shareholders' meeting of the Target Company. The director(s) so appointed will participate in the management, financial reporting and decision making of the Target Company within all aspects of the board's authorities.

Apart from the above, by entering into the corresponding offtake arrangement upon completion of the Potential Acquisition, the Group will nominate its existing management of coal operations as a director and being part of the management of the Target Company to operate and monitor the monthly coal production plan and sales of coals produced by the Target Coal Mine, including the determination of the quantity and pricing of the coals to be off-taken by the Group to be agreed in the formal equity transfer agreement, and maintaining proper books and records for coals to be supplied to the Group and subsequently sold to the Group's customers. The Directors consider that such measures will enable the Group to maintain effective oversight of, and visibility over, the sales, operational and financial performance of the Target Coal Mine.

The MOUs further provided that the Target Company shall adopt a stable dividend distribution policy (the “**Dividend Distribution**”). Subject to applicable laws, the articles of association, and the operational requirements of the Target Company, not less than fifty percent (50%) of its distributable net profit shall, in principle, be allocated to shareholders after each fiscal year in form of dividend, with the specific distribution plan to be reviewed and approved by the shareholders' meeting in accordance with the law.

Coal Offtake Arrangement to the Potential Acquisition

In conjunction with the Potential Acquisition, the Sellers shall procure the Target Company to enter into a 5-year coal offtake arrangement (renewable at the option of the Purchaser for successive periods of five (5) years until the expiry of the mining period as stipulated in the mining license) with Shanghai Wealthy Ocean under which Shanghai Wealthy Ocean will offtake, in proportion to its final equity interests in the Target Company, annual coal outputs of the Target Company at a discount of not less than 10% to the market spot price referencing to Ordos Coal Price Index, the final discount will be determined upon the Purchaser and the Sellers agreeing on the final consideration to the Potential Acquisition with reference to the valuation of the Target Company. This coal offtake arrangement forms an integral part of the Potential Acquisition. Upon entering into the corresponding offtake arrangement, existing salespersons of the Group's coal operations will be fully in charge of the coals to be off-taken from the Target Company.

LETTER FROM THE BOARD

Exclusivity

Shanghai Wealthy Ocean was entitled to an exclusivity period of 90 days (the “**Exclusivity Period**”) from the date of signing of the MOU, i.e. 3 August 2026, or such extended period as agreed in writing. During the Exclusivity Period, the Sellers shall not, without the Shanghai Wealthy Ocean’s prior written consent, directly or indirectly engage in negotiations or discussions with any third party in respect of any transaction competing with the Potential Acquisition.

The Irrevocable Undertaking

In addition to the MOUs, both Sellers have irrevocably undertaken to the Purchaser under the Irrevocable Undertaking dated 21 September 2026 that, subject to the Purchaser providing to the Sellers the Funding Confirmation (i.e. written confirmation evidencing the availability of funding of not less than HK\$200.0 million necessary to complete the Potential Acquisition):

- (i) the Sellers shall dispose of and transfer to the Purchaser the agreed equity interest in the Target Company pursuant to the MOUs, notwithstanding any withdrawal or termination rights that may otherwise be afforded to either Seller under the MOUs; or
- (ii) in any event that the Potential Acquisition cannot proceed, the Sellers shall procure the Target Company to enter into the Coal Supply Agreement with the Purchaser with a term of 5 years, an advance payment of RMB100.0 million (equivalent to approximately HK\$116.0 million) will be payable by the Purchaser to the Target Company. The annual coal supply quantity will be 400,000 tonnes of the Target Company’s coal output, with a discount of the higher of (i) 25% towards the market spot price referencing to the Ordos Coal Price Index; or (ii) RMB100 per tonne.

The Purchaser shall pay an advance payment of RMB100.0 million (equivalent to approximately HK\$116.0 million) to the Target Company upon the signing of the Coal Supply Agreement. Based on the current selling price of the coal products of the Target Company of approximately RMB400 per tonne and the annual supply quantity of 400,000 tonnes under the Coal Supply Agreement, the advanced payment of RMB100.0 million (equivalent to approximately HK\$116.0 million) is expected to be fully offset against the coal purchase price within one year from the date of the Coal Supply Agreement. The Group expects that the working capital requirements for the annual purchase of coal products pursuant to the Coal Supply Agreement and their subsequent sales based on the discounted unit price of RMB300 per tonne, would be approximately RMB120.0 million (equivalent to approximately HK\$139.2 million).

Information on the Target Company

The Target Company is a company incorporated under the laws of the PRC in 2008 with limited liability and is principally engaged in the production and sale of coal. The Target Company owns the mining rights (i.e. allow the owner of the mining license to exploit and sell the coal resources) and other relevant operating facilities and properties in relation to the Target Coal Mine. The mining licence obtained by the Target Company, with an allowed annual production capacity of 2,400,000 tonnes, is valid until 18 July 2036.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Target Company is owned as to 40% by Ordos Yusheng, as to 33% by Hainan Shidong, and as to 27% by Lingshui Wanxing. Lingshui Wanxing is owned as to 5% by Mr. Yuan Huxiao, as to 5% by Mr. Yuan Xinkuan, and as to 90% by Mr. Yuan Zhiqiang. Information on Ordos Yusheng and Hainan Shidong is set out in the paragraph headed “Information about the Sellers” below.

The MOUs were entered into with Ordos Yusheng and Hainan Shidong, which respectively hold 40% and 33% of the equity interests in the Target Company and, in aggregate, represent 73% of its total equity interests. Such shareholding is more than sufficient to facilitate the proposed transfer of up to 40% of the equity interests in the Target Company contemplated under the Potential Acquisition. Although Ordos Yusheng alone holds a sufficient equity interest to accommodate the proposed transfer, Hainan Shidong was also included as a party to the MOUs given its status as a substantial shareholder of the Target Company. As the Group is acquiring a minority equity interest in the Target Company, the participation of Hainan Shidong (a company owned and controlled by a shareholder group that is different from those of Ordos Yusheng and Lingshui Wanxing) provides an additional level of commitment (thereby included all the shareholders of the Target Company) and transaction certainty in respect of the Potential Acquisition, facilitates the negotiation of key commercial terms and demonstrates the support of another principal shareholder for the proposed strategic cooperation.

Although Lingshui Wanxing is not a party to the MOUs, it is ultimately controlled by Mr. Yuan Zhiqiang and Mr. Yuan Huxiao, who hold 90% and 5% equity interests in Lingshui Wanxing, respectively, as well as holding 10.575% and 89.425% of Ordos Yusheng indirectly, respectively. Accordingly, Lingshui Wanxing and its controlling shareholder are fully aware of, and supportive of, the proposed transaction structure and the principal terms of the MOUs. The Directors therefore consider that the absence of Lingshui Wanxing (under same control of the principle shareholders of Ordos Yusheng) as a contracting party to the MOUs does not adversely affect the validity of the agreed framework or the parties’ commitment to pursuing the Potential Acquisition. The Sellers will jointly or singly sell their corresponding equity interests in the Target Company to be mutually agreed among themselves based on the final terms and conditions of the Potential Acquisition.

In light of the foregoing, and taking into account that the MOUs have been entered into with shareholders collectively holding a controlling interest in the Target Company, the Directors are of the view that the MOUs establish an appropriate and commercially reasonable framework for advancing the Potential Acquisition and adequately safeguard the interests of the Company and its Shareholders.

To the best knowledge of the Directors, information and belief having made all reasonable enquires, the Target Company and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

Financial Information of the Target Company

Set out below is the summary of the financial information of the Target Company for FY2024, FY2025 and HY2026 prepared in accordance with the China Accounting Standards for Business Enterprises:

	HY2026 RMB'000	FY2025 RMB'000	FY2024 RMB'000
Revenue	65,346	434,199	514,013
Net profit before tax	2,044	193,655	277,169
Net profit after tax	198	49,459	207,877
Dividends declared to the shareholders of the Target Company	—	130,000	210,000
	As at 30 June 2026 RMB'000	As at 31 December 2025 RMB'000	2024 RMB'000
Total assets	243,286	318,471	331,060
Net assets	145,945	197,309	201,603

The financial information of the Target Company for FY2024 and FY2025 reflected the mining operations conducted in the old open-pit mining area of the Target Coal Mine, which were completed by January 2026. The Target Coal Mine recorded coal outputs of approximately 1,473,600 tonnes in 2024 and approximately 1,364,000 tonnes in 2025. The Target Company has produced over 30 million tonnes of coals since its establishment in 2008.

The new open-pit mining area of the Target Coal Mine, within the existing mining permit, is currently under preparation, with trial operations expected to commence in October 2026 and full-scale production scheduled for December 2026. In May and June 2026, the Target Coal Mine was granted respectively: (i) the approval regarding the safety of the designed facilities by Inner Mongolia Autonomous Region Mine Safety Supervision Bureau; and (ii) the approval for the construction of the new open-pit mining area by Ordos City Energy Bureau. Subsequently in September 2026, the Target Coal Mine was granted the approval regarding the Modification of Safety Facility Design by Inner Mongolia Autonomous Region Mine Safety Supervision Bureau. Based on the current schedule, the trial operations will begin upon project completion acceptance in October 2026.

LETTER FROM THE BOARD

After site visit and due diligence conducted by the Company and the competent person (as required by the Listing Rules) engaged by the Company, it is concluded that the coal seams under the new mining area are continuous with the old mining area. Based on the Company's technical judgement and coal mining business experiences, the migration to a new mining area upon completion of extraction of an old mining area is a routine practice in coal mining operation based on the mining design and operational planning of a coal mine. This process has been consistently followed at the Group's Inner Mongolia Coal Mine 958. The Company is of the view that there will be no additional technical inputs required to commence the open-pit mining operations in the new mining area adjacent to the old mining area. As such, there are no foreseeable technical and regulatory burdens at present that will hinder the commencement of mining operations of the new mining area.

Given that the Target Coal Mine has been granted the relevant approvals and taking into account the latest progress as aforementioned, the Directors are of the view that the full-scale production of the new open-pit mining operations in December 2026 is achievable.

In the event of any delay in the commencement of operations of the new open-pit mining area, the final valuation will be adjusted and reflected in the consideration of the Potential Acquisition. Furthermore, appropriate representations and warranties will be included in the formal equity transfer agreement to safeguard the interests of the Group.

For HY2026, the Target Company generated revenue from approximately 105,000 tonnes produced from the new open-pit mining area whereas approximately 160,000 tonnes of coals were produced in July 2026 from the new open-pit mining area in the preparation stage. It is anticipated that both the revenue and profit of the Target Company for the year ending 31 December 2026 will be lower than those recorded for FY2025, reflecting the transitional phase between the completion of the old open-pit mining area and the ramp-up of production in the new open-pit mining area.

Save for the interests in the Target Coal Mine, the Target Company has no other investments or major assets as at the Latest Practicable Date.

Information about the Sellers

Ordos Yusheng

Ordos Yusheng Trading Company Limited* (鄂爾多斯市昱晟商貿有限責任公司), a company established under the laws of the PRC with limited liability and a shareholder holding 40% of equity interest in the Target Company. Ordos Yusheng is ultimately owned as to 89.425% by Mr. Yuan Huxiao and 10.575% by Mr. Yuan Zhiqiang. Mr. Yuan Huxiao has over 20 years of coal mining operations experience. He joined the Target Company in 2009 and is currently the manager of the Target Company.

Hainan Shidong

Hainan Shidong Investment Company Limited* (海南石東投資有限公司), a company established under the laws of the PRC with limited liability and a shareholder holding 33% of equity interest in the Target Company. Hainan Shidong is ultimately owned as to 90% by Mr. Ma Jun and 10% by Ms. Zeng Hongmei. Mr. Ma Jun is an entrepreneur and Ms. Zeng Hongmei is the spouse of Mr. Ma Jun.

LETTER FROM THE BOARD

To the best knowledge of the Directors, each of the Sellers and their respective ultimate beneficial owners are Independent Third Parties.

Information on the Target Coal Mine

The Target Coal Mine is located in Dongsheng District of Ordos City, Inner Mongolia Region, the PRC. The mining license obtained by the Target Company, with an allowed annual production capacity of 2,400,000 tonnes, is valid until 18 July 2036.

Pursuant to 2025 reserve assessment report (2025年儲量核實報告) compiled by Inner Mongolia Rongtong Engineering Survey Co., Ltd. * (內蒙古榮通工程勘測有限責任公司) in 2026, the Target Coal Mine has an estimated coal resources (indicated and inferred resources under Chinese Classification for Mineral Resources and Mineral Reserves) of approximately 61.3 million tonnes.

Reasons for and benefits of entering into the MOUs and the Potential Acquisition

As stated in the 2025 Annual Report, further to the issues of the aged infrastructures and machinery, the tightened industry regulatory requirement and declines in coal resources of Inner Mongolia Coal Mine 958 also created difficulties to the Group's current coal mining operations.

Upon completion of the Potential Acquisition, 20% to 40% equity interests in the Target Company will be accounted for as an associate in the consolidated accounts of the Group. Despite the non-controlling stake to be acquired, the Directors considers that the Potential Acquisition remains crucial to the Group's existing coal mining business as part of its coal business development for the reasons set out below.

The Group's coal resources and reserves

Currently, the Group produces coals of lower calorific values of approximately 2,700–2,800 kcal/kg as compared to higher calorific values of approximately 4,000 kcal/kg of the coals produced by the Target Company. By locking in a minority equity interest in the Target Company, through the coal offtake arrangement the Group will be able to blend and market coal products from both coal mines. This approach will elevate the quality profile of the Group's coal products and strengthen its market competitiveness. Higher calorific values of coal products will command stronger pricing power to the Group for better profit margins and improve efficiency for our end users, as a result reinforce the Group's position in the coal market in the Inner Mongolia region, the PRC.

In this case, the Potential Acquisition is expected to create strategic value to the Group by increasing coal resources and reserves in the Inner Mongolia region, the PRC without paying upfront coal resource fees, thereby strengthening the geological foundation of the Group's coal business in the region immediately.

LETTER FROM THE BOARD

Financial benefits

Importantly, the Target Coal Mine is currently in operation, generating stable revenues and maintaining profitability as disclosed in the above paragraph headed “Financial Information of the Target Company”. This operating track record provides assurance that the Group, through its minority equity interest in the Target Company, will be entitled to the cashflow from the Dividend Distribution promptly upon completion of the Potential Acquisition.

In addition, the Group will secure a stable coal offtake supply at prices discounted to the market spot price referencing to the Ordos Coal Price Index. By referencing market spot prices, the arrangement avoids arbitrary or fixed pricing and ensures that the Group’s procurement costs reflect real time market conditions, thereby remaining commercially fair and transparent.

As abovementioned, the Group currently produces coal with a lower calorific value of approximately 2,700-2,800 kcal/kg, whereas the Target Company produces coal with a calorific value of approximately 4,000 kcal/kg. By entering into the coal offtake arrangement under the Potential Acquisition, the Group will be able to blend its existing coal products with the off-taken coals (the “**Off-Taken Coals**”) to raise the calorific values of its coal products to around 3,200 kcal/kg. When there is currently no public or transparent market price data available for coals of calorific values lower than 3,200 kcal/kg, the blending of the Off-Taken Coals will enable the Group’s coal products to be marketed with reference to public benchmark prices, thereby improving marketability and pricing power of the Group’s coal products. Taken together, the discounted procurement terms and the pricing uplift from higher calorific coal products will potentially enhance the Group’s profitability, quality profile of its coal products, and thus reinforces the Group’s competitive position in the coal market in Inner Mongolia region, the PRC.

The Group has an extensive operating history in the coal mining industry in Inner Mongolia region, the PRC, supported by experienced management and maintains a well-established business model in the production and sale of coals. Accordingly, the Group does not currently expect that the coal offtake arrangement will result in any substantial selling and distribution expenses, nor to any material administrative costs associated with the implementation of the coal offtake arrangement, which would give rise to any adverse impact on the Group’s profitability.

The participation interest plus offtake structure of the Potential Acquisition will therefore offer additional and stable source of coal supply to the Group, which will enhance its existing income stream and create positive cash flow from both the coal offtake arrangement and the Dividend Distribution, generating long term values to the Shareholders.

Market opportunities

Recently, Inner Mongolia region, the PRC is increasingly recognised as an emerging hub for AI and advanced technology industries, supported by abundant energy resources and infrastructure development. According to China Daily, Inner Mongolia region is rapidly positioning itself as a global-scale AI computing centre cluster. Giant technology companies of China has been establishing their AI computing centres in the region. The Potential Acquisition would strengthen the Company’s coal resources and reserves while positioning it to benefit from such regional economic transformation, thereby enhancing long-term competitiveness of the Group aligning with its strategic commercial objectives.

LETTER FROM THE BOARD

Balancing compliance certainty with the Group's commercial objectives

The decision to pursue a non-controlling stake reflects careful consideration of regulatory requirements under the National Security Measures. The National Security Measures do not prescribe quantitative thresholds nor definitive criteria for determining whether a coal mine's resources will constitute "important energy and resources related to national security". As advised by the Company's PRC legal adviser, the determination depends on whether the investment could affect national security, taking into account factors such as reserves, production capacity, scarcity, regional energy supply, and proximity to sensitive areas.

In addition, the National Security Review would be a prolonged process to the completion of acquisition of controlling equity interests or obtaining de facto controls in coal mines in the PRC which are classified as "important energy and resources related to national security", whereas Hong Kong enterprises (including Hong Kong listed companies) are classified as foreign investors and required to comply with the National Security Measures as advised by the Company's PRC legal advisers.

In light of the applicable statutory requirements, the Company has been advised that acquisition of minority equity interests in the Target Company represents a feasible and certain transaction structure for the Potential Acquisition in a timely manner. By structuring the transaction as a non-controlling interest investment, the Company will be able to mitigate regulatory risk, avoid triggering heightened scrutiny, circumvent a lengthy and uncertain national security review process and balances compliance with the Company's commercial objectives, ensuring that the Potential Acquisition is viable and remains in the best interests of the Company and its Shareholders as a whole.

Management and governance

As aforementioned, although the equity interest in the Target Company to be acquired will be accounted for as an associate of the Group and the Target Company will continue to be managed by the existing management of the Target Company upon completion of the Potential Acquisition, the shareholders' agreement and amended articles of association to be entered into will secure the Purchaser's governance participation. The Purchaser will be entitled to all shareholders' rights as protected by the PRC Company Law. This governance framework ensures that the Group has visibility and influence over the Target Company's operations, while preserving the independence of its existing business.

