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

If you have sold or transferred all your shares in Flowing Cloud Technology Ltd (the “Company”), you should at once hand this circular together with the accompanying 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.

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



Flowing Cloud Technology Ltd

飛天雲動科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6610)

**(I) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(II) PROPOSED CHANGE IN BOARD LOT SIZE;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
AND
(IV) NOTICE OF EGM**

Financial Adviser to the Company



Diligent Capital Limited

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



Vinco Financial Limited

Placing Agent to the Company



CNI Securities Group Limited

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

A letter from the Board is set out on pages 13 to 53 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 54 to 55 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 IFA-1 to IFA-51 of this circular.

Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 19 November 2026 to Thursday, 26 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 Thursday, 19 November 2026 to Thursday, 26 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 Shop 8, Jingyuan Art Center, Guangqulu No. 3, Chaoyang District, Beijing, PRC on Monday, 2 November 2026 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form 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 so that it is received at least 48 hours before the time appointed (i.e. Saturday, 31 October 2026 at 11:00 a.m.) for the EGM or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

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 Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights will be placed to independent placee on a best effort basis under the Compensatory Arrangements. Any Unsubscribed 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. There is no minimum amount to be raised under the Rights Issue. 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.

There are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue. Accordingly, the Rights Issue and the Placing may or may not proceed.

9 October 2026

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EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue and the Placing which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

EXPECTED TIMETABLE OF THE RIGHTS ISSUE

Event(s)	Date and Time
Expected despatch date of circular together with notice and proxy forms in relation to the EGM	Friday, 9 October 2026
First day of free exchange of existing share certificates for the Shares in board lot of 1,000 Shares each to new share certificates for the Shares in board lot of 2,000 Shares each	Friday, 16 October 2026
Latest time for lodging transfers of the Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 26 October 2026
Closure of the register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM	Tuesday, 27 October 2026 to Monday, 2 November 2026 (both days inclusive)
Latest time for lodging proxy forms for the EGM.	11:00 a.m. on Saturday, 31 October 2026
Effective date of the Change in Board Lot Size from 1,000 Shares to 2,000 Shares	Monday, 2 November 2026
Designated broker starts to stand in the market to provide matching services for odd lot of the Shares	9:00 a.m. on Monday, 2 November 2026
Record date for attendance and voting at the EGM	Monday, 2 November 2026
Expected date and time of the EGM	11:00 a.m. on Monday, 2 November 2026

EXPECTED TIMETABLE

Announcement of poll results of the EGM Monday, 2 November 2026

Register of members of the Company re-opens Tuesday, 3 November 2026

The following events are conditional on the fulfilment of the conditions relating to the implementation of the Rights Issue and, therefore, the dates are tentative only:

Event(s)	Date and Time
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Last day of dealings in the Shares on a cum-rights basis	Thursday, 5 November 2026
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First day of dealings in the Shares on an ex-rights basis relating to the Rights Issue	Friday, 6 November 2026
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Latest time for lodging transfers of Shares in order to qualify for the Rights Issue.	4:30 p.m. on Monday, 9 November 2026
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Closure of register of members of the Company for determination of entitlements to the Rights Issue	Tuesday, 10 November 2026 to Monday, 16 November 2026 (both days inclusive)
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Record Date for the Rights Issue	Monday, 16 November 2026
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Register of members of the Company re-opens	Tuesday, 17 November 2026
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Expected despatch date of the Prospectus Documents (including the PAL and the Prospectus), and in case of the Non-Qualifying Shareholders, the Prospectus only	Tuesday, 17 November 2026
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First day of dealings in nil-paid Rights Shares	Thursday, 19 November 2026
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Designated broker ceases to provide matching services for odd lots of the Shares	4:00 p.m. on Friday, 20 November 2026
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Latest time for splitting of PAL	4:30 p.m. on Monday, 23 November 2026
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EXPECTED TIMETABLE

Last day of free exchange of existing share certificates for the Shares in board lot of 1,000 Shares each to new share certificates for the Shares in board lot of 2,000 Shares each	Tuesday, 24 November 2026
Last day of dealings in nil-paid Rights Shares	Thursday, 26 November 2026
Latest time for acceptance and payment for the Rights Shares	4:00 p.m. on Tuesday, 1 December 2026
Latest time for lodging transfer documents of nil-paid Rights Shares to qualify for the payment of Net Gain	4:00 p.m. on Tuesday, 1 December 2026
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements	Tuesday, 8 December 2026
Commencement of the placing of Unsubscribed Rights Shares by the Placing Agent	Wednesday, 9 December 2026
Latest time of the placing of Unsubscribed Rights Shares by the Placing Agent	4:00 p.m. on Thursday, 17 December 2026
Placing Long Stop Date	Thursday, 17 December 2026
Announcement of the allotment results of the Rights Issue to be published on the websites of the Stock Exchange and the Company	Wednesday, 23 December 2026
Despatch of share certificates for fully-paid Rights Shares and completion of Placing to take place	Thursday, 24 December 2026
Despatch of refund cheques, if any, if the Rights Issue is terminated	Thursday, 24 December 2026
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 28 December 2026

EXPECTED TIMETABLE

Payment of Net Gain to relevant No Action Shareholders (if any)

or Non-Qualifying Shareholders (if any) Monday, 11 January 2027

All times and dates in this circular refer to local times and dates in Hong Kong. Dates or deadlines specified in the expected timetable above or other parts of this circular are indicative only and may be extended or varied. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate in accordance with the Listing Rules.

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

The Latest Time for Acceptance will not take place if a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region or a “black” rainstorm warning:

- (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. 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 section headed “Expected timetable of the Rights Issue” above may be affected. The Company will notify the Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

DEFINITIONS

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

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Announcements”	the announcements of the Company dated 15 July 2026, 28 July 2026, 29 July 2026, 21 August 2026, 25 August 2026, 11 September 2026 and 25 September 2026 in relation to, among other things, the Increase in Authorised Share Capital, Change in Board Lot Size and the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in the board lot size of 1,000 Shares to 2,000 Shares
“China Clear”	China Securities Depository and Clearing Corporation Limited
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)

DEFINITIONS

“Company”	Flowing Cloud Technology Ltd, 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: 6610)
“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best-effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“Completion”	completion of the Rights Issue, and the Placing
“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
“CSRC”	China Securities Regulatory Commission
“CSRC Notice”	the “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect” (關於港股通下香港上市公司向境內原股東配售股份的備案規定) (Announcement 2016 No. 21) promulgated by the CSRC
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve Increase in Authorised Share Capital and the Rights Issue and the transactions contemplated thereunder
“General Rules of HKSCC”	the 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
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Operational Procedures”	the 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
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the Company’s authorised share capital from US\$50,000 divided into 250,000,000 Shares to US\$400,000 divided into 2,000,000,000 Shares by the creation of additional 1,750,000,000 Shares
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, to be established by the Board for the purpose of advising the Independent Shareholders on the Rights Issue and voting
“Independent Financial Adviser” or “Vincor Financial”	Vincor Financial Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the independent Shareholders in respect of the terms of the Rights Issue and the transactions contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and any of its connected persons or any of their respective associates

DEFINITIONS

“Last Trading Day”	15 July 2026, being the last trading day for the Shares on the Stock Exchange immediately prior to the date of the Announcement
“Latest Practicable Date”	6 October 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 18 November 2026 (or such other time or date as may be determined by the Company), being the latest time for acceptance of the offer of and payment for, the Rights Shares, as described in the Prospectus Documents
“Listing Committee”	has the meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Mr. Wang”	Mr. Wang Lei* (汪磊), a controlling shareholder, an executive Director, the chairman of the Board, and the chief executive officer of the Company
“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 Unsubscribed Rights Shares placed by the Placing Agent under the Placing Agreement) pursuant to the Compensatory Arrangements
“No Action Shareholder(s)”	those Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) in their assured entitlements, or Non-Qualifying Shareholders (as the case may be)