By combining operational stability with compliant transaction structuring, the Potential Acquisition is expected to deliver long-term shareholder value while aligning with regulatory requirements and the Group's strategic growth objectives. The Directors consider that the acquisition of a minority interest in the Target Company is strategically justified. It secures governance participation, reliable offtake, and product synergies, while mitigating regulatory risk. Importantly, the Potential Acquisition complements the Group's existing operations, enlarging the asset base and revenue profile, and reinforcing long-term Shareholder value.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company: (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming all Qualifying Shareholders have fully taken up their respective entitlements to the Rights Shares (“**Scenario I**”); and (iii) immediately upon completion of the Rights Issue and the Placing, assuming no subscriptions by Qualifying Shareholders and all Placing Shares are placed with Independent Third Parties pursuant to the Placing (“**Scenario II**”), on the assumption that there is no other change to the Company’s shareholding structure prior to completion of the Rights Issue:

	As at the Latest Practicable Date		Scenario I		Scenario II	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Name of Shareholders						
Ms. Ji (<i>note</i>)	64,000	0.03	512,000	0.03	64,000	0.00
Liu Chang Deng	32,015,431	13.04	256,123,448	13.04	32,015,431	1.63
Placees	–	–	–	–	1,718,758,412	87.50
Other public shareholders	213,457,485	86.93	1,707,659,880	86.93	213,457,485	10.87
Total	245,536,916	100.00	1,964,295,328	100.00	1,964,295,328	100.00

Note: Ms. Ji is a non-executive Director.

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

If a Qualifying Shareholder does not accept the Rights Shares provisionally allotted to him/her/it in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITY(IES) OF THE COMPANY FOR THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activity in the past twelve (12) months immediately preceding the Latest Practicable Date.

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
17 October 2025	Placing of 40,920,000 new Shares under general mandate granted to the Directors by the Shareholder at annual general meeting of the Company dated 22 August 2025 (the “ 2025 AGM ”) to allot, issue and deal with up to 40,923,383 new Shares, being 20% of the then issued share capital of the Company as at the date of the 2025 AGM	Approximately HK\$13.5 million	1. approximately HK\$3.0 million will be applied to the exploration fees, technician fees, professional fees, and other related expenses incurred for several identified potential investment opportunities in mining sector; and 2. approximately HK\$10.5 million will be used for general working capital of the Group. These proceeds will be applied to the legal and professional fees for business development and headquarters overheads, including staff costs and other corporate expenses	Utilised as intended

LETTER FROM THE BOARD

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded on the Stock Exchange in board lot of 4,000 Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 4,000 Shares to 5,000 Shares with effect from 9:00 a.m. on Wednesday, 11 November 2026. The Company will arrange odd lot matching services in order to facilitate the trading of odd lots.

The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated in June 2026 has stated that, among others, taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$1,000; and issuer of applicable securities that are not using any of the eight standardised board lot units (1, 50, 100, 500, 1,000, 2,000, 5,000 and 10,000 share(s)) are required to do so by changing their board lot units within six months after completing the Uncertificated Securities Market transition process.

As at the Latest Practicable Date, based on the closing price of HK\$0.350 per Share, the market value of each existing board lot of 4,000 Shares is HK\$1,400. Upon the Change in Board Lot Size becoming effective, and based on the closing price per Share of HK\$0.350 as at the Latest Practicable Date, the market value of each board lot of 5,000 Shares is calculated to be HK\$1,750. Shareholders should note that Shareholders’ approval is not required for the Change in Board Lot Size.

Arrangement on odd lots trading and matching services

To facilitate the trading of odd lots of Shares which will arise upon the Change in Board Lot Size, the Company will procure an arrangement with an agent to stand in the market to provide matching services for the sale and purchase of odd lots of Shares on a best effort basis during the period from Wednesday, 11 November 2026 to Monday, 21 December 2026 (both days inclusive). Further details in respect of the odd lot arrangement will be set out in the Prospectus. Holders of Shares in odd lots should note that the matching services mentioned above are on a “best effort” basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate amount of odd lots of Shares available for matching. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its/their own professional advisers.

Free exchange of existing share certificates

Shareholders may, between 9:00 a.m. and 4:30 p.m., on any Business Day during the period from Wednesday, 28 October 2026 to Thursday, 3 December 2026 (both days inclusive), submit their existing share certificates in board lots of 4,000 Shares to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in exchange for new share certificates in board lot of 5,000 Shares, at the expense of the Company.

After the expiry of the aforesaid period, the existing share certificates will be accepted for exchange only upon payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate issued in board lot of 5,000 Shares or each existing share certificate submitted, whichever number of share certificates involved is higher. It is expected that the new share certificates will be available for collection by the Shareholders from the Registrar within ten business days after delivery of the existing share certificates to the Registrar for exchange purposes.

LETTER FROM THE BOARD

As from Wednesday, 11 November 2026, any new share certificates will be issued in board lots of 5,000 Shares each (except for odd lots of the Shares or where the Registrar is otherwise instructed). All the existing share certificates in board lots of 4,000 Shares will continue to be evidence of legal title to such Shares and be valid for transfer, delivery, trading and settlement purposes. Save and except for the change in the number of Shares for each board lot, the new share certificates will have the same format and colour as the existing share certificates.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50 % within the 12-month period immediately preceding the Latest Practicable Date, the Rights Issue is subject to approval by the Independent Shareholders by way of poll at the EGM. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be conditional upon approval by the Independent Shareholders in general meeting by a resolution in respect of which any controlling shareholders and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the Rights Issue at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, (i) the Company does not have any controlling shareholder; and (ii) Ms. Ji, the non-executive Director, owns 64,000 Shares. Therefore, Ms. Ji and her associates shall abstain from voting in favour of the resolution(s) approving the Rights Issue at the EGM in accordance with Rule 7.27A(1) of the Listing Rules. As at the Latest Practicable Date, apart from the above, none of the Directors or the chief executive of the Company or their respective associates are interested in any Shares, therefore no other Shareholders are required to abstain from voting in favour of the Rights Issue at the EGM in accordance with the Listing Rules.

The Rights Issue would not result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) as the Subscription Price of HK\$0.280 per Rights Share is higher than the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.260 per Share.

EGM

The EGM will be convened and held to consider and, if thought fit, approve the Rights Issue and the transactions contemplated thereunder. The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular and can also be downloaded from the website of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Registrar, 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 appointed 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. If the Shareholder attends and votes at the EGM, the instrument appointing the proxy will be deemed to have been revoked.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any 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. The chairman of the EGM will therefore demand a poll for every resolution put to the vote of the EGM. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing, among other things, further information in relation to the Rights Issue, together with the PAL, is expected to be despatched to the Qualifying Shareholders on or before Monday, 9 November 2026.

The Company will not extend the Rights Issue to the Non-Qualifying Shareholders. The Company will, to the extent permitted under the relevant laws and regulations, and where reasonably practicable, send the Prospectus to the Non-Qualifying Shareholders for information purposes only but will not send any PAL to them.

CLOSURE OF REGISTER OF MEMBERS FOR DETERMINING ENTITLEMENT TO VOTE AT THE EGM

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 21 October 2026 to Tuesday, 27 October 2026, both days inclusive, in order to determine the identity of the members of the Company who are entitled to attend and vote at the EGM. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 20 October 2026.

CLOSURE OF REGISTER OF MEMBERS FOR THE RIGHTS ISSUE

The register of members of the Company will be closed from Monday, 2 November 2026 to Friday, 6 November 2026 (both days inclusive) for determining the entitlement to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Proposed Rights Issue – Conditions of the Rights Issue” in this circular.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Any Shareholder or other person contemplating selling or purchasing the Shares and/or nil-paid Rights Shares is advised to exercise caution when dealing in the Shares and/or the nil-paid rights.

Shareholders and the public are reminded to exercise caution when dealings in the Shares and any dealings in the nil-paid Rights Shares up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisor(s).

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chang Xuejun, Ms. Liu Luqing and Mr. Lam Tze Chung, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and Shareholders as a whole and as to the voting action thereof. Akron Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 53 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 54 to 102 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favor of the proposed resolution(s) approving the Rights Issue and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Grand Ocean Advanced Resources Company Limited
Ng Ying Kit
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Grand Ocean Advanced Resources Company Limited

弘海高新資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 65)

9 October 2026

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 9 October 2026 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to form an Independent Board Committee to consider and advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

Akron Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 54 to 102 of this circular.

Your attention is also drawn to the letter from the Board set out on pages 12 to 52 of the Circular.

Having taken into account the terms of the Rights Issue and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Chang Xuejun

Liu Luqing

Lam Tze Chung

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Akron Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the Rights Issue, which has been prepared for the purpose of inclusion in this circular.



9 October 2026

*To: The Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 9 October 2026 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 22 September 2026 (after trading hours), the Company announced its proposal to implement the Rights Issue on the basis of seven (7) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.280 per Rights Share, to raise gross proceeds of up to approximately HK\$481.25 million by issuing up to 1,718,758,412 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) to the Qualifying Shareholders. The Rights Issue will proceed on a non-underwritten basis.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within 12-month period immediately preceding the Latest Practicable Date, the Rights Issue is subject to the approval of the Independent Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be conditional upon approval by the Independent Shareholders in general meeting by a resolution which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, (i) the Company does not have any controlling shareholder; and (ii) Ms. Ji, the non-executive Director, owns 64,000 Shares. Therefore, Ms. Ji and her associates shall abstain from voting in favour of the resolution(s) approving the Rights Issue at the EGM in accordance with Rule 7.27A(1) of the Listing Rules. As at the Latest Practicable Date, apart from the above, none of the Directors or the chief executive of the Company or their respective associates are interested in any Shares, therefore no other Shareholders are required to abstain from voting in favour of the Rights Issue at the EGM in accordance with the Listing Rules.

The Rights Issue would not result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) as the Subscription Price of HK\$0.280 per Rights Share is higher than the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.260 per Share.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Chang Xuejun, Ms. Liu Luqing and Mr. Lam Tze Chung, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and Shareholders as a whole and as to the voting action thereof. We, Akron Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. Save for this appointment, there was no other engagement between the Company and us in the past two years. Apart from the normal advisory fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the Announcement; (ii) the Circular; and (iii) the financial information of the Company for the years ended 31 December 2023, 2024 and 2025 (“FY2023”, “FY2024” and “FY2025”, respectively) as disclosed in the annual reports of the Company for FY2024 and FY2025 (the “FY2024 Annual Report” and “FY2025 Annual Report”, respectively) and the six months ended 30 June 2025 and 2026 (“6M2025” and “6M2026”, respectively) as disclosed in the interim report of the Company for 6M2026 (the “6M2026 Interim Report”). We consider that we have reviewed sufficient and relevant information and documents, and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the “Management”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our opinion and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

1.1. Background of the Group

The Company is an investment holding company. The Group is principally engaged in the production and sale of coal.

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1.2. Financial information of the Group

Set out below is the financial performance of the Group for FY2023, FY2024, FY2025, 6M2025 and 6M2026 as extracted from the FY2024 Annual Report, FY2025 Annual Report and 6M2026 Interim Report, respectively:

	6M2026	6M2025	FY2025	FY2024	FY2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	55,036	61,635	161,552	180,934	187,960
Gross profit	15,279	27,193	64,928	67,469	65,211
Loss for the year/period	(10,776)	(8,115)	(69,423)	(63,783)	(33,610)

Discussion on the Group's financial performance for 6M2026 as compared with that for 6M2025

As set out in the table above, the revenue of the Group for 6M2026 was approximately HK\$55.04 million, representing a decrease of approximately HK\$6.60 million or approximately 10.71% as compared to approximately HK\$61.64 million for 6M2025. According to the 6M2026 Interim Report, the decrease in revenue was primarily attributable to the decline in production output and revenue generated from the coal mining business of the Group (the “**Coal Mining Business**”). The Group produced and sold approximately 305,000 tonnes and 295,000 tonnes of coal, respectively, during 6M2026, as compared with approximately 332,000 tonnes and 327,000 tonnes produced and sold, respectively, during 6M2025. The decrease in production output was mainly attributable to increased maintenance requirements for the aged infrastructure and mining machinery of the Group's Inner Mongolia Coal Mine 958, as well as greater mining difficulties arising from more complex underground geological conditions.

The gross profit of the Group for 6M2026 was approximately HK\$15.28 million, representing a decrease of approximately HK\$11.91 million or approximately 43.81% as compared to approximately HK\$27.19 million for 6M2025. The decrease in gross profit was mainly attributable to the aforementioned decline in production output and revenue generated from the Coal Mining Business, coupled with the increase in cost of sales from approximately HK\$34.44 million for 6M2025 to approximately HK\$39.76 million for 6M2026, representing an increase of approximately HK\$5.32 million or approximately 15.43%. As revenue decreased while cost of sales increased, the Group's gross profit margin decreased from approximately 44.12% for 6M2025 to approximately 27.76% for 6M2026.

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The loss of the Group for 6M2026 was approximately HK\$10.78 million, representing an increase of approximately HK\$2.66 million or approximately 32.79% as compared to the loss of approximately HK\$8.12 million for 6M2025. As disclosed in the 6M2026 Interim Report, the increase in loss for the period was mainly attributable to (i) a decrease in gross profit of approximately HK\$11.91 million as discussed above; and (ii) the recognition of an impairment loss on property, plant and equipment of approximately HK\$1.90 million during 6M2026, as compared with nil for 6M2025, to write down the carrying amount of an individual property to its recoverable amount as a result of the decrease in prices of properties of similar types and in similar locations; and (iii) an increase in income tax expense of approximately HK\$0.54 million, from approximately HK\$0.08 million for 6M2025 to approximately HK\$0.62 million for 6M2026. The above adverse effects were substantially offset by, among other things, (i) an increase in other income and gains of approximately HK\$7.81 million, from approximately HK\$1.91 million for 6M2025 to approximately HK\$9.72 million for 6M2026, mainly attributable to the refund of prior years' environmental protection tax of approximately HK\$7.72 million received from the local tax bureau of Inner Mongolia during 6M2026; (ii) a decrease in administrative expenses of approximately HK\$2.14 million, from approximately HK\$33.74 million for 6M2025 to approximately HK\$31.61 million for 6M2026, mainly attributable to lower depreciation expenses and professional fees; and (iii) the absence of a share of loss of an associate during 6M2026, as compared with approximately HK\$1.86 million recognised for 6M2025.

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

As set out in the table above, the revenue of the Group for FY2025 was approximately HK\$161.55 million, representing a decrease of approximately HK\$19.38 million or approximately 10.71% as compared to approximately HK\$180.93 million for FY2024. According to the FY2025 Annual Report, the decrease in revenue was primarily attributable to the decline in production output and revenue generated from the Coal Mining Business. The Group produced and sold approximately 870,000 tonnes of coal during FY2025, as compared with 902,000 tonnes and 908,000 tonnes produced and sold, respectively, during FY2024. Based on the ongoing assessment of the remaining coal resources of the Inner Mongolia Coal Mine 958, the coal resources of the mine had continued to decline following approximately 15 years of extraction. In view of the increasingly stringent regulatory requirements applicable to the local coal mining industry and the heightened operational challenges arising from more complex underground geographical conditions, the Inner Mongolia Coal Mine 958 of the Group has adopted a more prudent approach in accepting sales orders, resulting in lower production output and revenue during FY2025.

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The gross profit of the Group for FY2025 was approximately HK\$64.93 million, representing a decrease of approximately HK\$2.54 million or approximately 3.77% as compared to approximately HK\$67.47 million for FY2024. The decrease in gross profit was mainly attributable to the aforementioned decline in production output and revenue generated from the Coal Mining Business. Nevertheless, the decrease in gross profit was partly mitigated by the decrease in cost of sales from approximately HK\$113.47 million for FY2024 to approximately HK\$96.62 million for FY2025, representing a decrease of approximately HK\$16.85 million, or approximately 14.84%. As the percentage decrease in cost of sales was greater than that in revenue, the Group's gross profit margin improved from approximately 37.29% for FY2024 to approximately 40.19% for FY2025.

The loss of the Group for FY2025 was approximately HK\$69.42 million, representing an increase of approximately HK\$5.64 million or approximately 8.84% as compared to the loss of approximately HK\$63.78 million for FY2024. As disclosed in the FY2025 Annual Report, the increase in loss for the year was mainly attributable to (i) an increase in impairment losses recognised in respect of the property, plant and equipment, intangible asset and right-of-use assets of the Coal Mining Business cash-generating unit of approximately HK\$17.88 million, from approximately HK\$25.96 million for FY2024 to approximately HK\$43.84 million for FY2025; (ii) an increase in the expected credit loss recognised on the loan to an associate by approximately HK\$6.38 million, from approximately HK\$2.30 million for FY2024 to approximately HK\$8.68 million for FY2025, factoring in the increasing aging of the loan and changes in the market and general economic environment under the expected credit loss model; and (iii) a decrease in gross profit of approximately HK\$2.54 million as discussed above. The above adverse effects were substantially offset by, among other things, (i) a decrease in administrative expenses of approximately HK\$18.02 million, mainly attributable to lower staff costs and administrative fees, including professional and laboratory fees incurred in connection with the acquisition in FY2024; and (ii) an increase in income tax credit of approximately HK\$4.02 million. As a result, the Group's loss for FY2025 increased by approximately HK\$5.64 million as compared with FY2024.

Discussion on the Group's financial performance for FY2024 as compared with that for FY2023

The revenue of the Group for FY2024 was approximately HK\$180.93 million, representing a decrease of approximately HK\$7.03 million or approximately 3.74% as compared to the revenue of approximately HK\$187.96 million for FY2023. The Group produced and sold approximately 902,000 tonnes and approximately 908,000 tonnes of coal, respectively, during FY2024, as compared with approximately 904,000 tonnes of coal were produced and approximately 901,000 tonnes of coal were sold during FY2023. Notwithstanding the increase in sales volume, the Group's

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revenue decreased during FY2024, mainly attributable to the lower average selling price of coal. Based on the Group's revenue and approximate coal sales volume for the respective years, the implied revenue per tonne decreased from approximately HK\$208.61 for FY2023 to approximately HK\$199.27 for FY2024, representing a decrease of approximately HK\$9.34 per tonne or approximately 4.48%.

The gross profit of the Group for FY2024 was approximately HK\$67.47 million, representing an increase of approximately HK\$2.26 million or approximately 3.46% as compared to the gross profit of approximately HK\$65.21 million for FY2023. As disclosed in the FY2024 Annual Report, the increase in gross profit was mainly attributable to the decrease in cost of sales from approximately HK\$122.75 million for FY2023 to approximately HK\$113.47 million for FY2024, representing a decrease of approximately HK\$9.28 million or approximately 7.56%. As the percentage decrease in cost of sales was greater than that in revenue, the Group's gross profit margin improved from approximately 34.69% for FY2023 to approximately 37.29% for FY2024.

The loss of the Group amounted to approximately HK\$63.78 million for FY2024 as compared to approximately HK\$33.61 million for FY2023. According to the FY2024 Annual Report, the increase in loss for the year was primarily attributable to (i) the impairment losses of approximately HK\$25.96 million recognised in respect of the property, plant and equipment, intangible assets and right-of-use assets of the Coal Mining Business cash-generating unit during FY2024, as compared with nil for FY2023; (ii) the increase in administrative fees of approximately HK\$30.83 million, from approximately HK\$72.99 million for FY2023 to approximately HK\$103.81 million for FY2024, mainly attributable to the increase in staff costs and administrative fees, including professional and laboratory fees, and travelling expenses incurred in connection with the acquisition of equity interests in a copper mine located in Laos and the exploration of potential mining investment opportunities in different countries during the year; (iii) the recognition of a share of loss of an associate of approximately HK\$1.67 million during FY2024, as compared with nil for FY2023; and (iv) the recognition of an expected credit loss of approximately HK\$2.30 million on the loan to an associate during FY2024, as compared with nil for FY2023. The above adverse effects were partially offset by, among other things, (i) the absence of the one-off other operating expense of approximately HK\$22.19 million recognised for FY2023 in relation to the settlement for damaged properties and relocation costs; (ii) an increase in gross profit of approximately HK\$2.26 million during FY2024 as discussed above; and (iii) a favourable change in income tax of approximately HK\$3.83 million, from an income tax expense of approximately HK\$0.77 million for FY2023 to an income tax credit of approximately HK\$3.06 million for FY2024; and (iv) a decrease in selling and distribution expenses of approximately HK\$0.64 million, from HK\$4.55 million for FY2023 to HK\$3.91 million for FY2024 due to lower logistics costs. As a result, the Group's loss for FY2024 increased by approximately HK\$30.17 million as compared with FY2023.

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Set out below is the financial position of the Group as at 31 December 2023, 2024, 2025 and 30 June 2026 as extracted from the FY2024 Annual Report, FY2025 Annual Report and 6M2026 Interim Report, respectively:

	As at 30 June 2026 <i>HK\$'000</i> (Unaudited)	As at 31 December 2025 <i>HK\$'000</i> (Audited)	As at 31 December 2024 <i>HK\$'000</i> (Audited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Non-current assets	120,196	125,574	170,105	167,364
Current assets	91,431	107,452	114,568	139,861
Total assets	211,627	233,026	284,673	307,225
Non-current liabilities	21,734	22,048	20,862	20,292
Current liabilities	61,501	74,263	75,561	89,445
Total liabilities	83,235	96,311	96,423	109,737
Net current assets	29,930	33,189	39,007	50,416
Net assets	128,392	136,715	188,250	197,488

Discussion on the Group's financial position as at 30 June 2026 as compared with that as at 31 December 2025

As at 30 June 2026, the total assets of the Group amounted to approximately HK\$211.63 million, representing a decrease of approximately HK\$21.40 million or approximately 9.18% as compared to approximately HK\$233.03 million as at 31 December 2025. The decrease was primarily attributable to reductions in bank and cash balances, property, plant and equipment and right-of-use assets, partially offset by increases in restricted bank deposits, deposits, prepayments and other receivables, loan to an associate and inventories. The total liabilities of the Group as at 30 June 2026 amounted to approximately HK\$83.24 million, representing a decrease of approximately HK\$13.08 million or approximately 13.58% as compared to approximately HK\$96.31 million as at 31 December 2025. The decrease was mainly attributable to a reduction in accruals and other payables of approximately HK\$16.43 million, partially offset by an increase in contract liabilities of approximately HK\$3.43 million.

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As at 30 June 2026, the Group recorded net current assets of approximately HK\$29.93 million, representing a decrease of approximately HK\$3.26 million or approximately 9.82% as compared to net current assets of approximately HK\$33.19 million as at 31 December 2025. The decrease in net current assets was primarily attributable to a decrease in current assets of approximately HK\$16.02 million, principally arising from the decrease in bank and cash balances of approximately HK\$27.52 million. The effect of the decrease in current assets was partially mitigated by increases in restricted bank deposits, deposits, prepayments and other receivables, the loan to an associate and inventories of approximately HK\$5.61 million, HK\$3.01 million, HK\$1.53 million and HK\$1.35 million, respectively. The decrease in current assets was also substantially offset by a decrease in current liabilities of approximately HK\$12.76 million, mainly attributable to the decrease in accruals and other payables of approximately HK\$16.43 million, partially offset by the increase in contract liabilities of approximately HK\$3.43 million.

The net assets of the Group as at 30 June 2026 amounted to approximately HK\$128.39 million, representing a decrease of approximately HK\$8.32 million or approximately 6.09% as compared to net assets of approximately HK\$136.72 million as at 31 December 2025. Such decrease was principally attributable to the loss of approximately HK\$10.78 million incurred for 6M2026 due to the reasons discussed above, partially offset by exchange differences on translation of foreign operations of approximately HK\$2.45 million.

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

As at 31 December 2025, the total assets of the Group amounted to approximately HK\$233.03 million, representing a decrease of approximately HK\$51.65 million or approximately 18.14% as compared to approximately HK\$284.67 million as at 31 December 2024. According to the FY2025 Annual Report, the decrease in total assets was primarily attributable to reductions in property, plant and equipment, intangible assets and loan to an associate, primarily resulting from depreciation, amortisation, impairment losses and expected credit loss recognised during FY2025, partly offset by an increase in deferred tax assets. The total liabilities of the Group remained relatively stable at approximately HK\$96.31 million as at 31 December 2025, representing a marginal decrease of approximately HK\$0.11 million or approximately 0.12%, from approximately HK\$96.42 million as at 31 December 2024. The decrease in total liabilities was mainly due to the lower accruals and other payables and contract liabilities.

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As at 31 December 2025, the Group recorded net current assets of approximately HK\$33.19 million, representing a decrease of approximately HK\$5.82 million or approximately 14.92% as compared to net current assets of approximately HK\$39.01 million as at 31 December 2024. The decrease in net current assets was primarily attributable to a decrease in current assets of approximately HK\$7.12 million, principally arising from (i) a decrease in the loan to an associate of approximately HK\$6.95 million; and (ii) a reduction in bank and cash balances of approximately HK\$1.98 million. The effect of the decrease in current assets was partially mitigated by a decrease in current liabilities of approximately HK\$1.30 million, mainly attributable to lower accruals and other payables and contract liabilities.

The net assets of the Group as at 31 December 2025 amounted to approximately HK\$136.72 million, representing a decrease of approximately HK\$51.54 million or approximately 27.38% as compared to net assets of approximately HK\$188.25 million as at 31 December 2024. Such decrease was principally attributable to the net loss of approximately HK\$69.42 million incurred for FY2025 due to the reasons discussed above, partially offset by exchange differences on translation of foreign operations of approximately HK\$4.39 million and the net proceeds of approximately HK\$13.49 million raised from the placing of new Shares completed in October 2025.

Discussion on the Group's financial position as at 31 December 2024 as compared with that as at 31 December 2023

As at 31 December 2024, the total assets of the Group amounted to approximately HK\$284.67 million, representing a decrease of approximately HK\$22.55 million or approximately 7.34% as compared to approximately HK\$307.23 million as at 31 December 2023. According to the FY2024 Annual Report, the decrease in total assets was primarily attributable to reductions in property, plant and equipment, intangible assets, deposits, prepayments and other receivables, restricted bank deposits and bank and cash balances, primarily due to depreciation, amortisation, impairment losses recognised during FY2024, the full refund of a refundable deposit previously paid to a potential coal supplier, and the Group's investing activities during FY2024. These reductions were partly offset by the recognition of an interest in an associate of approximately HK\$24.74 million, an increase in deferred tax assets of approximately HK\$2.60 million and the recognition of a loan to an associate of approximately HK\$35.98 million. The total liabilities of the Group as at 31 December 2024 amounted to approximately HK\$96.42 million,

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representing a decrease of approximately HK\$13.31 million or approximately 12.13% as compared to total liabilities of HK\$109.74 million as at 31 December 2023. The decrease in total liabilities was primarily attributable to a reduction in accruals and other payables of approximately HK\$8.12 million, and contract liabilities of approximately HK\$6.37 million. The decrease in contract liabilities reflected a lower balance of advance consideration received from customers for the Coal Mining Business as at 31 December 2024. These decreases were partially offset by an increase in lease liabilities of approximately HK\$1.70 million, from approximately HK\$0.09 million as at 31 December 2023 to approximately HK\$1.79 million as at 31 December 2024.

As at 31 December 2024, the Group recorded net current assets of approximately HK\$39.01 million, representing a decrease of approximately HK\$11.41 million or approximately 22.63% as compared to net current assets of approximately HK\$50.42 million as at 31 December 2023. The decrease in net current assets was primarily attributable to a decrease in current assets of approximately HK\$25.29 million, principally arising from (i) a reduction in deposits, prepayments and other receivables of approximately HK\$30.10 million, largely due to the full refund of a refundable deposit of approximately HK\$27.28 million previously paid to a potential coal supplier; and (ii) a decrease in bank and cash balances of approximately HK\$21.95 million, following the Group's net cash outflows from investing activities during FY2024, which included approximately HK\$26.76 million for the acquisition of an interest in an associate and approximately HK\$38.28 million for the provision of a loan to the associate; and (iii) a decrease in restricted bank deposits of approximately HK\$8.43 million. The effect of these declines was partially mitigated by the recognition of a loan to an associate of approximately HK\$35.98 million. Furthermore, the decrease in current assets was partially offset by a decrease in current liabilities of approximately HK\$13.88 million, mainly attributable to decreases in accruals and other payables of approximately HK\$8.12 million and contract liabilities of approximately HK\$6.37 million, partially offset by an increase in current lease liabilities of approximately HK\$0.60 million.

The net assets of the Group as at 31 December 2024 amounted to approximately HK\$188.25 million, representing a decrease of approximately HK\$9.24 million or approximately 4.68% as compared to net assets of approximately HK\$197.49 million as at 31 December 2023. The decrease in net assets was primarily attributable to the total comprehensive loss of approximately HK\$68.34 million incurred for FY2024, partially offset by the net proceeds of approximately HK\$59.10 million raised from the placing of new Shares completed in March 2024. In particular, non-controlling interests decreased by approximately HK\$14.80 million, comprising the loss attributable to non-controlling interests of approximately HK\$13.02 million and exchange losses on the translation of foreign operations

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attributable to non-controlling interests of approximately HK\$1.79 million. By contrast, equity attributable to owners of the Company increased by approximately HK\$5.57 million, mainly attributable to the net proceeds from the placing of new Shares of approximately HK\$59.10 million, which was partially offset by (i) the loss attributable to owners of the Company of approximately HK\$50.77 million; and (ii) other comprehensive losses attributable to owners of the Company of approximately HK\$2.77 million during FY2024.

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

As stated in the Letter from the Board, the Group is principally engaged in the production and sale of coal. The Rights Issue will serve a dual purpose, safeguarding the continued enhancement of the Group's existing coal mining operations and general working capital requirements as well as financing the Potential Acquisition.

Upgrading the Coal Mining Infrastructures of Inner Mongolia Coal Mine 958

The Group currently operates the Inner Mongolia Coal Mine 958 in Inner Mongolia through an indirect non-wholly-owned subsidiary, namely, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited. The Inner Mongolia Coal Mine 958 has an approved annual coal production capacity of 1,200,000 tonnes.

As reported in the Company's FY2025 Annual Report, for FY2025, the Group recorded declines in both coal output and revenue compared with FY2024. The Group produced and sold approximately 870,000 tonnes of coal during FY2025, as compared with 902,000 tonnes and 908,000 tonnes produced and sold, respectively, in FY2024. In view of tighter regulatory requirements of the PRC coal mining industry, particularly related to the intelligent mining, production safety and environmental protection, the Inner Mongolia Coal Mine 958 requires significant capital investment to upgrade aged infrastructures and purchase new mining machineries to meet the new industry standards after approximately 15 years of use. Compliance with the relevant safety regulations requires reliable dual-circuit power supply system, advanced mechanisation and intelligent monitoring to mitigate major safety system hazards. Furthermore, more advanced machinery is required to carry out mining operations for the current complex underground geographical conditions to ensure safe and efficient extraction of mineable resources. Purchasing modern equipment will not only secure compliance with government safety standards but also reduce operational risks, such as regulatory intervention and enforced suspension, thereby safeguarding both production continuity and labour safety. In light of the above and following the grant of land use rights certificate to the Inner Mongolia Coal Mine 958 in 2025, the Board considers it is the right time to raise funding to sustain the future mining operations.

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Coal business development of the Group

The National Security Measures was officially came into force on 18 January 2021. Pursuant to the National Security Measures, foreign investments in specific sectors including energy and resources, if considered important energy and resources related to national security, are subject to mandatory National Security Review. The National Security Review would be a prolonged process to the completion of acquisition of controlling equity interests or obtaining de facto controls in coal mines in the PRC which are classified as “important energy and resources related to national security”, whereas Hong Kong enterprises (including Hong Kong listed companies) are classified as foreign investors and required to comply with the National Security Measures as advised by the Company’s PRC legal advisers.

Over the years, the Group has been actively pursuing investment opportunities in mining and energy markets with an aim to mitigate the pressures and difficulties faced by the Inner Mongolia Coal Mine 958 and to broaden and strengthen the Group’s business portfolio. In view of the demand of power for high technology sectors development such as AI, the Group has intensified its efforts in identifying coal mine targets in the Inner Mongolia region, the PRC.

In light of the new National Security Measures, the Company has been advised that acquisition of minority equity interests in the Target Company represents a feasible and certain transaction structure for the Potential Acquisition in a timely manner. This approach will ensure adherence to the applicable regulatory framework, facilitate approval processes, and mitigate the risk of non-compliance with national security and foreign investment controls.

In this context, the Group entered into the MOUs in respect of the Potential Acquisition (together with the coal offtake arrangement). The Directors believe that the Potential Acquisition will create strategic value for the Company by increasing coal reserves in the Inner Mongolia region, the PRC and broadening the geological strength and revenue stream of its coal business through the coal offtake arrangement, thereby serving the interests of the Company and its Shareholders as a whole. In addition, the Sellers have irrevocably undertaken to the Purchaser under the Irrevocable Undertaking that subject to the Purchaser providing satisfactory Funding Confirmation, the Sellers shall dispose of and transfer to the Purchaser the agreed equity interest in the Target Company pursuant to the MOUs. In the event the Potential Acquisition cannot proceed, the Sellers shall procure the Target Company to enter into the Coal Supply Agreement with the Purchaser. Further details of the MOUs and the Potential Acquisition are included in the section headed “The MOUs and the Potential Acquisition” in the Circular.

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Progress has been made in advancing the Potential Acquisition. Professional advisers, including legal counsel, financial advisers, and valuation experts, have been engaged for the Potential Acquisition. In addition, technical experts have been appointed to prepare a Competent Person's Report on the Target Coal Mine in compliance with the requirements of the Listing Rules. These steps form part of the necessary preparatory work to ensure regulatory compliance and to support the Company's consideration of the Potential Acquisition. In addition, the Company has performed site visits and conducted due diligence on the business and financials of the Target Company and the Target Coal Mine, results of which are satisfactory to the management of the Group. As a condition precedent to the execution of the formal equity transfer agreement, the Group must have secured the Financing Arrangements required for the Potential Acquisition. The Sellers required the Group to provide evidence of fund demonstrating its ability to make such payment prior to the execution of the formal equity transfer agreement. It is expected that the Group will enter into the formal equity transfer agreement in early November 2026, whereas the Sellers have requested a refundable down payment of 20% of the consideration of the Potential Acquisition payable within three (3) Business Days upon signing of the formal equity transfer agreement.

Replenishment of general working capital

As disclosed in the FY2025 Annual Report and the 6M2026 Interim Report, the Company recorded net losses of approximately HK\$63.8 million, HK\$69.4 million, and HK\$10.8 million for FY2024, FY2025 and 6M2026, respectively. The decline was mainly attributable to reduced output and revenue from the Inner Mongolia Coal Mine 958, arising from the aged infrastructure and mining equipment, together with more complex underground geological conditions. In addition, the Group reported a decrease in cash and cash equivalents from approximately HK\$71.4 million as at 31 December 2025 to approximately HK\$43.9 million as at 30 June 2026 (of which approximately HK\$59.7 million and HK\$32.4 million were kept in the PRC as at 31 December 2025 and 30 June 2026 respectively) as well as a net operating cash outflow of approximately HK\$21.7 million for 6M2026 and approximately HK\$10.7 million for FY2025.

Reflecting the declining cash flow position of the Group and as the Group's operating cashflows are primarily generated in the PRC, the Board has resolved to allocate up to HK\$20.0 million for replenishment of the Group's general working capital. The proceeds will be deployed as to 80% and 20% for operations in Hong Kong and the PRC respectively to support essential expenditures including payroll, rental, and administrative expenses, as well as legal, audit, and other professional fees, thereby ensuring the Group's ability to maintain an appropriate level of liquidity and meet its ongoing obligations.

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Board's View

In light of the capital investment requirement of the Inner Mongolia Coal Mine 958 and the size of the Potential Acquisition or if the Potential Acquisition cannot proceed, the Coal Supply Agreement pursuant to the Irrevocable Undertaking, the Board has evaluated the Group's existing financial capabilities and settlement plans for the associated financial obligations. After considering various financing alternatives, the Board has concluded that the Rights Issue is both timely and necessary. It will enable the Group to meet the financing requirements of the Potential Acquisition, satisfying the necessary capital investment in the Inner Mongolia Coal Mine 958 as well as strengthening the operating working capital base of the Group while providing Shareholders with an opportunity to participate in the Company's equity fundraising activities at prevailing market prices of the Shares.

In the event that the funds raised from the Rights Issue are less than anticipated, the Group will acquire a reduced percentage of equity interest in the Target Company, in accordance with the terms mutually agreed with the Sellers. This flexibility ensures that the transaction will remain viable even under constrained funding scenarios. Nevertheless, raising sufficient funds is crucial to the Group, as it directly determines the scale of equity interests of the Target Company to be acquired, and the timely completion of the Potential Acquisition. Shareholders will also be able to benefit from the potential development in the coal mining business of the Group when the strategic benefits of the Potential Acquisition materialise.

Furthermore, the Board considers that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the Rights Issue represents a critical financing initiative that will reinforce the Group's existing mining operations while simultaneously supporting the Potential Acquisition and the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the aforesaid factors.