DEFINITIONS

“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register 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)”	professional, institutional, corporate or other investor(s), procured by the Placing Agent to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares on a best effort basis by the Placing Agent to the independent placee(s) during the Placing Period on the terms and conditions set out in the Placing Agreement
“Placing Agent”	CNI Securities Group Limited, a licensed corporation carrying out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement

DEFINITIONS

“Placing Agreement”	the placing agreement dated 15 July 2026 (after trading hours of the Stock Exchange) entered into between the Company and the Placing Agent in respect of the Compensatory Arrangements, pursuant to which the Placing Agent has agreed to procure placees on a best effort basis to subscribe for the Unsubscribed Rights Shares
“Placing Conditions”	condition(s) precedent to the completion of the Placing as set out in the Placing Agreement
“Placing Long Stop Date”	Thursday, 17 December 2026, or such other date as may be agreed between the Company and the Placing Agent as the latest date for placing, and payment for, the Unsubscribed Rights Shares under the Placing Agreement
“Placing Period”	the period from Wednesday, 9 December 2026 to Thursday, 17 December 2026, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements
“Placing Price”	the placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process
“Posting Date”	Tuesday, 17 November 2026 or such other date as the Company may announce, being the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“PRC Southbound Trading Investor(s)”	the PRC investor(s) who hold Shares through China Clear as nominee under the Shenzhen-Hong Kong Stock Connect and/or the Shanghai Hong Kong Stock Connect

DEFINITIONS

“Prospectus”	the prospectus to be despatched to the Shareholders by the Company, containing details of the Rights Issue
“Prospectus Documents”	collectively, the Prospectus and the PAL
“Public Float Requirement(s)”	the public float requirement under Rule 13.32B of the Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Monday, 16 November 2026, (or such other date as the Company may announce), being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined
“Registrar”	Tricor Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares on the basis of four (4) Rights Shares for every one (1) 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)”	Shares to be issued and allotted under the proposed Rights Issue on the basis of four (4) Rights Shares for every one (1) Share in issue on the Record Date, being 520,115,040 Shares based on the Company’s issued share capital as at the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of US\$0.0002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share Option(s)”	the options granted pursuant to the Share Option Scheme, i.e. the 972,600 outstanding share options granted by the Company pursuant to the Share Option Scheme as at the Latest Practicable Date
“Share Option Scheme”	the post-IPO share option scheme conditionally adopted by the Company on 8 September 2022
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.6 per Rights Share
“substantial shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Share(s)”	those Rights Share(s) that are not subscribed by the Qualifying Shareholders and Rights Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be)
“%”	per cent.

LETTER FROM THE BOARD



Flowing Cloud Technology Ltd

飛天雲動科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6610)

Executive Directors:

Mr. Wang Lei (*Chairman*)

Ms. Xu Bing

Mr. Li Yao

Independent Non-executive Directors:

Mr. Jiang Yi

Ms. Li Yue

Mr. Li Shaojie

Registered office:

89 Nexus Way

Camana Bay

Grand Cayman

KY1-9009

Cayman Islands

*Headquarters and principal place of
business in PRC:*

Shop 8, Jingyuan Art Center

Guangqulu No. 3

Chaoyang District

Beijing

PRC

Principal place of business in Hong Kong:

Room 1917, 19/F

Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

9 October 2026

To the Shareholders,

Dear Sir or Madam,

**(I) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(II) PROPOSED CHANGE IN BOARD LOT SIZE;
AND
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

Reference is made to the Announcements.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on the increase in authorised share capital of the Company, Rights Issue and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; and (iv) a notice convening the EGM.

1. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase the authorised share capital of the Company from US\$50,000 divided into 250,000,000 Shares of US\$0.0002 each to US\$400,000 divided into 2,000,000,000 Shares of US\$0.0002 each by the creation of an additional 1,750,000,000 unissued Shares of US\$0.0002 each. Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective upon passing of such ordinary resolution on the date of the EGM.

In order to accommodate the Rights Issue and provide the Company with greater flexibility to raise funds in the future, the Board considers the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

2. PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded on the Stock Exchange in board lots of 1,000 Shares. The Company proposes to change the board lot size for trading in the Shares from 1,000 Shares to 2,000 Shares.

Reasons for the Change in Board Lot Size

According to the Guide on Trading Arrangements for Selected Types of Corporate Actions issued by Hong Kong Exchanges and Clearing Limited (the “**Guide**”), taking into account the minimum transaction costs for a securities trade, the expected value of a board lot should generally be greater than HK\$1,000.

Based on the closing price of HK\$0.765 per Share as at the Latest Practicable Date, the value of each existing board lot of 1,000 Shares is HK\$765, which is less than HK\$1,000. In view of the relatively low value of the existing board lot, the Board considers that it is appropriate to change the board lot size from 1,000 Shares to 2,000 Shares.

LETTER FROM THE BOARD

Upon the Change in Board Lot Size becoming effective, the estimated value of each board lot of 2,000 Shares would be HK\$1,530, which is expected to be greater than HK\$1,000. The proposed Change in Board Lot Size is therefore intended to facilitate compliance with the recommended board lot value under the Guide and to reduce the impact of minimum transaction costs on Shareholders when trading in the Shares. The Change in Board Lot Size will not result in any change to the relative rights of the Shareholders.

3. PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue. Further details of the Rights Issue are set out below:

Rights Issue statistics

Basis of the Rights Issue:	Four (4) 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\$0.6 per Rights Share
Net subscription price per Rights Share (i.e., the subscription price, after deducting the expenses associated with the rights issue):	approximately HK\$0.59 per Rights Share
Number of Shares in issue as of the Latest Practicable Date (excluding treasury shares):	130,028,760 Shares
Maximum number of Rights Shares:	up to 520,115,040 Rights Shares (assuming that there are no changes to the total issued share capital of the Company on or before the Record Date, and that no fractional Shares will be issued)
Aggregate nominal value of the Rights Shares:	Up to US\$104,023.008 (assuming that there are no changes to the total issued share capital of the Company on or before the Record Date)

LETTER FROM THE BOARD

Number of Shares in issue immediately upon completion of the Rights Issue:	Up to 650,143,800 Shares (assuming that there are no changes to the issued share capital of the Company on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before the Completion)
Maximum gross proceeds from the Rights Issue:	up to approximately HK\$312.1 million before expenses (assuming that there are no changes to the total issued share capital of the Company on or before the Record Date, and that the Rights Shares will be taken up by the Qualifying Shareholders, any Rights Shares that remain unsubscribed will be successfully placed by the Placing Agent under the Placing)

Assuming there are no changes to the total issued capital of the Company on or before the Record Date, the issuance of 520,115,040 Rights Shares pursuant to the terms of the Rights Issue will represent (i) 400% of the total issued share capital of the Company (excluding treasury shares) as at the Latest Practicable Date; and (ii) 80% of the total issued share capital of the Company (excluding treasury shares) after the allotment and issuance of the Rights Shares upon the Completion.

As at the Latest Practicable Date, the Company has 59,100 treasury Shares and has outstanding 972,600 Share Options entitling the holders thereof to subscribe for an aggregate total of 972,600 Shares under the Share Option Scheme.

Adjustment(s) (if any) to the exercise price and/or the number of Shares subject to the outstanding share options as a result of the Rights Issue will be made in accordance with the terms of the share option scheme of the Company and the requirements of the Listing Rules. The Company will notify the holders of such share options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the share option scheme and such adjustments will be certified by an independent financial adviser or auditor of the Company (as the case may be).