Use of Proceeds

As disclosed in the Letter from the Board, assuming the Rights Issue is fully subscribed, the estimated gross proceeds of the Rights Issue will be approximately HK\$481.25 million (assuming no change in the number of Shares in issue on or before the Record Date). The corresponding estimated net proceeds of the Rights Issue, after deducting the related expenses, will be approximately HK\$479.75 million, which are intended to be used in the following manner:

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	Amount <i>HK\$' million</i> <i>(Approximate)</i>	Percentage to the net proceeds <i>(Approximate)</i>
1. Enhancing the existing coal mine infrastructures, facilities and machineries:		
(i) Upgrading the existing aged underground supporting frames and infrastructures and purchasing of 20 units hydraulic roof support;	17.40	3.63%
(ii) Setting up a double-circuit underground electrical wiring system;	40.37	8.41%
(iii) Building an enclosed coal yard for coal storage; and	20.18	4.21%
(iv) Upgrading the existing power generator set and other aged equipment including but not limited to coal conveying belts	14.15	2.95%
Subtotal	92.10	19.20%
2. Setting up and upgrading the software of control and monitoring systems of the existing coal mine:		
(i) Setting up coal conveying belt monitoring and control system;	3.83	0.80%
(ii) Upgrading the existing safety production, ventilation and gas monitoring system; and	7.40	1.54%
(iii) Setting up 5G labour positioning system	2.55	0.53%
Subtotal	13.78	2.87%

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	Amount <i>HK\$' million</i> <i>(Approximate)</i>	Percentage to the net proceeds <i>(Approximate)</i>
3. Consideration for the Potential Acquisition and the relevant costs and expenses:		
(i) Consideration of the Potential Acquisition	348.00	72.54%
(ii) Relevant costs and expenses, including professional fees in relation to the Potential Acquisition	5.87	1.22%
Subtotal	353.87	73.76%
4. General working capital		
(i) Payroll expenses – administrative staff, including directors’ remuneration and senior management	11.83	2.47%
(ii) Rental and administrative expenses		
(a) Rental expense	3.02	0.63%
(b) Other administrative expenses, including the annual listing fee, financial printing fee, Hong Kong and Caymen Islands share registrar service fee, insurance, etc.	2.15	0.45%
Subtotal	5.17	1.08%
(iii) Legal, audit and other professional fees		
(a) Legal fee	0.75	0.16%
(b) Audit fee	1.50	0.30%
(c) Other professional fees	0.75	0.16%
Subtotal	3.00	0.62%
Subtotal	20.00	4.17%
Total	479.75	100.00%

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In the event of undersubscription of the Rights Issue, the net proceeds raised will be applied on the following basis:

The Potential Acquisition

The Potential Acquisition involves the acquisition of 20% to 40% equity interest in the Target Company. The Group and the Sellers have agreed that the formal equity transfer agreement will be executed once the percentage of equity interest to be acquired and the consideration are determined, having regard to the funding available from the Rights Issue and the valuation of the Target Company.

Pursuant to the MOUs, the proposed consideration for the Potential Acquisition will be settled in cash and is expected to be no more than RMB300.0 million (equivalent to approximately HK\$348.0 million), subject to valuation and mutual agreement of the parties. The Group expects to enter into the formal equity transfer agreement in early November 2026. The refundable down payment, representing 20% of the consideration, shall be payable within three (3) Business Days upon signing of the formal equity transfer agreement.

Subject to the fulfilment of conditions precedent of the Potential Acquisition, 20% of the consideration is expected to be utilised in December 2026 as the down payment, and the remaining 80% of the consideration is expected to be utilised upon completion of the Potential Acquisition in the first quarter of 2027. Based on maximum consideration of RMB300.0 million (equivalent to approximately HK\$348.0 million) for 40% equity interest of the Target Company, 20% equity interest in the Target Company would be valued at approximately RMB150.0 million (equivalent to approximately HK\$174.0 million), together with transaction-related costs of approximately HK\$5.9 million, resulting in a total of approximately HK\$179.9 million.

In consideration of the relevant size of proceeds to be applied for the Potential Acquisition,

- (i) if the net proceeds raised from the Rights Issue are less than HK\$200.0 million, all proceeds will be applied to upgrading coal mining infrastructure of the existing coal mine and general working capital of the Group;
- (ii) if the net proceeds raised from the Rights Issue are equal to or exceed HK\$200.0 million, the net proceeds will be applied first towards payment of the consideration for the Potential Acquisition and the associated costs and expenses, provided that the equity interest to be acquired in the Target Company will not be less than 20%; and with any remaining proceeds allocated on a pro-rata basis for upgrading coal mining infrastructure of the existing coal mine and general working capital of the Group; and

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- (iii) if the net proceeds raised from the Rights Issue are equal to or exceed HK\$200.0 million and the Potential Acquisition would not proceed, the net proceeds will be applied first towards the advance payment of the Coal Supply Agreement of RMB100.0 million (equivalent to approximately HK\$116.0 million) pursuant to the Irrevocable Undertaking; and with the any remaining proceeds allocated on a pro-rata basis for upgrading coal mining infrastructure of the existing coal mine and general working capital of the Group. For the avoidance of doubt, assuming the Rights Issue will be fully subscribed, and after taking into account the proposed application of proceeds of approximately HK\$241.9 million, comprising (i) approximately RMB100.0 million (equivalent to approximately HK\$116.0 million) for the Coal Supply Agreement, (ii) approximately HK\$105.9 million for upgrading coal mining infrastructure of the existing coal mine, and (iii) approximately HK\$20.0 million for general working capital, the remaining proceeds will amount to approximately HK\$237.85 million. Such proceeds will be applied towards for the acquisition of other coal mines which may be identified by the Company from time to time.

Existing Coal Mining Operations

Based on the current upgrading plan of Inner Mongolia Coal Mine 958, coal production will continue during the course of the upgrading works and the implementation of the upgrading plan is expected to take a period of around twelve (12) months to complete. The plan comprises mainly the following phases (i) design and planning; (ii) quotation and purchase of systems, materials and machinery; (iii) construction of new infrastructures; and (iv) testings and commissioning. Based on the current planning of the management of Inner Mongolia Coal Mine 958, this part of proceeds from the Rights Issue are anticipated to be fully deployed by 31 December 2027 (i.e. in the next 12 months upon completion of the Rights Issue in December 2026).

General Working Capital

The remaining net proceeds is expected to be fully utilised by 31 December 2027 (i.e. in the next 12 months upon completion of the Rights Issue in December 2026) as the Group's general operating expenses for payroll expenses, rental and administrative expenses as well as professional fees.

In view of the above, the Directors consider that the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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The MOUs and the Potential Acquisition

Details of the terms and conditions of the MOUs and the Potential Acquisition and the reasons for and benefits of entering into the MOUs and the Potential Acquisition are outlined in the Letter from the Board.

2.1. Our View

Assessment of the reasonableness of the funds allocated to enhancing the existing coal mine infrastructures, facilities and machineries, and setting up and upgrading the software of control and monitoring systems of the existing coal mine

As disclosed in the Letter from the Board, approximately HK\$92.10 million, representing approximately 19.20% of the estimated net proceeds from the Rights Issue, is intended to be applied to enhancing the infrastructure, facilities and machinery of the existing coal mine, while approximately HK\$13.78 million, representing approximately 2.87% of the estimated net proceeds, is intended to be applied to establishing and upgrading the control and monitoring systems of the existing coal mine.

We note that the aforementioned decline in coal production and sales of the Group formed part of a broader deterioration in the Group's financial performance during FY2025: (i) the Group recorded revenue of approximately HK\$161.55 million for FY2025, representing a decrease of approximately 10.71%, as compared to approximately HK\$180.93 million for FY2024; and (ii) the Group recorded a loss for the year of approximately HK\$69.42 million for FY2025 as compared to approximately HK\$63.78 million for FY2024, representing a continuation of the Group's loss-making position. We further note that the Group recorded an increase in impairment losses recognised in respect of the property, plant and equipment, intangible asset and right-of-use assets of the Coal Mining Business cash-generating unit of approximately HK\$17.88 million during FY2025, from approximately HK\$25.96 million for FY2024 to approximately HK\$43.84 million for FY2025, reflecting, among other factors, the continuing decline in the remaining coal resources of the Inner Mongolia Coal Mine 958 after approximately 15 years of extraction and a corresponding downward revision in projected annual production output. The deterioration in the Group's financial performance continued during 6M2026. The Group's revenue decreased by approximately 10.71% from approximately HK\$61.64 million for 6M2025 to approximately HK\$55.04 million for 6M2026, while its gross profit decreased by approximately 43.81% from approximately HK\$27.19 million to approximately HK\$15.28 million. The Group's loss for the period increased by approximately 32.79% from approximately HK\$8.12 million for 6M2025 to approximately HK\$10.78 million for 6M2026. The Group's coal production and sales volume also decreased from approximately 332,000 tonnes and 327,000 tonnes, respectively, for 6M2025 to approximately 305,000 tonnes and 295,000 tonnes, respectively, for 6M2026. According to the 6M2026 Interim Report, the decrease in production output was mainly attributable to increased maintenance requirements for

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the aged infrastructure and mining machinery of the Inner Mongolia Coal Mine 958 and greater mining difficulties arising from more complex underground geological conditions.

Moreover, we have conducted independent research into, and reviewed recent developments in, the regulatory and policy framework governing the PRC coal mining industry. Our research indicates that the relevant regulatory authorities have, in recent years, progressively strengthened the requirements relating to coal mine safety, infrastructure, equipment and monitoring systems, while promoting the intelligent development of coal mines. In particular, the Coal Mine Safety Production Regulations (《煤礦安全生產條例》), which came into effect on 1 May 2024, strengthened the requirements relating to safety investment, safety equipment, risk management and information systems. The revised Coal Mine Safety Rules (《煤礦安全規程》), which came into effect on 1 February 2026, expressly require, among other things, dual-circuit power supply and the installation and continuous operation of safety-monitoring, personnel-position-monitoring, communication and video-monitoring systems. In addition, the relevant national guidance and the intelligent coal-mine construction and acceptance requirements implemented in Inner Mongolia such as the Guiding Opinions on Further Promoting Intelligent Mine Construction and Facilitating Safe Mine Development (《關於深入推進礦山智慧化建設促進礦山安全發展的指導意見》) and Measures for the Acceptance of Intelligent Coal Mine Construction (《內蒙古自治區煤礦智慧化建設驗收辦法》), have continued to promote the upgrading of intelligent mining infrastructure, equipment and monitoring systems.

In assessing the expected operational benefits of the proposed enhancements and upgrades, we have discussed with the Management the principal factors affecting the recent production output of the Inner Mongolia Coal Mine 958. We understand that these factors include (i) increased maintenance requirements and operational downtime arising from ageing underground supporting frames, hydraulic roof supports, coal conveying belts, power generators and other mining equipment; (ii) limitations of the existing power supply system; and (iii) the need for more advanced safety, ventilation, gas-monitoring, personnel-positioning and production-monitoring systems in view of the increasingly complex underground geological conditions and applicable regulatory requirements. Based on our discussions with the Management, we understand that the proposed enhancements and upgrades to the Inner Mongolia Coal Mine 958 are expected to reduce equipment downtime and production interruptions, improve the reliability and efficiency of coal extraction and transportation, and facilitate safer and more stable production, thereby improving the overall productivity. In particular, (i) the new hydraulic roof supports are expected to facilitate mining under increasingly complex geological conditions; (ii) the double-circuit electrical wiring system and upgraded power generator are expected to improve the stability of the power supply; (iii) the upgraded coal conveying belts and related monitoring system are expected to improve transportation efficiency and facilitate the timely identification of equipment faults; and (iv) the upgraded safety, ventilation, gas-monitoring and personnel-positioning systems are expected to

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strengthen operational monitoring and reduce safety-related interruptions. Based on the above, we consider it reasonable to expect that the proposed enhancements and upgrades would improve the operational stability and capacity utilisation of the Inner Mongolia Coal Mine 958.

Accordingly, having regard to the continuing development of the regulatory and policy framework applicable to the PRC coal mining industry, together with the ageing infrastructure and increasingly complex underground geological conditions of the Inner Mongolia Coal Mine 958, we consider that it is justifiable for the Company to obtain funding of (i) approximately HK\$92.10 million to enhance the existing infrastructure, facilities and machinery of the Inner Mongolia Coal Mine 958 by upgrading the existing aged underground supporting frames and infrastructures and purchasing of 20 units hydraulic roof support, setting up a double-circuit underground electrical wiring system, building an enclosed coal yard for coal storage and upgrading the existing power generator set and other aged equipment including but not limited to coal conveying belts; and (ii) approximately HK\$13.78 million to set up and upgrade its control and monitoring systems by setting up coal conveying belt monitoring and control system, upgrading the existing safety production, ventilation and gas monitoring system and setting up 5G labour positioning system. We are of the view that such enhancements and upgrades to the Inner Mongolia Coal Mine 958 would assist the Group in mitigating operational and safety risks, reducing equipment downtime and production interruptions, improving operational stability and efficiency, thereby improving the overall productivity. They would also assist the Group in sustaining the future operations of the Inner Mongolia Coal Mine 958 and complying with the newly adopted national guidance and regulatory requirements.

We note that the Rights Issue will be conducted on a non-underwritten basis and, as at the Latest Practicable Date, the Company has not received any irrevocable undertaking from any Shareholder to subscribe for the Rights Shares. Accordingly, the actual amount of net proceeds to be raised is uncertain and may be less than the amount required to implement all the proposed enhancements and upgrades in full. As disclosed in the Letter from the Board, if the net proceeds raised from the Rights Issue are less than HK\$200.0 million, the net proceeds will be applied towards upgrading the coal mining infrastructures of the existing coal mine and the general working capital of the Group, with priority given to the upgrading expenditure described below. We have discussed with the Management the proposed allocation of funds if the actual net proceeds are less than HK\$200.0 million. The Management has advised us that the Company would first prioritise expenditure necessary for (i) compliance with applicable regulatory and safety requirements, including the progressively strengthened requirements referred to above; (ii) the safe and continuous operation of the Inner Mongolia Coal Mine 958; and (iii) the mitigation of material operational risks. Such priority expenditure would include the necessary upgrading of the safety-production, ventilation, gas-monitoring and personnel-positioning systems and other safety-critical equipment. Other enhancements and upgrades that are not immediately required for regulatory compliance, operational safety or continuity of operations would be implemented in phases, reduced in scope

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or deferred according to the funding available. If the net proceeds raised from the Rights Issue are equal to or exceed HK\$200.0 million, the net proceeds will be applied first towards payment of the consideration for the Potential Acquisition and the associated costs and expenses, provided that the equity interest to be acquired in the Target Company will not be less than 20%; and with any remaining proceeds allocated on a pro-rata basis for upgrading coal mining infrastructure of the existing coal mine and general working capital of the Group, also with priority given to the upgrading expenditure necessary for (i) compliance with applicable regulatory and safety requirements, including the progressively strengthened requirements referred to above; (ii) the safe and continuous operation of the Inner Mongolia Coal Mine 958; and (iii) the mitigation of material operational risks as described above.

The Management has further advised us that the Group's existing internal resources and operating cash flows are principally required to support its ordinary operations and working capital requirements and to maintain an appropriate level of liquidity. Accordingly, the Management considers, and we concur, that it would not be prudent to finance the entire upgrading plan solely from such resources, as doing so could materially reduce the financial resources available for the Group's ordinary operations and expose it to greater liquidity pressure. The Rights Issue is therefore intended to provide dedicated funding for the proposed enhancements and upgrades while preserving sufficient resources for the Group's operational and working capital requirements. If the actual net proceeds from the Rights Issue are insufficient to fund in full the proposed enhancements and upgrades necessary for compliance with applicable regulatory and safety requirements, even after implementing the prioritisation, phasing and deferral arrangements described above, the Management has advised us that the Company may consider funding the shortfall in stages through a combination of internally generated cash flows and other financing methods, including bank or other debt financing, subject to the Group's financial position and prevailing market conditions at the relevant time.

Having considered (i) the funding required for the proposed enhancements and upgrades of the Group's existing coal mine; (ii) the Group's ongoing operational and working capital requirements; (iii) the priority accorded to expenditure necessary for regulatory compliance, operational safety and continuity of operations; and (iv) the proposed allocation, phasing and deferral arrangements if the net proceeds are less than HK\$200.0 million, we consider it reasonable for the Company to conduct the Rights Issue to obtain dedicated funding for the upgrading plan rather than substantially depleting the resources required for its ordinary operations. The proposed prioritisation arrangements would enable the Company to apply the available net proceeds first towards the enhancements and upgrades necessary to maintain regulatory compliance and the safe and continuous operation of the Inner Mongolia Coal Mine 958. Nevertheless, given the non-underwritten nature of the Rights Issue, the Company's ability to complete all the proposed enhancements and upgrades in full and according to the current timetable will depend on the actual net proceeds raised.

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Assessment of the reasonableness of the funds allocated to the Potential Acquisition and the related costs and expenses

As disclosed in the Letter from the Board, approximately HK\$353.87 million, representing approximately 73.76% of the estimated net proceeds from the Rights Issue, is intended to be applied towards the Potential Acquisition, comprising (i) up to approximately HK\$348.00 million for payment of the consideration for the Potential Acquisition; and (ii) approximately HK\$5.87 million for the related costs and expenses, including professional fees to be incurred in connection with the Potential Acquisition.

Commercial rationale for the Potential Acquisition

We note that the Potential Acquisition is consistent with and complementary to the Group's existing principal business of coal production and sale. The Group currently operates the Inner Mongolia Coal Mine 958, which has an approved annual production capacity of 1.2 million tonnes. Following approximately 15 years of extraction, its remaining coal resources have continued to decline, while increasingly complex underground geological conditions and more stringent regulatory requirements have presented additional operational challenges. The Group's coal production and sales volume decreased during FY2025 as compared with FY2024. The Target Company is principally engaged in the production and sale of coal and owns the mining rights and related operating facilities and properties of the Target Coal Mine. As disclosed in the Letter from the Board, the Target Coal Mine has (i) an approved annual production capacity of 2.4 million tonnes, being twice that of the Inner Mongolia Coal Mine 958; (ii) estimated coal resources of approximately 61.3 million tonnes based on the reserve assessment report compiled in 2026; and (iii) a mining licence valid until 18 July 2036. The Potential Acquisition is intended to expand the Group's coal resource base and provide economic exposure to a second coal mine with an approved annual production capacity of 2.4 million tonnes and a new open-pit mining area under preparation and ramp-up in Inner Mongolia without acquiring a controlling interest, thereby reducing the concentration of the Group's operational and geological risks in the Inner Mongolia Coal Mine 958. The acquisition of a 20% to 40% equity interest in the Target Company would also enable the Group to participate in the Target Company's future financial performance and distributions. We further note that, as advised by the Company's PRC legal advisers, Hong Kong enterprises, including Hong Kong-listed companies, are treated as foreign investors under the National Security Measures, and the acquisition of a controlling equity interest or de facto control in a coal mine classified as involving important energy and resources related to national security may be subject to a potentially prolonged National Security Review. The proposed acquisition of a non-controlling interest is therefore intended to provide a more practicable transaction structure while mitigating the regulatory uncertainty and timing risks that may arise from acquiring control.