The Company had no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Save as disclosed, the Company has no outstanding share options, warrants, options, convertible securities, or other similar rights that are convertible or exchangeable into Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

Undertakings

The Company has not received any information or irrevocable undertaking from any substantial shareholder of the Company of its intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue as at the Latest Practicable Date.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company will provide the Prospectus Documents solely to the Qualifying Shareholders. For avoidance of doubt, unless Qualifying Shareholders submit their requests in writing to the Company for hard copies of the Prospectus, the Company will send the Prospectus to Qualifying Shareholders in electronic form. Meanwhile, the PAL will be sent in hard copies. For Non-Qualifying Shareholders, the Company may reasonably make copies of the Prospectus available for informational purposes only, based on the guidance of its legal advisers in the relevant jurisdictions. However, no PAL will be issued to Non-Qualifying Shareholders.

To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date: (i) be registered on the registers of members of the Company; and (ii) not be the Non-Qualifying Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on Monday, 9 November 2026.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 27 October 2026 to Monday, 2 November 2026 (both days inclusive) to determine whether the Shareholders are eligible to attend and vote at the EGM, the period during which no transfer of Shares will be registered.

The register of members will be closed from Tuesday, 10 November 2026 to Monday, 16 November 2026 (both days inclusive) to determine the entitlements to the Rights Issue, the period during which no transfer of Shares will be registered.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price of HK\$0.6 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 21.57% to the closing price of HK\$0.765 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 24.05% to the closing price of HK\$0.79 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 24.24% to the average closing price of approximately HK\$0.792 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 23.27% to the average closing price of approximately HK\$0.782 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 5.96% to the theoretical ex-rights price of approximately HK\$0.638 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.79 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 19.39%, which is calculated based on the theoretical ex-rights price of approximately HK\$0.6384 per Share and the benchmarked price of HK\$0.792 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares of HK\$0.79 as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Shares of HK\$0.792 as quoted on the Stock Exchange for the five (5) previous consecutive trading days immediately prior to the Last Trading Day); and
- (vii) a discount of approximately 93.66% to the audited net asset value per Share of approximately RMB8.52 (equivalent to approximately HK\$9.46) based on the latest audited consolidated net asset value of approximately RMB1,108,605,000 (equivalent to approximately HK\$1,230,552,000) as at 31 December 2025 and the number of Shares in issue as at the Latest Practicable Date (i.e., 130,087,860 Shares).

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The Subscription Price was arrived at with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the financial position of the Group; and (iii) the reasons as discussed in the section headed “Reasons for and benefits of the Rights Issue and the use of proceeds” in this circular.

To elaborate, the Board noted that the Subscription Price represents a discount to the closing price of the Shares on the Stock Exchange on the Last Trading Day, as well as the closing prices in the preceding five consecutive trading days and the latest published unaudited consolidated net asset value per Share. In determining the Subscription Price, the Board expressly considered the size of that discount and a range of quantitative and qualitative factors, including: (i) the historical trading level of the Shares since the publication of the Group’s 2025 annual results, during which the Shares have traded persistently below the Group’s latest published unaudited consolidated net asset value per Share, such that net asset value per Share may not be a meaningful standalone benchmark for price fairness; (ii) the Group’s recent financial performance, including continuous annual losses from 2024 and the consequent reduction in total equity from approximately RMB1,452,232,000 as at 31 December 2023 to approximately RMB1,108,605,000 as at 31 December 2025, which may affect market sentiment and valuation; (iii) the relatively limited liquidity of the Shares in the 12 months before the Last Trading Day, which the Board recognised could justify a discount to improve take-up; (iv) the fact that the Rights Issue is being offered to all Qualifying Shareholders on a pro rata basis, so the discounted Subscription Price does not disadvantage eligible shareholders and provides them with an equal opportunity to participate; and (v) that Qualifying Shareholders who do not wish to take up their entitlements may realise value by selling their nil-paid Rights Shares in the market.

Furthermore, the Directors acknowledge that the audited net asset value (NAV) per Share was approximately RMB8.52 (equivalent to around HK\$9.46) as of 31 December 2025, representing a significant discount of approximately 93.66% relative to the Subscription Price. However, the Directors consider this as having limited relevance when determining the Subscription Price for the Rights Issue after considering (i) the audited NAV may be subject to influences from accounting timing and non-cash revaluation items, which do not necessarily reflect the marketability or liquidity of the Shares; (ii) analysis of market data from the period 2 January 2026 to 30 June 2026 (the “Review Period”) demonstrates that Shares consistently traded at a significant discount to the NAV per Share, with closing prices varying between HK\$0.75 and HK\$1.93. This enduring discount indicates that market participants place greater emphasis on observable trading prices and prevailing liquidity conditions than on the audited NAV alone; (iii) trading volumes during the Review Period exhibited low volatility, with an average of approximately 289,038 Shares traded per trading day during the Review Period, ranging from 10,700 Shares (approximately 0.008% of the entire issued share capital excluding treasury shares) at the lowest point on 12 March 2026 to 3,247,301 Shares (approximately 2.49% of the entire issued share capital excluding treasury shares) at the highest point on 16 April 2026. With the exclusion of two trading days with less

LETTER FROM THE BOARD

than 10,000 Shares traded and one trading day with more than 13 million Shares traded as outlier statistics, this scenario reflects limited liquidity of the Shares and suggests that the NAV will not indicate such price at which new equity can realistically be issued to existing Shareholders; and (iv) the Company is currently facing immediate funding requirements.

To facilitate the Rights Issue and attract participation from Qualifying Shareholders under current market conditions, the Directors are of the view that the Subscription Price should be set in line with historical market prices which is sufficiently recent and observable and investor sentiment. Setting a subscription price near the audited NAV will not attract sufficient interest, given the audited NAV per Share is approximately 1,097.47% premium over the trading price on the Last Trading Day and with the limited liquidity, such hypothetical Subscription Price could compromise the effectiveness of the fundraising initiative. In light of these considerations, the Directors have given greater weight to market pricing and liquidity factors than to the audited NAV per Share in determining the Subscription Price.

Having balanced the Company's funding needs against Shareholder interests, and having considered the foregoing factors and market conditions, the Board concluded that the benefits of proceeding with the Rights Issue at a discounted Subscription Price outweigh the disadvantage. The discount was set to encourage participation and to improve the likelihood of successful capital raising.

The Directors (including the members of the Independent Board Committee, comprising all the independent non-executive Directors, and whose opinion set forth in "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in the circular of the Company after having been advised by the Independent Financial Adviser) consider that 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.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares is estimated to be approximately HK\$0.59 (assuming no change in the issued share capital of the Company on or before the Record Date).

Status of the Rights Shares

The Rights Shares (when allotted, issued, and 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 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

Basis of provisional allotments

The basis of the provisional allotment shall be four (4) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Qualifying Shareholders may apply for all or any part of their respective provisional allotment by lodging a duly completed PAL(s) and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of PRC Southbound Trading Investors

According to the "Stock Connect Southbound Shareholding Search" available on the Stock Exchange's website, as at the Latest Practicable Date, China Clear held 11,961,350 Shares, representing approximately 9.19% of the total number of the issued Shares.

The PRC Southbound Trading Investors may participate in the Rights Issue through China Clear. China Clear will provide nominee services for the PRC Southbound Trading Investors to (a) sell (in full or in part) their nil-paid Rights Shares through Shenzhen-Hong Kong Stock Connect and/or Shanghai-Hong Kong Stock Connect if such nil-paid Rights Shares are listed on the Stock Exchange; and/or (b) subscribe (in full or in part) for their pro-rata entitlement in respect of Shares held on the Record Date at the Subscription Price under the Rights Issue in accordance with the relevant laws and regulations.