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As disclosed in the Letter from the Board, the Target Company recorded revenue of approximately RMB514.01 million and RMB434.20 million, and net profit after tax of approximately RMB207.88 million and RMB49.46 million, for FY2024 and FY2025, respectively, and declared dividends of approximately RMB210.00 million and RMB130.00 million for the respective years. For 6M2026, the Target Company recorded revenue of approximately RMB65.35 million and net profit after tax of approximately RMB0.20 million. According to the Letter from the Board, the decrease was attributable to the transitional period between the completion of operations in the old open-pit mining area and the preparation and ramp-up of the new open-pit mining area. Trial operations are expected to commence in October 2026, with full-scale production scheduled for December 2026. In May and June 2026, the Target Coal Mine was granted respectively: (i) the approval regarding the safety of the designed facilities by Inner Mongolia Autonomous Region Mine Safety Supervision Bureau; and (ii) the approval for the construction of the new open-pit mining area by Ordos City Energy Bureau. Subsequently in September 2026, the Target Coal Mine was granted the approval regarding the Modification of Safety Facility Design by Inner Mongolia Autonomous Region Mine Safety Supervision Bureau. Based on the current schedule, the trial operations will begin upon project completion acceptance in October 2026. Accordingly, we are of the view that the Target Company's historical financial performance supports the commercial rationale for the Potential Acquisition, although its future performance will depend on the successful ramp-up of the new open-pit mining area.

We further note that the proposed transaction structure includes (i) governance arrangements under which Shanghai Wealthy Ocean will be entitled to the shareholder rights available under the PRC Company Law, including information and voting rights, and will be entitled, in proportion to its equity interest, to nominate candidate(s) to the board of directors of the Target Company; (ii) the Dividend Distribution arrangement, pursuant to which not less than 50% of the Target Company's distributable net profit shall, in principle, be allocated to its shareholders in the form of dividends after each financial year, subject to applicable laws, its articles of association, operational requirements and approval of the relevant distribution plan by its shareholders' meeting; and (iii) a proposed coal offtake arrangement, under which Shanghai Wealthy Ocean would be entitled to offtake coal products in proportion to the equity interest ultimately acquired. The proposed coal offtake agreement will have an initial term of five years and will be renewable, at the option of Shanghai Wealthy Ocean, for successive periods of five years until the expiry of the mining period under the mining licence. Under the proposed arrangement, the relevant coal products will be supplied at a discount of not less than 10% to the market spot price with reference to the Ordos Coal Price Index. We are of the view that these arrangements may provide the Group with potential dividend income and access to an additional source of coal at a discount to the relevant market spot price, although the actual benefits will depend on the final terms, the Target Company's operating performance and prevailing market conditions. We also note that the coal produced by the Target Company has a calorific value of approximately 4,000 kcal/kg, as compared with approximately 2,700 to 2,800 kcal/kg for the coal

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currently produced by the Group. According to the Management, blending the Group's existing coal products with the Off-Taken Coals may increase the calorific value of the blended products to approximately 3,200 kcal/kg, thereby enabling them to be marketed with reference to publicly available benchmark prices and potentially improving their marketability, pricing power and competitiveness.

Based on the above, we consider that the Potential Acquisition is generally consistent with the Group's existing principal business and business strategy. The reasonableness of the amount proposed to be allocated to the Potential Acquisition is further considered below by reference to the Group's financial resources, the expected funding requirement and the safeguards applicable to the deployment of the proceeds.

Reasonableness of the amount allocated to the Potential Acquisition and the related costs and expenses

The consideration for the Potential Acquisition is expected to be no more than RMB300.0 million, equivalent to approximately HK\$348.0 million. As at 30 June 2026, the Group had aggregate bank and cash balances and restricted bank deposits of approximately HK\$50.11 million. The maximum consideration is therefore substantial relative to the Group's existing financial resources and could not reasonably be funded solely from internal resources without materially affecting the liquidity and working capital available for its existing operations, particularly as the Group also requires approximately HK\$105.88 million for upgrading the Inner Mongolia Coal Mine 958.

We also note that the Financing Arrangements and the provision of the Funding Confirmation evidencing the availability of funding of not less than HK\$200.0 million are required to progress the Potential Acquisition. Based on the maximum consideration of RMB300.0 million, equivalent to approximately HK\$348.0 million, for a 40% equity interest in the Target Company, the consideration attributable to the minimum 20% equity interest contemplated under the MOUs would be approximately RMB150.0 million, equivalent to approximately HK\$174.0 million. Together with the estimated transaction-related costs and expenses of approximately HK\$5.87 million, the estimated funding requirement for acquiring the minimum 20% equity interest would amount to approximately HK\$179.87 million. Accordingly, the funding threshold of HK\$200.0 million would be sufficient to cover such estimated minimum funding requirement, subject to the final consideration, transaction costs and exchange rate. The final equity interest to be acquired, ranging from 20% to 40%, will be determined having regard to, among other things, the funding available from the Rights Issue, the independent valuation and the final agreement with the relevant Sellers. On this basis, we consider that allocating up to approximately HK\$348.0 million of the Rights Issue proceeds would provide greater funding certainty, enable the Company to satisfy the relevant funding requirement and preserve sufficient liquidity for its existing operations and the upgrading of the Inner Mongolia Coal Mine 958.

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We note that the MOUs are non-binding and that the final equity interest to be acquired, the relevant Sellers and the consideration payable have not yet been determined. Shanghai Wealthy Ocean may acquire a 20% to 40% equity interest in the Target Company, subject to, among other things, an independent valuation, the funding available from the Rights Issue and further negotiation. No formal equity transfer agreement had been entered into as at the Latest Practicable Date. Notwithstanding the non-binding nature of the MOUs, the Sellers have provided the Irrevocable Undertaking, subject to the provision of the Funding Confirmation. We understand that the Company has conducted site visits and due diligence on the business and financial affairs of the Target Company and the Target Coal Mine, the results of which were considered satisfactory by the Management. Professional advisers, including legal advisers, financial advisers and valuation experts, have also been engaged, and technical experts have been appointed to prepare a Competent Person's Report in compliance with the Listing Rules.

As disclosed in the Letter from the Board, the execution of the formal equity transfer agreement is subject to, among other things: (i) satisfactory completion of the remaining due diligence procedures; (ii) a valuation confirming that the value of 100% of the equity interest in the Target Company is not less than RMB650.0 million; (iii) the preparation of a Competent Person's Report in compliance with the Listing Rules; (iv) availability of the Financing Arrangements and the provision of the Funding Confirmation; (v) agreement on the final consideration and other commercial terms; and (vi) compliance with the applicable legal and regulatory requirements. The Floor Value of RMB650.0 million was determined by reference to a preliminary discounted cash flow valuation based on information relating to the Target Coal Mine's coal resources, latest operating metrics and historical financial information up to 30 June 2026. We consider that the requirements for an independent valuation and the preparation of a Competent Person's Report provide relevant valuation and technical safeguards before the Company enters into the formal equity transfer agreement.

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The proposed consideration of no more than RMB300.0 million represents an upper limit only. The final consideration will be determined with reference to the equity interest ultimately acquired, the independent valuation, the due diligence and technical findings and further arm's length negotiations with the relevant Sellers. We further note that no consideration will be paid solely on the basis of the MOUs and that the earmarked proceeds will not be applied until the formal equity transfer agreement has been entered into and the applicable payment conditions have been satisfied. A refundable down payment representing 20% of the consideration will become payable within three (3) Business Days after execution of the formal equity transfer agreement, with the remaining consideration expected to be settled following fulfilment of the conditions precedent to the Potential Acquisition. Having regard to the non-binding nature of the MOUs, the conditions applicable to the execution of the formal equity transfer agreement and the requirement that the final consideration be determined with reference to the independent valuation and further negotiations, we consider that these arrangements provide reasonable safeguards against premature deployment of the proceeds.

The Potential Acquisition, if it materialises, will be subject to the applicable requirements under the Listing Rules. Our present assessment concerns the reasonableness of earmarking part of the Rights Issue proceeds for the Potential Acquisition. Having regard to the above safeguards and subject to compliance with the applicable Listing Rules requirements, we consider that it is reasonable for the Company to earmark up to approximately HK\$348.0 million for the Potential Acquisition.

The Company also intends to allocate approximately HK\$5.87 million for the costs and expenses associated with the Potential Acquisition, including fees payable to legal, financial, accounting, valuation, technical and other professional advisers. We have reviewed the supporting information provided by the Management in respect of the estimated expenses. Having regard to the nature, scale and technical and regulatory complexity of the Potential Acquisition, including the due diligence, valuation and Competent Person's Report required, we consider the proposed allocation of approximately HK\$5.87 million to be reasonable.

Application of proceeds under different subscription and transaction scenarios

In the event of an undersubscription of the Rights Issue, the Company will apply the net proceeds according to the funding thresholds set out in the Letter from the Board. If the net proceeds raised are less than HK\$200.0 million, all such proceeds will be applied towards enhancing the Group's existing coal mining operations and general working capital, and no proceeds will be applied towards the Potential Acquisition. If the net proceeds raised are equal to or exceed HK\$200.0 million, the proceeds will first be applied towards the consideration for the Potential Acquisition and the associated costs and expenses, provided that the equity interest acquired will not be less than 20%, with any remaining proceeds allocated on a pro rata basis among the other stated uses. We consider that such arrangement provides

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the Company with flexibility to adjust the scale of the Potential Acquisition according to the proceeds actually raised, while avoiding the acquisition of an equity interest below the minimum level of 20% contemplated under the MOUs. Any acquisition of a reduced equity interest will nevertheless remain subject to the independent valuation, definitive documentation, the Sellers' agreement and compliance with the Listing Rules.

If net proceeds of not less than HK\$200.0 million are raised but the Potential Acquisition cannot proceed, the Company intends first to apply approximately RMB100.0 million, equivalent to approximately HK\$116.0 million, towards an advance payment under the Coal Supply Agreement pursuant to the Irrevocable Undertaking. Under the proposed arrangement, the Target Company will supply 400,000 tonnes of coal per annum for five years at a discount determined by reference to the Ordos Coal Price Index, being the higher of 25% of the relevant market spot price and RMB100 per tonne. The Coal Supply Agreement would provide an alternative means for the Group to secure access to an additional source of higher-calorific-value coal at a stated discount if the Potential Acquisition cannot proceed. Subject to its definitive terms and prevailing market conditions, we consider the proposed fallback arrangement to be commercially relevant and consistent with the Group's existing coal business.

Assuming that the Rights Issue is fully subscribed but the Potential Acquisition does not proceed, after allocating approximately HK\$116.0 million to the advance payment under the Coal Supply Agreement, approximately HK\$105.9 million to upgrading the Group's existing coal mining infrastructure and approximately HK\$20.0 million to general working capital, the Company intends to apply the remaining proceeds of approximately HK\$237.85 million towards the acquisition of other coal mines which may be identified from time to time. As at the Latest Practicable Date, save for the Potential Acquisition, the Company had not entered into any legally binding agreement in relation to any other coal-mine acquisition. Accordingly, the identity, location, scale, financial information, valuation, consideration and commercial terms of any such acquisition cannot presently be assessed. We understand that the Company will only deploy such proceeds after identifying a suitable acquisition target and completing the relevant commercial, financial, legal and technical due diligence, valuation and approval procedures. Any future acquisition will also be subject to the applicable requirements under the Listing Rules, including the announcement, circular and shareholders' approval requirements, where applicable. We consider that retaining part of the proceeds for potential coal-mine acquisitions is consistent with the Group's principal business and its strategy of expanding its coal resource base.

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Having considered the above, in particular that (i) the Potential Acquisition is consistent with and complementary to the Group's existing coal business and may expand and diversify its coal resource base; (ii) the proposed Dividend Distribution, governance and offtake arrangements may provide the Group with additional economic and operational benefits; (iii) the maximum consideration is substantial relative to the Group's existing financial resources and could not reasonably be funded solely from internal resources without materially affecting the liquidity available for its existing operations; (iv) the availability of the Financing Arrangements and provision of the Funding Confirmation are required to progress the Potential Acquisition; (v) the final terms of the Potential Acquisition will be subject to independent valuation, technical assessment, further negotiation and definitive documentation; (vi) the proposed professional and technical expenses are necessary for a transaction of this nature and scale; and (vii) the proposed fallback uses of proceeds are related to and generally consistent with the Group's existing principal business, we consider that the proposed allocation of up to approximately HK\$353.87 million, comprising up to approximately HK\$348.0 million for the consideration and approximately HK\$5.87 million for the related costs and expenses, is fair and reasonable as a proposed use of the net proceeds from the Rights Issue and is in the interests of the Company and the Shareholders as a whole. Our conclusion relates to the reasonableness of the proposed allocation and use-of-proceeds framework based on the information currently available. It does not constitute an opinion on the fairness and reasonableness of the final consideration or other definitive terms of the Potential Acquisition, the Coal Supply Agreement or any other acquisition that may subsequently be identified.

Assessment of the Group's financial resources and funding needs

As set out in the 6M2026 Interim Report, we note that, as at 30 June 2026: (i) the Group had aggregate bank and cash balances and restricted bank deposits of approximately HK\$50.11 million; (ii) the Group had no outstanding borrowings and its gearing ratio, calculated as total borrowings divided by total equity, was nil; (iii) the Group had net current assets of approximately HK\$29.93 million and a current ratio of approximately 1.49 times; and (iv) equity attributable to owners of the Company and total equity of the Group amounted to approximately HK\$101.11 million and HK\$128.39 million, respectively. Notwithstanding that the Group maintained a net current asset position and had no outstanding borrowings, the Group recorded net cash used in operating activities of approximately HK\$10.70 million during FY2025 as disclosed in the FY2025 Annual Report.

We further note that the Company completed a placing of new Shares on 17 October 2025, raising net proceeds of approximately HK\$13.49 million for general working capital and identified investment opportunities in the mining sector. As at 30 June 2026, the net proceeds of approximately HK\$13.49 million had been fully utilised as intended.

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Among the estimated net proceeds of the Rights Issue of approximately HK\$479.75 million (assuming full subscription), the consideration for the Potential Acquisition is expected to be no more than RMB300.0 million (equivalent to approximately HK\$348.0 million), representing approximately 6.9 times the Group's aggregate bank and cash balances and restricted bank deposits as at 30 June 2026. In addition, the proposed capital investment of approximately HK\$105.88 million for enhancing the infrastructure, facilities and machinery of the Inner Mongolia Coal Mine 958 and establishing and upgrading its control and monitoring systems would, on a standalone basis, exceed such aggregate bank and cash balances and restricted bank deposits by approximately HK\$55.77 million. Furthermore, approximately HK\$6.20 million of such balances comprised restricted bank deposits maintained for the Coal Mining Business for the purpose of complying with the relevant coal-mining regulations and PRC regulatory restrictions and was therefore not freely available for general deployment. Accordingly, even without taking into account the Group's day-to-day working capital requirements and the fact that the Group recorded net cash used in operating activities during FY2025, the Group's existing financial resources would be insufficient to fund either the maximum consideration for the Potential Acquisition or the proposed capital investment in the Inner Mongolia Coal Mine 958. This is particularly relevant having regard to the Group's loss-making position for FY2023, FY2024 and FY2025, its declining revenue and the relatively modest scale of the net proceeds raised through the placing completed in October 2025. We therefore consider that the Group does not have sufficient internal financial resources to meet funding requirements arising from both the proposed capital investment in the Inner Mongolia Coal Mine 958 and the Potential Acquisition without recourse to external fundraising.

We further note that, although the Group had no outstanding borrowings and its gearing ratio was nil as at 30 June 2026, this does not necessarily mean that debt financing of the scale required would be readily available to the Group on commercially favourable terms. The maximum consideration for the Potential Acquisition and the proposed capital investment in the Inner Mongolia Coal Mine 958 would amount to approximately HK\$453.88 million in aggregate, which is substantial relative to the Group's total assets and total equity of approximately HK\$211.63 million and HK\$128.39 million, respectively, as at 30 June 2026. Moreover, the Group recorded losses for FY2023, FY2024 and FY2025 and net cash used in operating activities during FY2025.

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In this context, and having regard to Board's view as set out in the Letter from the Board that debt financing of the scale required would likely impose a significant interest burden on the Group, we consider that reliance on debt financing for a substantial portion of the required funding may increase the Group's finance costs and repayment obligations, adversely affect its future financial performance and cash flows, and constrain its liquidity and financial flexibility. Further, there is no assurance that debt financing of the required scale would be obtainable on commercially acceptable terms, particularly having regard to the Group's recent financial performance and the substantial amount of funding required relative to its existing asset and equity base. Accordingly, we consider that it is reasonable for the Company to raise the required funding through equity financing by way of the Rights Issue, rather than relying substantially on debt financing, as this would enable the Group to obtain the necessary funding without incurring additional interest expenses and repayment obligations or materially increasing its financial leverage.

Other fundraising alternatives

We have discussed with the Management and were given an understanding that the Group has considered other financing alternatives for the Group before resolving to the Rights Issue, including but not limited to, debt financing and equity financing, such as the subscription or placing of new Shares, and an open offer. As disclosed in the Letter from the Board, as at the Latest Practicable Date, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund-raising activities in the next 12 months.

In respect of debt financing, notwithstanding that the Group had no borrowings and its gearing ratio was nil as at 30 June 2026, we concur with the Board that debt financing of the scale required would likely impose a significant interest burden on the Group amidst the prevailing high interest rate environment. Such additional finance costs and repayment obligations may adversely affect the Group's financial performance and cash flows and constrain its liquidity and financial flexibility, particularly having regard to the Group's loss-making position for FY2023, FY2024 and FY2025 and the declining trend in its revenue. Furthermore, there is no assurance that debt financing of the required scale would be available to the Group on commercially acceptable terms, given its recent financial performance and the substantial amount of funding required relative to its existing asset and equity base.