In addition, the PRC Southbound Trading Investors (or the relevant China Clear participants, as the case may be) whose stock accounts in China Clear are credited with nil-paid Rights Shares can only sell those nil-paid Rights Shares through the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect if such nil-paid Rights Shares are listed on the Stock Exchange, but cannot purchase any nil-paid Rights Shares or transfer such nil-paid Rights Shares to other PRC Southbound Trading Investors until after the Company completes its filing with the CSRC in accordance with the CSRC Notice.

The Company will file the Prospectus Documents with the CSRC in accordance with the CSRC Notice, and upon completion of such filing, the PRC Southbound Trading Investors may participate in the Rights Issue through China Clear.

The filing with CSRC in accordance with CSRC Notice is expected to be completed before the first day of dealing in nil-paid Rights Shares, such that the China Clear will provide nominee service for the PRC Southbound Trading Investors from the same date.

LETTER FROM THE BOARD

The PRC Southbound Trading Investors should consult their intermediary (including brokers, custodians, nominees, or China Clear participants) and/or other professional advisers for details of the logistical arrangements as required by China Clear and provide instructions to such intermediary in relation to the acceptance and/or sale of the nil-paid Rights Shares. Such instructions should be given in advance of the relevant dates stated in the section headed “EXPECTED TIMETABLE OF THE RIGHTS ISSUE” of this circular and otherwise in accordance with the requirements of the intermediary of the PRC Southbound Trading Investors and/or China Clear in order to allow sufficient time to ensure that such instructions are given effect.

The Board was advised that, as the Prospectus Documents are not intended to be filed with or approved by the CSRC other than in accordance with the CSRC Notice, the Rights Shares (in nil-paid or fully-paid forms) to be issued to the PRC Southbound Trading Investors shall not be offered and may not be offered or sold directly or indirectly in the PRC to any person or entity, unless through Shenzhen-Hong Kong Stock Connect and/or Shanghai-Hong Kong Stock Connect, or such person or entity has otherwise been exempt by or has obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations.

Rights of the Overseas Shareholders (if any)

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than (a) Hong Kong and (b) the PRC in accordance with the CSRC Notice. Overseas Shareholders (other than PRC Southbound Trading Investors) may not be eligible to take part in the Rights Issue.

According to the register of members of the Company as at the Latest Practicable Date, there was 1 Shareholder with registered addresses situated in the PRC, who held 3,229,400 Shares in aggregate, representing approximately 2.48% of the total issued share capital of the Company as at the Latest Practicable Date.

In compliance with the Listing Rules, the Directors have made enquiries with the legal advisers as to the laws of the PRC, on whether or not under the laws of the PRC the Rights Issue could be extended to the PRC Shareholder(s). The legal adviser to the Company as to the laws of the PRC are of the view that there are no legal restrictions in the PRC which prohibit the PRC Shareholder(s) from subscribing, paying for and receiving the Rights Shares under the Rights Issue; and there are no requirements of any relevant regulatory body in the PRC that limits any right of the PRC Shareholder(s) to subscribe, pay for and receive the Rights Shares under the Rights Issue. Accordingly, the extension of the Rights Issue to the PRC Shareholders and the offering of the Rights Shares to them will not violate any applicable law or regulations in the PRC.

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It is the responsibility of the PRC Shareholder(s) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Rights Shares. Based upon such legal advice, the Directors have decided to extend the Rights Issue to the PRC Shareholder(s), and the PRC Shareholder(s) shall therefore be Qualifying Shareholders.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Directors will make inquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) as at the Record Date with registered addresses in the jurisdictions set out above. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders (other than PRC Southbound Trading Investors). In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

It is the responsibility of the Shareholders, including the Overseas Shareholders, wishing to make an application for the Rights Shares, to satisfy himself/herself/itself before taking up his/her/its provisional allotments under the Rights Issue, as to the observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such jurisdiction in connection with the taking up and onward sale of the Rights Shares.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

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 nil-paid Rights Shares commence and before dealings in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on a pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

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Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will, if possible, be placed by the Placing Agent under the Compensatory Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties.

Overseas Shareholders (other than PRC Southbound Trading Investors) should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Fractional entitlement

Based on the entitlement to subscribe four (4) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise from the Rights Issue. No odd lot matching services in relation to the Rights Issue will be provided.

Odd lots arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Shares arising from the Change in Board Lot Size, the Company has appointed CNI Securities Group Limited as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Shares to make up a full board lot, or to dispose of their holding of odd lots of the Shares, during the period from 9:00 a.m. on Monday, 2 November 2026 to 4:00 p.m. on Friday, 20 November 2026 (both days inclusive). Shareholders who wish to take advantage of this facility should contact Ms. Lisa Or at CNI Securities Group Limited, Unit A, 26/F, Times Media Centre, 133 Wan Chai Road, Wan Chai, Hong Kong or at telephone number: +852 2153 0898 during office hours (i.e. 9:00 a.m. to 4:00 p.m.) of such period.

Holders of odd lots of the Shares should note that the matching of the sale and purchase of odd lots of the Shares is not guaranteed. Shareholders who have any doubt about the odd lots matching arrangement are advised to consult their own professional advisers.

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Shareholders or potential investors should note that (i) odd lots will be created after the Change in Board Lot Size; (ii) odd lots arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price in the market.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their 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 their nil-paid and fully paid forms will be in the board lots of 2,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their 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 their 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 both 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. 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 their nil-paid and fully paid forms will be subject to the payment of (i) stamp duty, (ii) the Stock Exchange trading fee, (iii) SFC transaction levy, and (iv) any other applicable fees and charges in Hong Kong.

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Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Thursday, 24 December 2026.

If the Rights Issue does not become unconditional, refund cheques are expected to be despatched by ordinary post on or before Thursday, 24 December 2026 at the respective Shareholders' own risk.

Non-underwritten basis

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.

In deciding to conduct the Rights Issue on a non-underwritten basis and without a minimum subscription level, the Directors have considered the Company's funding needs, prevailing market conditions, the interests of the Qualifying Shareholders and the risks associated with the proposed structure. The Directors considered the following factors:

- (i) **Difficulty in obtaining underwriting support.** The Company approached securities firms to underwrite the Rights Issue. However, due to, among other things, the trading performance, trading volume and liquidity of the Shares, the uncertain level of Shareholder participation and the size of the fund-raising, the firms approached declined to provide underwriting support. Accordingly, the Directors consider that proceeding on a non-underwritten basis is a practical and commercially reasonable alternative.
- (ii) **Discounted Subscription Price.** The Subscription Price has been set at a discount to the prevailing market price of the Shares to encourage Qualifying Shareholders to participate in the Rights Issue and improve the prospects of raising funds.
- (iii) **Flexibility in fund-raising.** The absence of a minimum subscription level enables the Company to proceed with the Rights Issue and use the proceeds actually raised, even if the Rights Issue is not fully subscribed. The Directors consider that this avoids the risk of the Rights Issue being delayed or terminated if a minimum subscription level is not achieved.

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- (iv) **Fair opportunity for Shareholders to participate.** The Rights Issue is offered to Qualifying Shareholders on a pro rata basis. Qualifying Shareholders may subscribe for their entitlements to maintain their percentage interests in the Company. The discounted Subscription Price also provides an incentive to participate and helps mitigate potential dilution arising from the Rights Issue.
- (v) **Arrangements for any shortfall.** If the Rights Issue is not fully subscribed, the Company may prioritise or reallocate the proceeds among its proposed uses and consider alternative financing options, where appropriate. These arrangements provide the Company with flexibility to address any shortfall in proceeds.