In respect of equity financing, we note that (i) a subscription or placing of new Shares under the Company's available general mandate would be relatively smaller and limited in scale compared to a rights issue and would be unlikely, on its own, to raise sufficient funds to meet the Group's funding requirements, and would result in an immediate dilution of the shareholding interests of existing Shareholders. While a subscription or placing under a specific mandate could potentially raise a larger amount, it would be subject to, among other things, the identification of suitable investors, the negotiation of commercially acceptable terms and the approval of the Shareholders. Moreover, such fundraising methods would generally be available only

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to selected subscribers or placees, who may not be existing Shareholders, and would therefore result in an immediate dilution of the shareholding interests of existing Shareholders without affording them an opportunity to participate in the fundraising on a pro-rata basis. In this regard, the placing completed by the Company on 17 October 2025 raised net proceeds of approximately HK\$13.49 million only, which was substantially lower than the estimated net proceeds from the Rights Issue and the Group's present funding requirements; and (ii) while an open offer would similarly allow Qualifying Shareholders to subscribe for new Shares in proportion to their existing shareholdings, it would not, unlike the Rights Issue, allow Qualifying Shareholders to deal in nil-paid rights in the open market. Accordingly, Qualifying Shareholders who do not wish, or are unable, to take up their entitlements in full under an open offer would be unable to realise any potential value attributable to the untaken entitlements through market trading. An open offer would therefore provide less flexibility to Qualifying Shareholders than the Rights Issue. In contrast, the Rights Issue offers Qualifying Shareholders (i) an equal opportunity to participate in the fundraising in proportion to their existing shareholdings and, by taking up their respective entitlements in full, to maintain their pro-rata shareholding interests in the Company and participate in the future growth and development of the Group; and (ii) the flexibility to deal in nil-paid rights in the open market.

In light of the above, we concur with the Board that the Rights Issue provides Qualifying Shareholders with greater flexibility in deciding whether to take up or dispose of their respective entitlements and represents a more suitable fundraising method for the Group than the other alternatives considered. Accordingly, notwithstanding the potential dilution impact on the shareholding interests of the Non-Qualifying Shareholders and those Qualifying Shareholders who do not take up their entitlements in full, we consider that the selection of the Rights Issue as the means of raising the required funds is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above, in particular: (i) the Group's required capital expenditures in the Inner Mongolia Coal Mine 958 to upgrade its ageing infrastructure, machinery and monitoring systems, mitigate operational and safety risks, comply with the evolving regulatory and policy requirements applicable to the PRC coal mining industry and sustain its future mining operations; (ii) the strategic benefits of the Potential Acquisition in expanding the Group's coal resource base, diversifying its mining operations and broadening its potential revenue base, and the requirement to demonstrate the availability of sufficient funding under the Financing Arrangements as a condition precedent to entering into the formal equity transfer agreement; (iii) the Group's insufficient internal financial resources to meet the aforesaid funding requirements, having regard to the scale of its available cash resources relative to the aggregate funding required for the proposed investment in the Inner Mongolia Coal Mine 958 and the Potential Acquisition, the restricted nature of part of its bank deposits, its loss-making position for FY2023, FY2024 and FY2025 and the net cash used in its operating activities during FY2025; and (iv) the relative advantages and disadvantages of the other fundraising alternatives

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considered, including the interest burden and repayment obligations associated with debt financing, the limited fundraising capacity and immediate dilution associated with a subscription or placing under the available general mandate and the lack of tradability of entitlements under an open offer, we are of the view that the Rights Issue and the intended use of proceeds as set out above, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In particular, the Rights Issue affords Qualifying Shareholders an equal opportunity to participate in the fundraising in proportion to their existing shareholdings and provides them with the flexibility to deal in nil-paid rights in the open market. Accordingly, notwithstanding the potential dilution of the shareholding interests of the Non-Qualifying Shareholders and those Qualifying Shareholders who do not take up their entitlements under the Rights Issue in full, we consider that the Rights Issue represents a suitable means of raising the required funds.

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

3.1. *The Rights Issue*

Details of the terms and conditions of the Rights Issue are outlined in the Letter from the Board.

Non-underwritten basis

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 that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The Company has engaged in extensive discussions with the Placing Agent regarding the feasibility of conducting the Rights Issue on a fully underwritten basis, a partially underwritten basis or a non-underwritten basis. After due consideration, the Company determined to proceed on a non-underwritten basis, as conducting the Rights Issue on an underwritten basis would result in a substantial increase in fundraising costs, given that the underwriting commission would be significantly higher than the placing commission of 1% payable under the Placing Agreement. In addition, the Company has discussed with the Placing Agent, among other things, the client base, placing network, distribution capabilities and the overall placing arrangements of the Placing, and is satisfied that the Placing Agent possesses the requisite experience and resources to effectively carry out the placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (if any).

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Furthermore, the Directors are of the view that the proposed allocation of the proceeds from the Rights Issue under the various contemplated scenarios has been structured to strike a balance between the funding requirements of the Group's existing operations and the funding needs associated with either the Potential Acquisition or, where the Potential Acquisition does not materialise, the Coal Supply Agreement.

Accordingly, the Directors consider that conducting the Rights Issue on a non-underwritten basis is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole.

There are no statutory requirements regarding minimum subscription level in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s), or transferees of nil paid Rights Shares (or either of them, whichever shall be appropriate), 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 (i) trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules; and/or (ii) result in the non-compliance of the Public Float Requirement on the part of the Company.

The Public Float Requirement under the Listing Rules shall be fulfilled by the Company at all times. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 13.32B of the Listing Rules.

As illustrated in the table set out in the section headed "4.3. Comparison with recent rights issue exercises" below, we noted that among the 21 Comparables, only one was conducted on a fully underwritten basis, while all the remaining 20 were conducted on a non-underwritten basis. Among the 20 non-underwritten Comparables, 16 adopted a placing arrangement for unsubscribed rights shares. Given that 20 out of the 21 Comparables were conducted on a non-underwritten basis and 16 of those non-underwritten Comparables adopted a placing arrangement, we consider that conducting the Rights Issue on a non-underwritten basis with the Placing arrangement is consistent with prevailing market practice. Therefore, we concur with the Directors' view that conducting the Rights Issue on a non-underwritten basis with the Placing arrangement is in the interests of the Company and the Shareholders as a whole.

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3.2. The Placing Agreement

Details of the terms and conditions of the Placing Agreement are outlined in the Letter from the Board.

As disclosed in the Letter from the Board, the terms of the Placing Agreement, including the commission payable, were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms with reference to the market comparables, the existing financial position of the Company, the size of the Rights Issue, and the current and expected market conditions.

As illustrated in the table set out in the section headed "4.3. Comparison with recent rights issue exercises" below, we noted that among 21 Comparables, there were 18 Comparables involving compensatory arrangements which we believe reflect the prevailing market trends under the current economic environment and thus fair and reasonable for the assessment of the Placing commission under the Placing Agreement.

As shown in the table set out in the section headed "4.3. Comparison with recent rights issue exercises" below, we noted that the placing commission rates provided by the placing agents under the Comparables ranged from approximately 0.50% to 3.00% with an average and a median of approximately 1.82% and 1.50%, respectively. Given that (i) as disclosed in the Letter from the Board, the Placing commission of 1.00% was determined after arm's length negotiation between the Company and the respective Placing Agent with reference to, among other things, the market comparables, the existing financial position of the Company, the size of the Rights Issue, and the current and expected market conditions; and (ii) the Placing commission of 1.00% falls within the relevant range of the Comparables and is below the average and the median of the Comparables, we consider that the Placing commission to be fair and reasonable. As such, we are of the view that the terms of the Placing Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

4. Assessment of the Subscription Price

4.1. Comparison of Subscription Price with historical Share prices

As disclosed in the Letter from the Board, the Subscription Price of HK\$0.280 per Rights Share represents:

- (i) a discount of 20.00% to the closing price of HK\$0.350 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 9.80% over the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;

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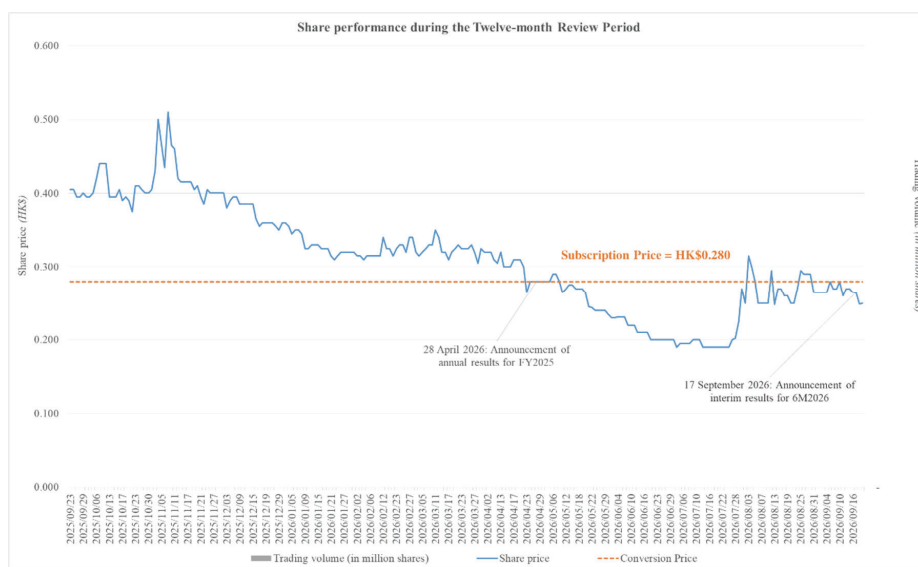
- (iii) a premium of approximately 7.69% over the average closing price of approximately HK\$0.260 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;
- (iv) a premium of approximately 5.66% over the average closing price of approximately HK\$0.265 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the Last Trading Day;
- (v) a premium of approximately 0.72% over the theoretical ex-rights price of approximately HK\$0.278 per Share based on the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.260 per Share; and
- (vi) a discount of approximately 32.04% to the unaudited consolidated net assets value per Share attributable to the Shareholders of approximately HK\$0.412 as at 30 June 2026 (based on the latest published unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$101,106,000 as at 30 June 2026 and 245,536,916 Shares in issue as at 30 June 2026).

The Rights Issue would not result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) as the Subscription Price of HK\$0.280 per Rights Share is higher than the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.260 per Share.

As disclosed in the Letter from the Board, the Subscription Price was determined with reference to, among other things, (i) the recent market price of the Shares under the prevailing market conditions; (ii) the latest financial position of the Group; and (iii) the reasons for and benefits of the proposed Rights Issue as discussed in the section headed “Reasons for and Benefits of the Rights Issue and the Use of Proceeds” in the Letter from the Board.

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In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange for the approximately twelve-month period up to and including the Last Trading Day, i.e., from 22 September 2025 to 22 September 2026 (the “**Twelve-month Review Period**”). We consider the Twelve-month Review Period to be an appropriate and sufficient period to illustrate the recent price movement of the Shares for the purpose of conducting a reasonable comparison among the historical closing Share prices prior to the date of the Last Trading Day and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Last Trading Day represents a fair market value of the Company the Shareholders expected, while that after the Last Trading Day, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Twelve-month Review Period:



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The Subscription Price represents a premium over the closing price of the Shares on the Last Trading Day and a discount to the closing price of the Shares on the Latest Practicable Date. As disclosed in the Letter from the Board, the Subscription Price was determined with reference to, among other things, (i) the recent market price of the existing Shares under the prevailing market conditions; (ii) the latest financial position of the Group; and (iii) the reasons for and benefits of the Rights Issue as discussed in the section headed “Reasons for and Benefits of the Rights Issue and the Use of Proceeds” in the Letter from the Board.

In determining the Subscription Price, the Directors have reviewed: (i) the closing prices of the Shares over the last three-month period immediately prior to the Last Trading Day (i.e. from 23 June 2026 to 22 September 2026, the “**Review Period**”). During the Review Period, the highest and lowest closing prices of the Shares were HK\$0.315 and HK\$0.190 respectively and the average closing prices was approximately HK\$0.240. The Subscription Price of HK\$0.28 per Rights Share represents (a) a premium of approximately 14.29% and 32.14% over the respective average and lowest closing prices of the Shares for the Review Period; and (b) a discount of approximately 12.50% to the highest closing price of the Shares for the Review Period; (ii) the current financial position of the Group, which the Group had reported net assets attributable to the Shareholders of approximately HK\$101.1 million as at 30 June 2026 and, the Subscription Price of HK\$0.28 per Rights Share represents a discount of approximately 32.04% to the unaudited consolidated net assets value per Share of approximately HK\$0.412 as at 30 June 2026; and (iii) the reasons for and benefits of the Rights Issue, taking into account the funding required for the Potential Acquisition and the enhancement of the existing coal mining operations. In light of the above, the Directors consider that the prevailing Share prices and overall price trends during the Review Period reflected the market’s assessment of the Group’s recent financial position, as well as prevailing market sentiment. Taking into account that the Subscription Price of HK\$0.28 per Rights Share falls within the range of the closing prices of the Shares during the Review Period and represents a premium of approximately 14.29% over the average closing price per Share during the Review Period, the Directors consider that the Subscription Price is fair and reasonable. In addition, the Subscription Price was determined after taking into account both the Group’s funding requirements and the interests of the Shareholders, with the objective of enabling the Company to raise the necessary funds while affording Qualifying Shareholders a reasonable opportunity to maintain their respective proportional shareholding interests in the Company through participation in the Rights Issue.

In view of the above, having considered (i) the factors taken into account by the Company in determining the Subscription Price, including the recent market price of the existing Shares under the prevailing market conditions, the latest financial position of the Group and the reasons for and benefits of the Rights Issue; (ii) the premium represented by the Subscription Price over the closing price of the Shares on the Last Trading Day; and (iii) the general downward trend in the market price of the Shares during the majority of the Twelve-month Review Period, we consider that,

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notwithstanding the aforesaid premiums, we consider that the Subscription Price has been determined on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

4.2. Review on the trading liquidity of the Shares

We have reviewed the trading liquidity of the Shares during the Twelve-month Review Period. The table below sets out the summary of average daily trading volume of the Shares by month (or partial month, as applicable) during the Twelve-month Review Period.

Months/Period	Total number of issued Shares at the end of the month/period	Total trading volume of Share for the month/period	No. of trading days	Average daily trading volume (Note 1)	Percentage of average daily trading volume to total issued Shares (Note 2)
2025					
September (22nd to 30th)	204,616,916	767,360	6	127,893	0.052%
October	245,536,916	17,101,840	20	855,092	0.348%
November	245,536,916	28,436,979	20	1,421,849	0.579%
December	245,536,916	4,269,467	21	203,308	0.083%
2026					
January	245,536,916	1,970,083	21	93,813	0.038%
February	245,536,916	1,812,156	17	106,597	0.043%
March	245,536,916	1,560,048	22	70,911	0.029%
April	245,536,916	676,044	19	35,581	0.014%
May	245,536,916	2,259,236	19	118,907	0.048%
June	245,536,916	1,169,925	21	55,711	0.023%
July	245,536,916	18,952,670	22	861,485	0.351%
August	245,536,916	4,680,403	21	222,876	0.091%
September (1st to 22nd)	245,536,916	8,761,327	16	547,583	0.223%
				Maximum	0.579%
				Minimum	0.014%
				Average	0.148%

Source: 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. It is calculated by dividing the average daily trading volume for the month/period by the total number of issued Shares at the end of each month/period.

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As illustrated in the table above, the average daily trading volume as a percentage of the total number of issued Shares ranged from a low of approximately 0.014% in April 2026 to a high of approximately 0.579% in November 2025, with an average of approximately 0.148% across the Twelve-month Review Period. We further note that, out of the 245 trading days in the Twelve-month Review Period, there were 47 trading days on which no Shares were traded, which occurred during the period from October 2025 to September 2026, demonstrating the limited marketability of the Shares. No month or period during the Twelve-month Review Period recorded an average daily trading volume exceeding 1% of the total number of issued Shares. Accordingly, we consider that the trading liquidity of the Shares was generally thin throughout the Twelve-month Review Period.

Having considered the above, we are of the view that the generally thin trading liquidity of the Shares may present challenges for the Company in raising equity funds from third-party investors through other means without offering a substantial discount to the prevailing Share price, as potential investors would typically require a greater price incentive to subscribe for shares with limited secondary market liquidity. In this regard, the setting of the Subscription Price at premiums over the prevailing and historical closing prices of the Shares avoids the Rights Shares being issued at a discount in the context of the generally thin trading liquidity of the Shares. Accordingly, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

4.3. Comparison with recent rights issue exercises

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have further reviewed the rights issue transactions which were initially announced by the companies listed on the Main Board of the Stock Exchange during the period from 15 June 2026 and up to the Last Trading Day (being approximately three months preceding the Last Trading Day). We have identified an exhaustive list of 21 rights issue transactions (the “**Comparables**”). We consider that the aforesaid review period is appropriate because the Comparables provide a reasonable sample size and a general reference for recent market practices in relation to rights issues under prevailing market conditions. We note that the business activities of the Comparables may not be directly comparable to the business activities carried out by the Group.

Although the listed issuers involved in the Comparables have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, and includes rights issue transactions which are underwritten with different basis of entitlement, we consider that the Comparables can provide a general reference to the pricing trend of recent rights issue transactions under the current market conditions as well as a sufficient sample size for comparison purpose, so as to determine whether the Subscription Price is in line with those of recent rights issue transactions in the market.

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No.	Date of announcement	Company name (stock code)	Gross proceeds from the rights issue (HK\$ million)	Basis of entitlement	Premium/(discount) of the subscription price over/to the average closing price for the five consecutive trading days up to and including/ prior to the last trading day		theoretical ex-rights price (%)	the consolidated net asset value (%) (Note 1)	Maximum dilution (%) (Note 2)	Theoretical dilution effect (%) (Note 3)	Excess application (Yes/No)	Placing commission (%)
					the closing price on the last trading day (%)	the closing price on the last trading day (%)						
1	15 June 2026	Asian Citrus Holdings Limited (73)	61.70	3 for 1	(28.13)	(31.82)	(8.91)	(84.15)	75.00	23.86	No	The higher of HK\$100,000 or 1%
2	18 June 2026	Cmon Limited (1792)	150.50	3 for 1	(14.74)	(19.80)	(6.25)	Net liabilities	75.00	15.79	Yes	2.50
3	18 June 2026	China Wood International Holding Co., Limited (1822)	77.00	1 for 1	(43.80)	(44.84)	(28.03)	5.48	50.00	22.42	No	1.50
4	22 June 2026	Imperium Technology Group Limited (776)	42.55	1 for 2	(66.67)	(67.24)	(65.00)	(34.48)	33.33	22.34	No	3.00
5	24 June 2026	Biosysen Limited (1355)	40.00	1 for 2	(51.43)	(50.29)	(41.38)	Net liabilities	33.33	17.14	No	1.50
6	14 July 2026	Capital Industrial Financial Services Group Limited (730)	494.20	1 for 1	0.81	(1.26)	0.40	(65.82)	50.00	1.10	No	2.00
7	15 July 2026	Flowing Cloud Technology Ltd (6610)	312.10	4 for 1	(24.05)	(24.24)	(5.96)	(93.66)	80.00	19.39	No	The higher of HK\$2 million or 1%
8	16 July 2026	PINE Technology Holdings Limited (1079)	107.00	1 for 2	(41.18)	(42.31)	(31.82)	141.16	33.33	14.32	Yes	N/A (Note 4)
9	17 July 2026	Universal Health International Group Holding Limited (2211)	176.87	4 for 1	(4.76)	(7.19)	(1.00)	(87.95)	80.00	5.75	No	3.00
10	23 July 2026	King International Investment Limited (928)	185.00	2 for 1	(31.51)	(25.60)	(13.29)	288.41	66.67	13.29	No	1.50
11	24 July 2026	Yuk Wing Group Holdings Limited (1536)	136.80	3 for 1	(27.01)	(28.06)	(8.26)	(68.45)	75.00	21.99	No	1.00
12	29 July 2026	Easyhold Group Holdings Limited (1703)	69.00	1 for 1	(48.98)	(47.03)	(32.43)	265.47	50.00	24.49	No	1.50
13	3 August 2026	Zhengwei Group Holdings Company Limited (2147)	161.28	6 for 1	(28.57)	(28.57)	(5.41)	(92.87)	85.71	24.49	No	1.50
14	12 August 2026	Alpha Professional Holdings Limited (948)	82.50	1 for 1	(19.68)	(10.71)	(11.11)	203.03	50.00	9.64	Yes	N/A (Note 4)
15	17 August 2026	AI Energy Engineering Holdings Limited (1751)	75.70	2 for 5	(7.80)	(8.32)	(6.95)	1,525.00 (Note 5)	28.57	2.71	No	The higher of HK\$250,000 or 3%
16	27 August 2026	Litian Pictures Holdings Limited (9958)	190.00	4 for 1	(22.13)	(22.76)	(5.57)	Net liabilities	80.00	18.21	No	1.00
17	27 August 2026	Hong Kong Robotics Group Holding Limited (370)	220.30	1 for 2	(22.20)	(19.50)	(16.00)	(4.50)	33.33	7.41	Yes	N/A (Note 4)
18	1 September 2026	China Environmental Technology Holdings Limited (646)	190.20	6 for 1	(21.61)	(21.34)	(3.80)	Net liabilities	85.71	18.52	No	3.00
19	7 September 2026	Long Investment Corp (2312)	90.20	1 for 2	0.00	1.28	0.00	9.72	33.33	Nil	Yes	N/A (Note 4)
20	10 September 2026	Moon Inc. (1723)	63.37	1 for 2	(39.77)	(39.64)	(30.63)	(61.34)	33.33	13.26	No	2.00
21	15 September 2026	Bright Future Technology Holdings Limited (1351)	216.00	3 for 1	(28.99)	(27.01)	(9.23)	(29.25)	75.00	21.75	No	0.50
					Maximum	0.81	1.28	0.40	1,525.00	85.71	24.49	3.00
					Minimum	(66.67)	(67.24)	(65.00)	(93.66)	28.57	1.10	0.50
					Median	(27.01)	(25.60)	(8.91)	(29.25)	50.00	17.68	1.50
					Average	(27.25)	(26.96)	(15.74)	106.81	57.46	15.89	1.82
22	22 September 2026	The Company (65)	481.25	7 for 1	9.80	7.69	0.72	(32.04)	87.50	Nil	No	1.00

Source: The Stock Exchange

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Notes:

1. The premium/discount of the subscription price over/to net asset value per share was extracted from the relevant announcement or circular of the Comparables, where such information is not directly available from the above published sources, it is computed based on the reported net asset value as shown in the latest interim results or annual results of the Comparables divided by the number of issued shares as at the date of the relevant announcement of the Comparables.
2. The maximum dilution is calculated by the number of rights shares divided by the total number of issued shares as enlarged by the issue of the rights shares.
3. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules.
4. The transaction involves excess application with no placing arrangement.
5. The premium of the subscription price over the net asset value per share of this Comparable was exceptionally high and was considered as an outlier.

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

- (a) the premium/(discount) of the subscription prices over/to the closing prices on the last trading day of the Comparables ranged from a discount of approximately 66.67% to a premium of approximately 0.81%, with an average and median discount of approximately 27.25% and 27.01%, respectively. The premium of approximately 9.80% represented by the Subscription Price to the closing price of the Shares on the Last Trading Day is above the range of the Comparables;
- (b) the premium/(discount) of the subscription prices over/to the average closing prices for the five previous consecutive trading days up to and including/prior to the last trading day of the Comparables ranged from a discount of approximately 67.24% to a premium of approximately 1.28%, with an average and median discount of approximately 26.96% and 25.60%, respectively. The premium of approximately 7.69% represented by the Subscription Price to the average closing price of the Shares for the five previous consecutive trading days up to and including/prior to the Last Trading Day is above the range of the Comparables;
- (c) the premium/(discount) of the subscription prices over/to the theoretical ex-rights prices of the Comparables ranged from a discount of approximately 65.00% to a premium of approximately 0.40%, with an average and median discount of approximately 15.74% and 8.91%, respectively. The premium of approximately 0.72% represented by the Subscription Price over the theoretical ex-rights price is slightly above the range of the Comparables;

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- (d) the premium/(discount) of the subscription prices over/to the respective consolidated net asset values per share of the Comparables ranged from a discount of approximately 93.66% to a premium of approximately 1,525.00%, with an average premium of approximately 106.81% and a median discount of approximately 29.25%, respectively. After excluding AI Energy Engineering Holdings Limited (1751.HK) as an outlier, whose subscription price under its rights issue represented an exceptionally high premium of approximately 1,525.00% over its consolidated net asset value per share, the premium/(discount) of the subscription prices over/to the respective consolidated net asset values per share of the remaining Comparables ranged from a discount of approximately 93.66% to a premium of approximately 288.41%, with an average premium of approximately 18.18% and a median discount of approximately 31.87%, respectively. The Subscription Price of HK\$0.280 per Rights Share represents a discount of approximately 32.04% to the unaudited consolidated net asset value per Share of approximately HK\$0.412 as at 30 June 2026 (based on the latest published unaudited consolidated net assets value of the Group attributable to the Shareholders of approximately HK\$101,106,000 as at 30 June 2026 and 245,536,916 Shares in issue as at 30 June 2026), which falls within the range of the remaining Comparables and is slightly higher than their median discount;
- (e) the maximum dilution in the shareholding interests of qualifying shareholders who did not take up their entitlements under the Comparables ranged from approximately 28.57% to 85.71%, with an average and median maximum dilution of approximately 57.46% and 50.00%, respectively. The maximum dilution under the Rights Issue of approximately 87.50% is above the range of the Comparables. Nevertheless, such dilution would only apply to Qualifying Shareholders who do not take up any of their entitlements, while Qualifying Shareholders who take up their entitlements in full would be able to maintain their proportionate shareholding interests in the Company; and
- (f) the theoretical dilution effects of the Comparables ranged from approximately 1.10% to approximately 24.49%, with an average and median dilution effect of approximately 15.89% and 17.68%, respectively. The Rights Issue would not result in any theoretical dilution effect as defined under Rule 7.27B of the Listing Rules as the Subscription Price of HK\$0.280 per Rights Share is higher than the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of approximately HK\$0.260 per Share.

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Given that (a) as shown in the table above, the Subscription Price represents a premium of approximately 9.80% over the closing price on the Last Trading Day and a premium of approximately 7.69% over the average closing price for the five previous consecutive trading days up to and including/prior to the Last Trading Day, respectively, and are above the respective ranges of the Comparables. We consider that such premiums, although above the respective ranges of the Comparables, are beneficial from the perspective of avoiding the theoretical value dilution commonly associated with a discounted rights issue; (b) the premium of approximately 0.72% represented by the Subscription Price over the theoretical ex-rights price is slightly above the range of the Comparables. We consider that the premium above the range of the Comparables does not render the Subscription Price unfair or unreasonable, as it avoids dilution in the theoretical value of the Shares arising from the issue of Rights Shares at a discount to the theoretical ex-rights price; (c) the discount of approximately 32.04% represented by the Subscription Price to the consolidated net asset value per Share is within the range of the Comparables and is slightly higher than the median discount of the Comparables after excluding the outlier, although such comparison is for general reference only due to differences in the businesses, asset compositions and financial positions of the respective issuers; (d) although the maximum dilution of approximately 87.50% under the Rights Issue is above the range of the Comparables, such dilution would only apply to Qualifying Shareholders who do not take up any of their entitlements, and Qualifying Shareholders who take up their entitlements in full would be able to maintain their proportionate shareholding interests in the Company; (e) while 20 out of 21 Comparables resulted in a theoretical dilution effect under Rule 7.27B of the Listing Rules, the Rights Issue does not result in any theoretical dilution effect under Rule 7.27B of the Listing Rules, given that the Subscription Price is set at a premium to the relevant benchmarked price as defined under Rule 7.27B of the Listing Rules. In particular, Qualifying Shareholders who do not take up their entitlements would not suffer the theoretical value dilution commonly associated with a rights issue conducted at a discount, although their proportionate shareholding interests in the Company would still be diluted to the extent that the Rights Shares are subscribed for or placed; and (f) all Qualifying Shareholders will be given an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares in proportion to their existing shareholdings, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

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5. Effects on the shareholding structure of the Company

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming all Qualifying Shareholders have fully taken up their respective entitlements to the Rights Shares under Scenario I; and (iii) immediately upon completion of the Rights Issue and the Placing, assuming no subscription by the Qualifying Shareholders and all the Placing Shares are placed to Independent Third Parties under the Placing under Scenario II, assuming there is no other change in the shareholding structure of the Company before the completion of the Rights Issue:

Name of Shareholders	As at the		Scenario I		Scenario II	
	Latest Practicable Date					
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Ms. Ji (<i>note</i>)	64,000	0.03	512,000	0.03	64,000	0.00
Liu Chang Deng	32,015,431	13.04	256,123,448	13.04	32,015,431	1.63
Placees	–	–	–	–	1,718,758,412	87.50
Other public Shareholders	213,457,485	86.93	1,707,659,880	86.93	213,457,485	10.87
Total	245,536,916	100.00	1,964,295,328	100.00	1,964,295,328	100.00

Note: Ms. Ji is a non-executive Director.

The above shareholding information of the Company is based on publicly available information and to the best of the Company's knowledge and information. The Shareholders and the public investors of the Company should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

If a Qualifying Shareholder does not accept the Rights Shares provisionally allotted to him/her/it in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

6. Possible dilution effect of the Rights Issue to the existing public Shareholders

The Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future business development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up in full the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue.

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As illustrated in the table in the section headed “5. Effects on the shareholding structure of the Company” above, under Scenario I, where all Qualifying Shareholders take up their respective entitlements in full, the respective percentage shareholdings of the Shareholders will remain unchanged. In particular, the shareholding interests of Ms. Ji, Mr. Liu Chang Deng and the other public Shareholders will remain at approximately 0.03%, 13.04% and 86.93%, respectively. Under Scenario II, where none of the Qualifying Shareholders subscribes for the Rights Shares and all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are placed to Independent Third Parties under the Placing, the shareholding interests of the existing Shareholders will be diluted to one-eighth of their respective existing percentage shareholdings. In particular, the shareholding interest of Ms. Ji will decrease from approximately 0.03% to approximately 0.00% and the shareholding interest of Mr. Liu Chang Deng will decrease from approximately 13.04% to approximately 1.63%, while the aggregate shareholding interest of the other public Shareholders will decrease from approximately 86.93% to approximately 10.87%.

In assessing the potential dilution effect under Scenario II, we have taken into account that (i) the dilution arises principally from the basis of entitlement of seven Rights Shares for every one existing Share held; (ii) all Qualifying Shareholders are afforded an equal opportunity to subscribe for the Rights Shares in proportion to their respective shareholdings; (iii) the shareholding interests of Qualifying Shareholders who take up their respective entitlements in full will not be diluted; and (iv) the dilution effect illustrated under Scenario II will only arise where a Qualifying Shareholder does not subscribe for any of the Rights Shares provisionally allotted to him/her/it. Having considered the above, in particular the fact that all Qualifying Shareholders are provided with an equal opportunity to maintain their proportionate shareholding interests in the Company by taking up their respective entitlements in full, we consider that, although the Rights Issue may result in dilution of the shareholding interests of non-participating Shareholders, such dilution is an inherent consequence of the Rights Issue for Shareholders who do not participate in the Rights Issue. Having also considered the Company’s funding requirements, the reasons for and benefits of the Rights Issue, and the terms of the Rights Issue, including the Subscription Price, we consider that the potential dilution effect of the Rights Issue is acceptable so far as the Independent Shareholders are concerned.

7. Possible financial effects of the Rights Issue

When assessing the financial impacts of the Rights Issue, we have taken into account the following main aspects:

7.1. Effects on liquidity and gearing ratio

As at 30 June 2026, the Group had no outstanding borrowings and a gearing ratio of nil, and aggregate bank and cash balances and restricted bank deposits of approximately HK\$50.11 million. As the Rights Issue is an equity fundraising exercise which does not involve the incurrence of any debt, the Group’s gearing ratio is expected to remain nil immediately upon completion of the Rights Issue, assuming that the Group does not incur any borrowings and there are no other changes to its capital structure.

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Assuming that the Rights Issue is fully subscribed and there are no other changes to the relevant assets and liabilities of the Group, immediately upon completion of the Rights Issue and before application of the net proceeds, the Group's aggregate bank and cash balances and restricted bank deposits would increase by up to the maximum amount of net proceeds from the Rights Issue, i.e. approximately HK\$479.75 million, from approximately HK\$50.11 million to approximately HK\$529.86 million. On the same basis, the Group's current ratio (calculated as current assets divided by current liabilities), which stood at approximately 1.49 times as at 30 June 2026, would improve to approximately 9.29 times before application of the net proceeds. As the Rights Issue will proceed on a non-underwritten basis and there is no minimum amount to be raised, the actual net proceeds and the resulting improvement in the Group's liquidity position and current ratio will depend on the level of subscription for the Rights Shares and the results of the Placing.

As set out in the section headed "2. Reasons for and benefits of the Rights Issue and the use of proceeds" above, a substantial portion of the net proceeds (i.e. approximately 73.76% of the total net proceeds) is intended to be applied towards the consideration for the Potential Acquisition and the related costs and expenses, with the remainder intended to be applied towards capital investment in the Inner Mongolia Coal Mine 958 and general working capital of the Group. Accordingly, the Group's cash position and current ratio following the application of the net proceeds would be lower than the levels immediately upon completion of the Rights Issue referred to above. Nonetheless, we consider that the Rights Issue would enhance the Group's liquidity position and provide it with greater financial flexibility to meet its proposed funding requirements as compared to its financial position as at 30 June 2026, having particular regard to the Group's losses recorded for FY2023, FY2024 and FY2025, the decline in its revenue during FY2025 and the net cash used in operating activities during FY2025, as discussed above.

7.2. Effects on net assets

As at 30 June 2026, the unaudited consolidated net assets of the Group attributable to owners of the Company amounted to approximately HK\$101.11 million, equivalent to a net asset value of approximately HK\$0.412 per Share (based on 245,536,916 Shares in issue as at the Latest Practicable Date). Assuming that the Rights Issue is completed and fully subscribed and net proceeds of approximately HK\$479.75 million are received, the unaudited pro forma adjusted consolidated net assets of the Group attributable to owners of the Company immediately following completion of the Rights Issue would increase to approximately HK\$580.86 million. However, on a per Share basis, calculated based on the enlarged number of 1,964,295,328 Shares in issue immediately following completion of the Rights Issue, the unaudited pro forma adjusted consolidated net asset value per Share would decrease to approximately HK\$0.296, representing a decrease of approximately 28.16% as compared with the unaudited consolidated net asset value per Share of approximately HK\$0.412 as at 30 June 2026.

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This decrease in the net asset value per Share arises because the Subscription Price of HK\$0.280 per Rights Share is below the unaudited consolidated net asset value per Share of approximately HK\$0.412 as at 30 June 2026, such that the issue of new Shares at the Subscription Price has a dilutive effect on the net asset value per Share, notwithstanding the increase in the Group's overall net assets. While the decrease in net asset value per Share would apply to all Shares following completion of the Rights Issue, Qualifying Shareholders who take up their respective entitlements in full will be able to maintain their proportionate shareholding interests in the Company and participate proportionately in the enlarged net asset base of the Group.

Having considered the above, in particular the expected enhancement of the Group's liquidity position and current ratio, the expected unchanged nil gearing ratio of the Group immediately upon completion of the Rights Issue and the increase in the Group's overall net asset base assuming full subscription, we consider that the overall financial effects of the Rights Issue are in the interests of the Company and the Shareholders as a whole, notwithstanding the dilutive effect on the net asset value per Share discussed above.

Independent Shareholders should note that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial performance and financial position of the Group would be after the Rights Issue.

RECOMMENDATION

Taking into account the above factors and reasons, we are of the view that the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We also consider that the Rights Issue, the Placing and the transactions contemplated thereunder, while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Akron Corporate Finance Limited

Ross Cheung	Constance Kong
<i>Managing Director</i>	<i>Associate Director</i>

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026, together with the accompanying notes to the financial statements are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.grandocean65.com).

- Annual report for the year ended 31 December 2023 (pages 74 to 128):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042502987.pdf>
- Annual report for the year ended 31 December 2024 (pages 84 to 142):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0729/2025072900863.pdf>
- Annual report for the year ended 31 December 2025 (pages 84 to 140):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0428/2026042802772.pdf>
- Interim report for the six months ended 30 June 2026 (pages 13 to 30):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0917/2026091701027.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 August 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

Lease liabilities

As at 31 August 2026, the Group had lease liabilities of approximately HK\$3,354,000, which were unsecured and unguaranteed.

Save as aforesaid and apart from intra-group liabilities, normal trade payables, as at the close of business on 31 August 2026, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or other borrowings, mortgages, charges, guarantees or contingent liabilities.

Saved as disclosed above, the Directors have confirmed that there has been no material change in the indebtedness of the Group since 31 August 2026 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, after taking into account its presently available financial resources, including funds internally generated from operations, and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its operations for at least the next twelve (12) months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As disclosed in the 2026 Interim Report, the Group recorded net loss of approximately HK\$10.8 million for HY2026, as compared to net loss of approximately HK\$8.1 million for the corresponding period in 2025, which was mainly due to the decline in both production output of the Group's coal products, revenue, and gross profit of the Group compared with the corresponding period in 2025.

Save as disclosed above, as at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2025, the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the 2026 Interim Report, the Group's Inner Mongolia Coal Mine 958 continues to face operational pressures arising from stringent local regulatory requirements. Profitability remains constrained by the depletion of coal reserves and the rising operational costs associated with aged infrastructure and machinery after approximately 15 years of use. Accordingly, it is imperative for the Group to upgrade its existing infrastructure and acquire new mining equipment, which will necessitate significant capital expenditures.

Over the years, the Group has actively evaluated viable investment opportunities across both domestic and international mining and energy markets with the objective of diversifying revenue streams and strengthening its business portfolio.