The proposed non-underwritten structure and the absence of a minimum subscription level are legally permissible and enable the Company to raise funds in a timely and flexible manner, particularly given the difficulty in obtaining underwriting support.

Having considered the above factors, the Directors consider that proceeding with the Rights Issue on a non-underwritten basis and without a minimum subscription level is in the best interests of the Company and its Shareholders as a whole.

The Directors further consider that the arrangements are fair and reasonable so far as the Shareholders are concerned. The Rights Issue gives all Qualifying Shareholders an equal and pro rata opportunity to participate at the Subscription Price and to avoid or minimise dilution of their interests. Although the non-underwritten structure does not guarantee that the maximum amount of proceeds will be raised, the Directors consider that this is outweighed by the practical difficulty of obtaining underwriting support and the risk that the Rights Issue may otherwise be delayed or not proceed. Accordingly, the Directors consider that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares that remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholder(s) who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code and/or potentially result in the Company's non-compliance of the Public Float Requirement of the Listing Rules. 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

LETTER FROM THE BOARD

(except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down by the Company to a level which (i) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules; and/or (ii) does not result in the non-compliance of the Public Float Requirement. Any subscription money which not utilised due to the scaled-down application of entitled Rights Shares will be refunded to the affected applicants.

The scaling-down of applications for Rights Shares will be conducted in a fair and equitable manner, guided by the following principles:

- (a) if the scale-down is necessary due to an exceeding of shareholding by a group of Qualifying Shareholders acting in concert (referred to as the “**Affected Group(s) of Shareholders**”) rather than an individual Qualifying Shareholder, the allocations of PAL(s) to members of the Affected Group(s) of Shareholders will be determined based on the number of Shares held by the affected applicants on the Record Date; and
- (b) the allocations of PAL(s) to different Affected Group(s) of Shareholders and/or affected individual Qualifying Shareholders will be made on a pro rata basis, based on the number of Shares held by the affected applicant(s) and/or affected group(s) of applicant(s) on the Record Date.

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

On 15 July 2026 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best-effort basis. According to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to independent placees on a best-effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best-effort basis, procure, by not later than 4:00 p.m. on Thursday, 17 December 2026, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares. Any Unsubscribed Rights Shares that are not placed will not be issued by the Company, and the size of the Rights Issue will be reduced accordingly.

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Net Gain (if any) will be paid (without interest) to the No Action Shareholders and Non-Qualifying 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 are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Non-Qualifying Shareholders with 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 or Non-Qualifying 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) and Non-Qualifying Shareholders in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

The Placing Agreement

The principal terms of the Placing Agreement are summarised below:

- Date : 15 July 2026
- Issuer : The Company
- Placing Agent : As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.
- Placing Period : The period from Wednesday, 9 December 2026 up to 4:00 p.m. on Thursday, 17 December 2026, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.
- Placing Price : The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price, and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process.

LETTER FROM THE BOARD

Placing
commission : Subject to completion of the Placing, the Company shall pay the Placing Agent a placing commission equal to the greater of: (a) 1% of the amount equal to the Placing Price multiplied by the total number of Unsubscribed Rights Shares successfully placed by the Placing Agent; and (b) a fixed placing commission of HK\$2 million. The Placing Commission will be payable in cash only and will not bear interest.

Placees : The placees shall be professional, institutional, and other investors. The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s) (where applicable), shall be independent third party(ies) of the Directors, chief executive of the Company or Substantial Shareholders or any of its subsidiaries or any of their respective associates.

The Placing Agent shall also ensure that (i) the public float requirement under Rule 13.32B of the Listing Rules remains to be fulfilled by the Company upon Completion; and (ii) the placees, and whose ultimate beneficial owner(s), (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% or more of the voting rights of the Company immediately after Completion, none of the placees shall be obliged to make a mandatory general offer to the other Shareholders under the Takeovers Code.

The Company will take all appropriate steps to ensure that sufficient public float is maintained in compliance with Rule 8.08 of the Listing Rules and will comply with the Public Float Requirement at all times.

Ranking of the
Unsubscribed
Rights Shares : The placed Unsubscribed Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of completion of the Placing.

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Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions (the “**Placing Conditions**”) being fulfilled:

- i) the Increase in Authorised Share Capital having become effective;
- ii) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares;
- iii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- iv) the Placing Agreement not having been terminated in accordance with the provisions regarding the force majeure events.

None of the above Placing Conditions may be waived by the parties to the Placing Agreement. For the avoidance of doubt, if all the Rights Shares are fully subscribed under the Rights Issue, the Placing will not proceed.

The Company shall use reasonable endeavours to procure the satisfaction of the Placing Conditions on or before the Placing Long Stop Date, but if any of the Placing Conditions shall not be so satisfied or become incapable of satisfaction by the Placing Long Stop Date, all rights, obligations and liabilities of the Placing Agent and of the Company thereunder shall cease and determine and none of the parties thereto shall have any claim against the other in relation thereto, save in respect of any antecedent breach of the Placing Agreement.

Termination : Either party may, by written notice to the other party at any time prior to the Completion, terminate the Placing Agreement if any of the following events occur and, where capable of remedy, are not remedied within five (5) Business Days after written notice:

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- (1) any of the Placing Conditions is not satisfied or becomes incapable of satisfaction by the Placing Long Stop Date, or the Rights Issue is withdrawn, lapses, or does not become unconditional; or
- (2) the other party commits a material breach of the Placing Agreement or any of its representations, warranties, or undertakings proves to have been materially untrue, inaccurate, or misleading; or
- (3) it becomes unlawful for either party to perform its material obligations under the Placing Agreement, or any injunction, order, or direction of a governmental, regulatory, or judicial body prevents completion of the Placing; or
- (4) in the case of termination by the Company only, the Placing Agent or any proposed sub-placing agent ceases to be duly licensed or otherwise fails to comply with the Listing Rules, the Takeovers Code or other applicable laws and regulations, or appoints any sub-placing agent without the Company's prior written consent; or
- (5) in the case of termination by the Company only, the Placing Agent fails to use reasonable endeavours to carry out the Placing in a timely and compliant manner or proposes any Placee who does not meet the requirements outlined in the Placing Agreement and does not promptly replace such Placee after notice from the Company.

Upon termination of the Placing Agreement, all rights, obligations and liabilities of the parties thereto shall cease and determine and no party shall have any claim against the other in respect of any matter arising out of or in connection with the Placing Agreement, save for any antecedent breach of the Placing Agreement finally determined.

The Compensatory Arrangements comply with the requirements under Rule 7.21(1)(b) 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) given that the Unsubscribed Rights

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Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company.

The Placing Agent confirms that it is an Independent Third Party. The terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company, with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.

The Company believes the Compensatory Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interests of the Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that the Company has put in place the Compensatory Arrangements as required by Rule 7.21(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions:

- (1) the passing of the necessary resolutions by the Shareholders (or as the case may be, the Independent Shareholders) at the EGM approving, among other things, the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Posting Date of a certificate authorizing registration of the Prospectus with Hong Kong Companies Registry;
- (2) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong, the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto), in compliance with the Listing Rules and the Companies (Winding-Up and Miscellaneous Provisions) Ordinance, not later than the Posting Date;
- (3) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders (and where applicable, the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purposes only) and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Posting Date;

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- (4) 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 (in their nil-paid and fully-paid forms) by no later than the first day of their dealings;
- (5) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (6) all other necessary waivers, consents, and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transactions contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent can be waived. If any of the conditions referred to above are not fulfilled at or before 5:00 p.m. on Friday, 18 December 2026 (or such later date as the Company may determine), the Rights Issue will not proceed. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

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

The Group is principally engaged in four primary services: (i) providing marketing solutions utilizing augmented reality (AR) and virtual reality (VR); (ii) offering sales of content related to AR, VR, and artificial intelligence (AI); (iii) delivering integrated marketing, platform, and live promotion services; and (iv) developing software-as-a-service (SaaS) platform solutions for AR and VR applications.