In light of the foregoing, the Board considers the Rights Issue both timely and necessary. The Rights Issue will enable the Group to meet the financing requirements of the Potential Acquisition, fund the necessary capital investments in Inner Mongolia Coal Mine 958, and reinforce the Group's working capital base, while providing Shareholders with an equal opportunity to participate in growth of the Group.

Looking ahead, the Group will continue to implement cost control measures and enhance funding management in order to strengthen its financial position and support future business opportunities, including the Potential Acquisition. The Board remains committed to expanding the Group's business scope and improving overall development, with the aim of generating diversified returns and enhancing Shareholder value.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors of the Company in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants, to illustrate the effect of the Rights Issue, on the consolidated net tangible assets of the Group as if the Rights Issue had been taken place on 30 June 2026.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net assets of the Group attributable to owners of the Company as at 30 June 2026 as extracted from the Group’s unaudited condensed consolidated interim financial statements set out in the published interim report of the Company for the six months ended 30 June 2026, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared by the directors of the Company for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 30 June 2026 or any future date.

		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2026 immediately after completion of the Rights Issue HK\$’000 (Note 2)	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 30 June 2026 before completion of the Rights Issue HK\$ (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 30 June 2026 after completion of the Rights Issue HK\$ (Note 4)
Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2026 HK\$’000 (Note 1)	Estimated net proceeds from the Rights Issue HK\$’000 (Note 2)			

Based on maximum number of
1,718,758,412 Rights Shares to be
issued at Subscription Price of
HK\$0.280 per Rights Share

89,911	479,752	569,663	0.37	0.29
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Notes:

1. The amount of unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2026 was approximately HK\$89,911,000, which is calculated on the basis of the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2026 of approximately HK\$101,106,000, adjusted by intangible assets of approximately HK\$11,195,000 as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2026, as extracted from the published interim report of the Company for the six months ended 30 June 2026.
2. The estimated net proceeds from the Rights Issue of approximately HK\$479,752,000 are calculated based on 1,718,758,412 Rights Shares (assuming the Rights Issue is subscribed in full and no change in the number of Shares in issue on or before the Record Date) to be issued at the Subscription Price of HK\$0.280 per Rights Share, after deduction of the estimated costs directly attributable to the Rights Issue of approximately HK\$1,500,000.
3. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share before the completion of the Rights Issue is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2026 of approximately HK\$89,911,000 as set out in note 1 above, divided by 245,536,916 Shares in issue as at 30 June 2026.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after the completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2026 immediately after the Rights Issue had been taken place of approximately HK\$569,663,000 divided by 1,964,295,328 Shares which comprise 245,536,916 Shares in issue as at 30 June 2026 and 1,718,758,412 Rights Shares to be issued under the Rights Issue (assuming the Rights Issue is subscribed in full and no change in the number of Shares in issue on or before the Record Date), as if the Rights Issue had been completed on 30 June 2026.
5. Save as disclosed in the above notes, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2026.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the accountants' report received from Suya WWC CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of inclusion in this circular.

To the Board of Directors of Grand Ocean Advanced Resources Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Grand Ocean Advanced Resources Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2026, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Appendix II of the circular dated 9 October 2026 (the “**Circular**”). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of seven (7) rights shares for every one (1) share held on the Record Date (as defined in the Circular) (the “**Proposed Rights Issue**”) on the Group's unaudited consolidated net tangible assets attributable to the owners of the Company as at 30 June 2026 as if the Proposed Rights Issue had taken place at 30 June 2026. As part of this process, information about the Group's consolidated financial position has been extracted by the directors of the Company from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2026, on which an interim report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 (Revised 2026), “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Rights Issue on unadjusted financial information of the Group as if the Proposed Rights Issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Rights Issue would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Rights Issue, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

SUYA WWC CPA Limited

Certified Public Accountants

So Wing Chiu

Practising Certificate Number: P07841

Hong Kong, 9 October 2026

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue (assuming no change in the number of issued Shares from the Latest Practicable Date to completion of the Rights Issue and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

(i) As at the Latest Practicable Date

Authorised: HK\$

10,000,000,000	Shares of HK\$0.1 each	1,000,000,000

Issued and fully paid: HK\$

245,536,916	Shares of HK\$0.1 each	24,553,691

(ii) Immediately after completion of the Rights Issue (assuming no change in the number of issued Shares from the Latest Practicable Date to completion of the Rights Issue and full acceptance of Rights Shares by all Qualifying Shareholders)

Authorised: HK\$

10,000,000,000	Shares of HK\$0.1 each	1,000,000,000

Issued and fully paid: HK\$

245,536,916	Shares of HK\$0.1 each	24,553,691
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1,718,758,412	Rights Shares to be allotted and issued under the Rights Issue	171,875,841

1,964,295,328	Shares in issue immediately upon completion of the Rights Issue	196,429,532

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, fully-paid or credited as fully-paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company does not hold any treasury shares (as defined in the Listing Rules).

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants or other similar rights which confer any right to convert into or subscribe for Shares and there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO, and none of the Directors, the chief executive of the Company nor their associates (as defined in the Listing Rules) had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO) or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”):

Name of Director	Capacity/ Nature of interest	Number of Shares or underlying Shares	Approximate percentage of the total issued share capital of the Company
Ms. Ji	Beneficial owner	64,000	0.03%

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as known to the Directors or the chief executive of the Company, the following corporations or individuals (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or which were recorded in the register to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange:

Name	Capacity/ Nature of interest	Number of Shares or underlying Shares	Approximate percentage of the total issued share capital of the Company
Mr. Liu Chang Deng	Beneficial owner	32,015,431	13.04%

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not determinable within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates had any material interest in business which competed or may compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors has or had any interest, either directly or indirectly, in any assets which have, since 31 December 2025, being the date to which the latest published audited consolidated financial statements were made up, been acquired or disposed of by or leased to, any member of the Group or are 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, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the Latest Practicable Date and are or may be material:

- (i) the Placing Agreement;
- (ii) MOUs; and
- (iii) the placing agreement dated 5 September 2025 (as supplemented by the supplemental placing agreement dated 26 September 2025) entered into between the Company and Imperium International Securities Limited, as placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent on a best efforts basis, up to 40,920,000 placing shares to not less than six independent placees at the placing price of HK\$0.335 per placing share.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions, letters or advice contained in this circular:

Name	Qualification
Akron Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Suya WWC CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts had no shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts had no interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to the any member of the Group since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up.

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter(s), opinion(s) or report(s), and reference to its name in the form and context in which they are respectively appear.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors	<i>Executive Director</i>
	Mr. Ng Ying Kit
	<i>Non-executive Director</i>
	Ms. Ji Yuan
	<i>Independent non-executive Directors</i>
	Mr. Chang Xuejun
	Ms. Liu Luqing
	Mr. Lam Tze Chung
Audit committee	Mr. Lam Tze Chung (<i>Chairman</i>)
	Mr. Chang Xuejun
	Ms. Liu Luqing

Nomination committee	Ms. Liu Luqing (<i>Chairlady</i>) Mr. Ng Ying Kit Mr. Lam Tze Chung
Remuneration committee	Mr. Chang Xuejun (<i>Chairman</i>) Ms. Ji Yuan Ms. Liu Luqing
Authorised representatives	Mr. Ng Ying Kit Ms. Cheng On Yi
Company secretary	Ms. Cheng On Yi <i>A member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales</i>
Head office and principal place of business	8/F Hip Shing Hong Centre No. 55 Des Voeux Road Central Central Hong Kong
Registered office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Business address of all Directors and authorised representatives	8/F Hip Shing Hong Centre No. 55 Des Voeux Road Central Central Hong Kong
Principal share registrar and transfer Office	Suntera (Cayman) Limited Suite 3204, Unit 2A Block 3, Building D P.O. Box 1586 Gardenia Court Camana Bay Grand Cayman KY1-1110 Cayman Islands

Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal banker	Hang Seng Bank Limited
Financial adviser to the Company	BaoQiao Partners Capital Limited Room C01, 26/F United Centre, 95 Queensway Admiralty Hong Kong
Legal adviser to the Company to Hong Kong laws	ZM Lawyers 20th Floor, Central 88 Nos. 88-98 Des Voeux Road Central Central Hong Kong
Legal adviser as to PRC Law	East & Concord Partners 20/F Landmark Building Tower 1 8 Dongsanhuan Beilu Chaoyang District Beijing China LI & PARTNERS (SHENZHEN) 10/F, Hantang Building O.C.T, Nanshan District Shenzhen China
Reporting accountant in relation to the Rights Issue	Suya WWC CPA Limited Unit 4, 27/F Wu Chung House 213 Queen's Road East Wanchai Hong Kong
Independent Financial Adviser	Akron Corporate Finance Limited 23A, China United Centre 28 Marble Road North Point Hong Kong
Placing Agent	DL Securities (HK) Limited 21/F, DL Tower 92 Wellington Street Central Hong Kong

11. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT**Executive Director**

Mr. Ng Ying Kit (“**Mr. Ng**”), aged 48, joined the Company as the vice president of the business development and corporate finance division in June 2014, and was appointed as an executive Director and the compliance officer of the Company in February 2015. He is mainly responsible for the business development and corporate finance function of the Group and holds directorships in various subsidiaries of the Company. Mr. Ng has more than 20 years of experience in corporate finance and investment banking and has considerable experience in mergers and acquisitions, debt and equity financing and corporate strategic planning. Prior to joining the Company, he held senior management position in a Hong Kong listed company overseeing corporate finance function. Mr. Ng graduated from the University of Hong Kong with a Bachelor’s degree in Electrical and Electronic Engineering. Mr. Ng has been an independent non-executive director of TBK & Sons Holdings Limited (“**TBK**”) (stock code: 1960), a company listed on the Main Board of the Stock Exchange, since October 2020.

Non-executive Director

Ms. Ji Yuan (“**Ms. Ji**”), aged 36, was appointed as a non-executive Director of the Company and a member of remuneration committee of the Board on 15 July 2026. Ms. Ji graduated from Jinan University in Guangzhou, the PRC with a bachelor’s degree in English (Language and Literature) in June 2013. She is currently the vice president of International Business Digital Technology Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1782). From February 2025 to August 2025, she served as the assistant to the chief executive officer of International Security Technology Ltd. (國際安全技術有限公司) in Hong Kong. From October 2024 to January 2025, she served as the business management director of the Company. From May 2019 to August 2024, she served as the office director and presidential assistant of Shenzhen Huazhenglian Industrial Co., Ltd. (深圳市華正聯實業有限公司) in the PRC.

Independent non-executive Directors

Mr. Lam Tze Chung (“**Mr. Lam**”), aged 54, was appointed as an independent non-executive Director of the Company and a member of each of the audit committee and nomination committee of the Board on 7 August 2026. Mr. Lam has over 21 years of experience in accounting and financial management gained from working in various listed companies in Hong Kong. Mr. Lam is currently the chief financial officer of TBK. Prior to this, he was the finance manager of TBK from September 2019 to April 2022. Additionally, he was the company secretary of Hong Kong Life Sciences and Technologies Group Limited (a company, whose shares were formerly listed on the GEM of the Stock Exchange) from March 2013 to May 2019. He also previously served as the senior accountant of China Energy Development Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 228) from June 2006 to June 2016.

Mr. Chang Xuejun (“**Mr. Chang**”), aged 55, was appointed as an independent non-executive Director of the Company and a member of each of the audit committee, the remuneration committee and the nomination committee of the Board on 17 March 2016. Mr. Chang was re-designated to the chairman from a member of the Remuneration Committee and the Nomination Committee on 22 January 2020 and he ceased to be the chairman and member of the Nomination Committee on 23 November 2020. Mr. Chang is a qualified lawyer in the PRC. He graduated from Northwest University of Political Science and Law in Xi’an City, the PRC in 1993. Mr. Chang has more than 30 years’ legal experience. He had been working as a secretary and assistant judge at the Intermediate People’s Court in Lanzhou City, Gansu Province, the PRC from August 1993 to May 1999. He has joined LI & PARTNERS Attorneys at Law in Shenzhen, the PRC as a lawyer since May 1999. Mr. Chang is currently the partner of LI & PARTNERS Attorneys at Law in Shenzhen, the PRC.

Ms. Liu Luqing (“**Ms. Liu**”), aged 31, was appointed as an independent non-executive Director of the Company and a member of each of the audit committee, the remuneration committee and the nomination committee of the Board on 15 July 2026. Ms. Liu graduated from The Open University of Fujian in the PRC, earning a higher educational diploma in e-commerce in July 2017. She also obtained a bachelor’s degree in accounting from Jilin University in the PRC in January 2023. From January 2025 to July 2025, she served as the project manager in the marketing department of Fujian branch of State Grid International Leasing Company Ltd. (國網國際融資租賃有限公司), in the PRC. Prior to this, she held several positions at Fujian Hongshun Leasing Co., Ltd.* (福建宏順租賃有限公司) in the PRC, specifically, serving in the marketing department and the finance and risk management departments from September 2018 to September 2024.

Senior management

Ms. Cheng On Yi (“**Ms. Cheng**”), aged 35, the group financial controller and company secretary of the Company. She joined the Company and was appointed to the positions in July 2022. Ms. Cheng obtained a bachelor’s degree in business administration from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales. Ms. Cheng has over 10 years of experience in finance, accounting and auditing listed companies in Hong Kong. Prior to joining the Company, Ms. Cheng serviced as a senior manager in an international audit firm.

Mr. Wang Yun Lung (“**Mr. Wang**”), aged 62, the financial director of Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited, the Company’s indirect non-wholly owned subsidiary. Mr. Wang graduated from the Jilin Radio and TV University in the PRC in 1989 with major in financial accounting. Prior to joining the Group in August 2007, Mr. Wang served as financial controller in construction and technology development companies and has more than 25 years of experience in financial management.

12. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Mr. Lam Tze Chung (the chairman of the Audit Committee), Mr. Chang Xuejun and Ms. Liu Luqing. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “11. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT” in this appendix. The primary duties of the Audit Committee are to review the financial information of the Group, to oversee the financial reporting system, risk management and internal control systems to ensure the integrity of the consolidated financial statements of the Group and the effectiveness of internal control and risk management systems of the Group.

13. EXPENSES

The expenses payable by the Company in connection with the Rights Issue, including financial adviser fees, independent financial adviser fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$1.5 million.

14. MISCELLANEOUS

- (i) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, the Group had no significant exposure to foreign exchange liabilities.
- (iii) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

15. 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.grandoccean65.com) from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Board, the text of which is set out on pages 12 to 52 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 53 of this circular;
- (c) the letter from Independent Financial Adviser, the text of which is set out on pages 54 to 102 of this circular;
- (d) the independent reporting accountant's report on the unaudited pro forma financial information of the Group issued by Suya WWC CPA Limited, the text of which is set out in Appendix II to this circular;
- (e) the material contracts referred to in the paragraph headed "8. MATERIAL CONTRACTS" in this appendix; and
- (f) the written consents referred to in the paragraph headed "9. EXPERTS AND CONSENTS" in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Grand Ocean Advanced Resources Company Limited 弘海高新資源有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 65)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Grand Ocean Advanced Resources Company Limited (the “**Company**”) will be held at 11:00 a.m. on Tuesday, 27 October 2026 at 8/F, Hip Shing Hong Centre, No.55 Des Voeux Road Central, Central, Hong Kong for the purposes of considering and, if thought fit, passing, with or without modifications, the following ordinary resolution:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (as defined below, in their nil-paid and fully-paid forms) to be allotted and issued to the shareholders of the Company (the “**Shareholder(s)**”) and the Rights Issue becoming unconditional in accordance with its terms and conditions:

- (a) the issue by way of rights shares (the “**Rights Issue**”) of up to 1,718,758,412 Rights Shares (the “**Rights Shares**” and each a “**Rights Share**”) at a subscription price of HK\$0.280 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the Company’s register of members on Friday, 6 November 2026 or such other date as may be determined by the Company for ascertaining entitlements under the Rights Issue (the “**Record Date**”) (excluding those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong in respect of whom the directors (the “**Director(s)**”) of the Company, after making relevant enquiries, consider exclusion from the Rights Issue to be necessary or expedient by reason of legal restrictions under the laws of the relevant jurisdiction or requirements of the relevant regulatory authority or stock exchange in such jurisdiction), on the basis of seven (7) Rights Shares for every one (1) Share held by them on the Record Date and pursuant to the terms and conditions set out in the circular (the “**Circular**”) issued by the Company dated 9 October 2026 (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) of which this notice convening the EGM forms part, be and is hereby approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any one of the Directors be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the Rights Shares may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Non-Qualifying Shareholders as he/she deems necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;
- (c) the placing agreement dated 22 September 2026 entered into between the Company and DL Securities (HK) Limited (the “**Placing Agreement**”), in relation to the placing of the Unsubscribed Rights Share(s) and the NQS Unsold Rights Share(s) (as defined in the Circular), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and the allotment and issue of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (if any) to the placees procured thereunder be and is hereby approved; and
- (d) any one of the Directors be and is hereby authorised to do all such acts and things, as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Rights Issue, the Placing Agreement and the implementation of all transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares, the Placing Agreement and to agree with such variation, amendment or waiver as, in his/her opinion, appropriate and in the interests of the Company and its shareholders as a whole.

Yours faithfully,
For and on behalf of the Board
Grand Ocean Advanced Resources Company Limited
Ng Ying Kit
Executive Director

Hong Kong, 9 October 2026

Registered office:

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of business
in Hong Kong*

8/F
Hip Shing Hong Centre
No. 55 Des Voeux Road Central
Central
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date of this notice, the Board comprises one executive Director, namely Mr. Ng Ying Kit; one non-executive Director, namely Ms. Ji Yuan; and three independent non-executive Directors, namely, Mr. Chang Xuejun, Ms. Liu Luqing and Mr. Lam Tze Chung.

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this notice.
2. All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
3. Any Shareholder entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him/her. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every Shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her. A proxy need not be a Shareholder.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
5. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 21 October 2026 to Tuesday, 27 October 2026 (both dates inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar 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 pm. on Tuesday, 20 October 2026.
7. Completion and return of the form of proxy shall not preclude a member of the Company from attending the EGM and voting in person at the EGM or any adjournment thereof if he/she/it so desires.
8. If a member of the Company attends the EGM after having deposited the form of proxy, his/her/its form of proxy will be deemed revoked. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally 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 personally or by proxy, then one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holder stand on the register in respect of the relevant joint holding.
9. References to time and dates in this notice are to Hong Kong time and dates.
10. The English text of this notice shall prevail over the Chinese text in case of inconsistency.
11. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons is in force at or at any time after 8:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.grandocan65.com) to notify members of the date, time and place of the rescheduled meeting.