The Directors believe the Rights Issue will raise the Group's corporate profile and strengthen its capital base, enabling further expansion of the Group's operations.

The estimated net proceeds from the Rights Issue (the "**Net Proceeds**"), after deduction of all estimated expenses, are approximately HK\$306.8 million. This estimate assumes full acceptance of the Rights Issue and that no new shares are allotted or issued prior to the Record Date. The Directors intend to apply the Net Proceeds as follows (and expect full utilisation within 18 months after the Completion, which is anticipated to be fully utilised on or before the end of June 2028):

- (i) approximately HK\$163.8 million, representing approximately 53.39% of the Net Proceeds, for expansion of the Group's artificial intelligence (AI) capabilities. This allocation will fund (a) research and development (R&D) for the Group's AI platform, (b) development and productisation of AI platform modules, and (c) upgrades to related

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hardware and software infrastructure to support capital investment in the AI platform over the next 18 months after the Completion, which is anticipated to be fully utilised on or before the end of June 2028;

- (ii) approximately HK\$93.0 million, representing approximately 30.31% of the Net Proceeds, for repayment of the Group's short-term bank borrowings that are expected to mature within 12 months after the Completion, which is anticipated to be fully utilised on or before the end of December 2027; and
- (iii) approximately HK\$50.0 million, representing approximately 16.30% of the Net Proceeds, for general corporate and administrative working capital within 12 months after the Completion, including administrative expenses and distribution and selling costs, which is anticipated to be fully utilised on or before the end of December 2027.

Expansion of the Group's artificial intelligence capabilities

As disclosed in the Company's annual report for the year ended 31 December 2025 (the **"2025 Annual Report"**), the Group has launched a customised AI software platform that generates text, images, video, and 3D content to support its AR/VR/XR services. This initiative seeks to address the growing market demand for more frequent, lower-cost, and faster content production. It aligns with the Group's strategic roadmap, AI+XR, and aims to shift revenue from customised projects toward reusable, platform-level offerings that enhance gross margins.

In support of this strategic expansion, the Company proposes to raise capital and allocate part of the Net Proceeds to expand the Group's AI capabilities, productize its platforms, and build the supporting infrastructure across its AR/VR and AI content, digital human, livestream promotion, platform services, and offline mixed reality entertainment businesses.

The proposed AI platform development is an expansion of the Group's existing customised AI software platform and is intended to enhance the Group's existing businesses. It is not intended to constitute a separate business unrelated to the Group's existing principal businesses.

The initiative will focus on the following five core areas:

1. **AI content generation:** This area encompasses the systematic creation of diverse content types, including text, images, videos, scripts, storyboards, marketing materials, and interactive elements. These resources will support the Group's marketing campaigns, enhance the production of AR and VR content, and facilitate the development of digital human experiences;

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2. **AI+XR integration:** This involves the incorporation of AI-generated content (AIGC) to assist in the generation and processing of three-dimensional (3D) assets, the creation of virtual environments, and the development of interactive modules. Such efforts will bolster the execution of AR, VR, and AI content projects while optimising offline mixed-reality entertainment offerings.
3. **Digital human capabilities:** This component focuses on advancing technologies related to voice-driven interactions, facial recognition, gesture and motion control, role management, broadcast control, and real-time interactions. These advancements will enhance applications in livestream promotions, digital human sales, and customer service, as well as scalable digital labor solutions.
4. **Enterprise AI agents and knowledge bases:** This area is dedicated to developing customer knowledge bases, industry-specific libraries, workflow engines, and integration systems relevant to the Group's platform services and enterprise integration projects.
5. **Compute and infrastructure:** This essential component addresses critical services, including cloud computing, inference resources, model orchestration, data storage, as well as security and compliance measures, elements vital to supporting all AI product platforms and ensuring the effective delivery of projects.

Objectives of the AI capability expansion

With the planned scope of development, the Company aims to achieve the following objectives:

- (i) **Cost reduction & Efficiency:** To improve production efficiency for marketing assets, 3D content, digital human scripts, and interactive materials. Progress will be assessed by reference to on shorter production lead times, higher reuse rates for outsourced work, and improved project delivery efficiency.
- (ii) **Productisation:** To streamline and consolidate the Group's AI capabilities into reusable platforms, tools, and modules. Relevant deliverables will include platform versions, functional modules, and reusable templates.
- (iii) **Commercialisation:** To create pilot solution packages for AI+XR, digital humans, enterprise AI agents, and offline mixed reality scenarios. Progress will be assessed by reference to pilot projects initiated, the conversion of pilots into customer contracts, and the successful rollout of stores or scenes, where applicable; and

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- (iv) Infrastructure: To establish robust multi-model integration, compute orchestration, data security, and cost-monitoring capabilities. Relevant indicators will include stable model invocation, active monitoring and management of computing costs, and the maintenance of appropriate security and compliance records.

Funding will be prioritised for R&D, product platform development, computing capacity, external technical partnerships, data/model integration, security/compliance, and commercial pilots for validation.

Key phases, milestones and acceptance arrangements

The AI capability expansion programme is expected to be implemented in three phases over 18 months following Completion. Each phase will have defined deliverables, validation procedures and acceptance records.

(i) Phase 1: Foundation and internal validation within six months after Completion

The Company expects to: (a) upgrade its core AI modules and content-generation tools; (b) enhance basic digital human functions; (c) establish the initial platform architecture; (d) complete model integration; and (e) compile inventories of computing resources and model usage.

The deliverables will be assessed through internal testing and a controlled trial release. Supporting acceptance records are expected to include test cases, defect registers, trial-release records, architecture documentation, computing-resource and model-usage inventories, and sign-off by the relevant technical personnel.

(ii) Phase 2: Product development and pilot deployment by 12 months after Completion

The Company expects to: (a) develop demonstrable AI content and digital human platforms; (b) productise selected AI+XR tools; (c) conduct external demonstrations and initial pilot deployments; and (d) establish reusable templates and delivery standards.

Supporting evidence is expected to include demonstration records, pilot reports, relevant customer or business-owner feedback, reusable templates, delivery standards and sign-off by the relevant project personnel.

(iii) Phase 3: Commercial solution packages by 18 months after Completion

The Company expects to develop repeatable solution packages for: (a) AI+XR applications; (b) digital human services; (c) enterprise AI agents; and (d) mixed reality entertainment scenarios.

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The solution packages are expected to include pricing frameworks, delivery documentation and commercial case studies to support future rollout and commercialisation. Supporting evidence is expected to include product package lists, pricing frameworks, delivery manuals, case studies, final acceptance reports and management sign-off.

The Company has established internal delivery and acceptance procedures to ensure that the progress and results of the programme are documented, reviewable and traceable. The specific quantitative thresholds, testing environments, sample sizes, defect classifications, acceptance personnel and sign-off dates will be determined by reference to the relevant approved product requirements documents, technical specifications, testing plans, project charters, procurement contracts and internal authorisation documents.

Use of the AI platform in the Group's AR and VR businesses

The AI platform is intended to enhance the Group's existing AR, VR, XR, digital human, platform services and offline mixed reality businesses. Its principal applications are as follows:

I. AR/VR marketing services

AI will assist in producing marketing assets, event scripts and interactive content. This is expected to shorten production cycles, support faster content iterations and improve the Group's ability to serve multiple clients.

II. AR/VR and AI content

AI-generated content will assist with the creation of three-dimensional assets, virtual environments and standardised interactive content. This is intended to reduce repetitive production work and support the development of reusable platform tools.

III. Digital human business

Enhancements to voice interaction, facial recognition, gesture and motion control, role management, broadcast control and real-time interaction will support livestream promotion, digital human sales and customer service applications.

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IV. Platform services

Enterprise AI agents, customer and industry knowledge bases, and workflow engines will be integrated into the Group's platform services. These capabilities are intended to support enterprise integration projects and improve the functionality and commercial potential of the Group's platforms.

V. Offline mixed reality entertainment

AI will support content updates, non-player character interactions and in-store assistant functions, with the aim of improving operational efficiency and creating additional value-added services in offline mixed reality venues.

The above business applications will be supported by five technical workstreams:

- AI content generation;
- AI+XR integration;
- digital human capabilities;
- enterprise AI agents and knowledge bases, and
- computing and infrastructure.

The programme is therefore intended to strengthen shared technical capabilities and convert the Group's existing service offerings into more reusable and scalable products.

Proposed investment budget and financing

In accordance with the above development plan, the Company proposes to allocate approximately HK\$163.8 million of the Net Proceeds to the AI capability expansion programme. To present the intended application of the Net Proceeds more clearly, the Company has grouped the proposed investment budget into the following three categories of use:

- a) approximately HK\$78.62 million will be allocated to the research and development of the Group's existing AI platform and related capabilities, comprising:
 - approximately HK\$57.33 million for external technical partnerships and outsourced R&D; and

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- approximately HK\$21.29 million for internal R&D personnel and project management.

The relevant work packages are expected to cover: (i) AI content generation; (ii) AI+XR integration; (iii) digital human functions; (iv) enterprise AI agents and knowledge bases; (v) core AI modules and content-generation tools; (vi) platform foundation components; and (vii) model integration and optimisation capabilities.

The internal R&D allocation is expected to cover both existing and newly engaged personnel. The estimated expenditure will be determined by reference to the required staffing levels, roles and responsibilities, estimated person-months and applicable staff costs.

The external R&D allocation will fund technical services and specialist support provided by external technical partners, including the development, integration, testing and optimisation of relevant AI modules. The final allocation will depend on the scope of each work package, the relevant technical specifications and the applicable project plans and budgets.

- b) approximately HK\$42.62 million will be allocated to the development and productisation of AI platform modules, comprising:

- approximately HK\$31.12 million for AI product platform development; and
- approximately HK\$11.50 million for commercial pilots and proof-of-concept deployments.

This allocation is intended to support the development, refinement and conversion of AI capabilities into reusable and commercially deployable solutions. The relevant modules are expected to include: (i) AI content-generation tools; (ii) AI+XR applications; (iii) digital human solutions; (iv) enterprise AI agents; (v) workflow engines; and (vi) knowledge-base and related platform functions.

The commercial pilot and proof-of-concept budget will support the testing and validation of these modules in selected customer, business or operational scenarios. Depending on the relevant opportunity, such activities may include external demonstrations, initial pilot deployments, productisation testing and the preparation of reusable delivery templates and implementation standards.

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The specific customers, use cases and deployment scenarios had not necessarily been determined as at the Latest Practicable Date. The final allocation will depend on the scope and complexity of the relevant modules, development and testing requirements, pilot or proof-of-concept requirements, applicable technical and personnel costs, and the relevant project plans and budgets.

- c) Approximately HK\$42.56 million will be allocated to the software and hardware infrastructure required to develop, operate and commercialise the AI platform, comprising:
- approximately HK\$32.76 million for computing, cloud services and infrastructure; and
 - approximately HK\$9.80 million for data and model integration, security and compliance measures.

The allocation is expected to cover: (i) cloud and computing resources; (ii) storage capacity; (iii) model invocation and orchestration; (iv) data integration and management; (v) information security and system protection; (vi) compliance controls; and (vii) other software and hardware infrastructure necessary for the reliable operation of the AI platform.

The infrastructure will support both the R&D stage and the subsequent productisation and commercial deployment of the AI modules. The detailed allocation will be determined based on expected computing and storage requirements, projected model usage, required service periods, data integration scope, and applicable security and compliance requirements.

Depending on the relevant project, the Group may procure the required services or equipment from external suppliers or obtain them through cloud-service and other technology-service arrangements. Suppliers, procurement status and final contractual terms will be determined progressively in accordance with the Group's procurement procedures and the approved requirements of each project.

Expected total capital commitment for the development of the AI platform and financing arrangements

The proposed allocation of approximately HK\$163.8 million represents the maximum planned budget for the Group's AI capability expansion programme over the 18-month period following Completion, assuming that the maximum estimated Net Proceeds are raised. It is not a minimum

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or mandatory investment, an irrevocable capital commitment already entered into by the Group, or an indication that the entire amount will necessarily be classified as capital expenditure for accounting purposes. The Group's finance team will determine the accounting treatment of each expenditure item by reference to the relevant contract, project stage and applicable accounting standards.

The principal source of funding for the AI capability expansion programme is the Net Proceeds. As at the Latest Practicable Date, the Group had not entered into any material irrevocable contract or incurred any capital commitment in respect of the unimplemented portion of the programme.

If the Rights Issue is undersubscribed, or if the actual Net Proceeds are lower than expected, the Company will apply the funds raised to its funding needs and allocate them among the proposed uses according to their relative priority. The Company may reduce, defer or cancel the AI-related projects or work packages in the event of the Rights Issue is under-subscribed, having regard to their relative importance.

The Company will also review and, where appropriate, reduce the proposed investment amount and consider additional financing or fundraising alternatives. If the Group subsequently decides to proceed with any AI-related projects requiring funding in excess of the actual Net Proceeds available, the Company will determine the appropriate funding source after obtaining the relevant approvals. Potential sources may include the Group's existing internal resources, cash flows generated from operations and financing facilities available to the Group from time to time.

Expected synergies with the Group's existing businesses

The programme is expected to generate the following synergies:

- I. Marketing services: Faster and more efficient production of marketing assets, event scripts and interactive materials.
- II. AR/VR and AI content: Greater reuse of three-dimensional assets, virtual environments and interactive components, reducing repetitive production work.
- III. Digital human services: Improved voice, motion and broadcast capabilities to support livestreaming, sales and customer-service applications.
- IV. Platform services: Enhanced enterprise integration through AI agents, knowledge bases and workflow engines.

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- V. Offline mixed reality entertainment: More efficient content updates, richer non-player character interactions and expanded in-store assistant functions.

Taken together, these initiatives are intended to: (i) convert selected customised services into reusable and scalable products; (ii) reduce production and delivery inefficiencies; (iii) support commercial validation through pilots and partnerships; and (iv) strengthen the Group's computing, security, compliance and delivery infrastructure.

Accordingly, the proposed AI investment is designed to enhance and commercialise the Group's existing businesses rather than establish a separate business unrelated to its current operations.

Overall, these initiatives are designed to convert current service capabilities into scalable, repeatable products, accelerate commercialization through pilot programs and partnerships, and mitigate delivery and compliance risks through robust infrastructure and structured governance. This strategic approach underscores the rationale for the Rights Issue and the targeted allocation of proceeds to expand the Group's AI capabilities.

Repayment of the Group's bank borrowings

According to the 2025 Annual Report, as at 31 December 2025, the Group's current liabilities amounted to approximately RMB456.9 million (equivalent to approximately HK\$505.9 million), and total liabilities amounted to approximately RMB465.7 million (equivalent to approximately HK\$515.6 million). The Group had total outstanding bank borrowings of approximately RMB113.0 million (equivalent to approximately HK\$125.1 million), which were due for repayment within 12 months from 31 December 2025, with effective interest rates ranging from approximately 2.4% to 5.8% per annum. According to the Group's latest unaudited management accounts for the six months ended 30 June 2026, it was recorded that cash and cash equivalents amounted to approximately RMB13.2 million (equivalent to approximately HK\$15.2 million). This situation reflects a significant shortfall in near-term cash resources and creates considerable uncertainty about the Group's ability to meet its upcoming repayment obligations solely from operating cash flows.

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As at the Latest Practicable Date, the total outstanding bank borrowings have been reduced to approximately RMB90.9 million (equivalent to HKD105.0 million). Of this amount, approximately RMB5 million (equivalent to approximately HK\$5.8 million) owed to lender K (as defined in the table below) is repayable in 2028, while the remaining approximately RMB85.9 million (equivalent to HKD99.2 million) is due for repayment within 12 months following Completion. Below are the key terms of the Group's existing bank borrowings as at Latest Practicable Date:

Lender	Amount		Credit terms	Maturity date	Interest Rate	Note
	Amount RMB'000	equivalent to HKD'000				
A	4,500	5,199	1 year	22 October 2026	2.90%	(a)
B	10,000	11,553	1 year	10 December 2026	2.45%	
C	10,000	11,553	1 year	12 January 2027	4.00%	
D	10,000	11,553	1 year	15 January 2027	2.85%	
E	9,900	11,437	1 year	31 January 2027	3.05%	
F	8,000	9,242	1 year	26 February 2027	4.00%	
G	10,000	11,553	1 year	18 March 2027	2.40%	
H	6,000	6,932	1 year	17 June 2027	2.60%	
I	9,500	10,975	1 year	22 June 2027	2.90%	
J	8,000	9,242	1 year	28 June 2027	3.80%	
K	5,000	5,776	2 years	30 January 2028	2.65%	
Total outstanding	90,900	105,015				

Note:

- (a) This borrowing will be settled prior to the Completion and therefore does not form part of the Company's proposed repayment plan using the Net Proceeds.

It is anticipated that the Rights Issue will be completed in December 2026. Accordingly, based on the current timetable, the Board intends to allocate approximately HK\$93 million of the Net Proceeds to repay the amount due from Lender B to Lender J, with a total outstanding amount of approximately RMB81.4 million (equivalent to approximately HK\$94.0 million).

The application of approximately HK\$93 million of the Net Proceeds is expected to alleviate the Group's short-term repayment pressure, reduce its recurring interest expenses and outstanding liabilities, improve its short-term capital structure and liquidity position, and strengthen its position in negotiating loan renewals and other financing arrangements. The remaining bank borrowings not repaid from the Net Proceeds will be managed and repaid through a combination of the following measures:

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- (i) **Renewal and refinancing of existing facilities:** The Group will continue to communicate with the relevant banks and, having regard to the maturity dates of the respective facilities, seek loan renewals, extensions, refinancing, replacement facilities or adjustments to repayment periods, as appropriate, to maintain the normal and stable rollover of its existing banking facilities.
- (ii) **Cash flows from operations:** The Group will strengthen its accounts receivable management, improve customer credit and settlement terms, accelerate project acceptance, invoicing and collection, and progressively shorten customer credit periods. Operating receipts and net cash flows generated from the Group's business will, where available, be applied towards repaying bank borrowings as they fall due.
- (iii) **Internal funds and liquidity management:** The Group will coordinate the use of its available cash resources, improve the utilisation and realisation of receivables, prepayments and other current assets, and strengthen its control over costs, expenses and capital expenditure. These measures are intended to reduce unnecessary cash outflows and release additional liquidity to meet its financial obligations.
- (iv) **Additional financing:** Depending on its actual funding requirements, market conditions and applicable regulatory requirements, the Group may seek additional or replacement bank facilities, financing from financial institutions or other feasible financing arrangements to improve its debt maturity profile and support its overall liquidity.

The Group will determine the specific repayment and financing arrangements by reference to the actual maturity dates, outstanding balances, financing costs, renewal terms and liquidity position of the relevant facilities. Taking into account the expected Net Proceeds, the Group's available cash resources, cash flows from operations and the measures described above, the Company intends to manage its working capital and debt obligations over the 12 months following Completion according to the timing and priority of its expected cash outflows.

If the actual Net Proceeds are lower than the maximum estimated amount, the Company will prioritise the available funds among the repayment of bank borrowings, working capital and the other proposed uses according to their relative importance. Based on the current estimates and assumptions, the Company anticipates that, taking into account the expected Net Proceeds, it will have sufficient working capital to meet its present requirements for at least the 12 months following Completion. However, the adequacy of the Group's working capital will remain subject to the actual amount of Net Proceeds raised, the timing of customer collections, cash flows from operations, the renewal or refinancing of existing borrowings and the availability of additional

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financing. If any shortfall arises, the Group will adjust the timing and priority of its expenditures, defer non-essential expenditure, and consider the financing and liquidity-management measures described above.

General corporate and administration working capital purposes

In preparation for the expected expansion of the Company's business activities, the Directors expect a material increase in administrative and operating expenses to support growth. After reviewing the 2025 Annual Report and assessing the Group's distribution and selling expenses, administrative expenses, and cash resources, the Directors intend to allocate HK\$50.0 million from the Net Proceeds to general working capital to ensure stable operations and to support the Group's commercialisation and market expansion initiatives.

The HK\$50.0 million working-capital allocation is budgeted as follows: (i) approximately HK\$25.0 million for selling and distribution expenses to support brand promotion, marketing activities and sales team support for the Group's key products; (ii) approximately HK\$12.0 million for employee salaries and related personnel costs; (iii) approximately HK\$4.0 million for professional service fees; (iv) approximately HK\$4.0 million for rental payments; and (v) approximately HK\$5.0 million for other administrative costs.

This allocation will help preserve operational liquidity, sustain the Group's go-to-market activities, and ensure the business can scale while maintaining service quality and timely delivery. The above-planned proceeds are expected to be fully utilised by Group within 12 months falling after the Completion.

Other fund-raising alternatives

The Directors have considered various ways of raising funds and believe that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity which will not increase the Group's finance costs. The Board has considered other fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer.

Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner as it may be subject to lengthy due diligence and negotiations with financial institutions, it may as well require pledge of assets and/or other kind of securities which may reduce the Group's flexibility in managing its portfolio, further imposing additional financial burden on the Group's future cash flow.

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

On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future growth and development of the Group and at the same time offer the Qualifying Shareholders to maintain their respective proportional shareholdings in the Company by taking up their respective rights entitlement, especially in view of the incentive for participating in the Rights Issue and subscribing for the Rights Shares given the discount of the Subscription Price as compared to the current market price of the Shares. Furthermore, the Rights Issue, if substantiated, will be able to strengthen the financial position of the Group by raising additional funds and thereby providing a higher liquidity to increase the Group's operational flexibility and to sustain its capability for financing any of its potential business development opportunities upon the Group's existing businesses and/or anticipated expansion, as and when suitable opportunity arises.

Having considered the abovementioned alternatives, the Directors consider that raising funds through the Rights Issue is more attractive in the current market conditions. The Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position while allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholder(s), if any, should note that their shareholdings will be diluted.

Conclusion

The Group has conducted a detailed assessment of its capital requirements. As at 30 June 2026, the estimated cash and cash equivalents amounted to approximately RMB13.2 million. The Directors intend to allocate these resources to support the Group's general working capital needs.

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The Directors are confident that this course of action will not adversely impact the Group's financial performance from its ongoing business activities. Furthermore, the Directors consider that the Rights Issue is in the best interests of the Company and its Shareholders as a whole.

FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fundraising activities in the past twelve months immediately before the Latest Practicable Date:

Date of relevant announcements	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
9 September 2025 and 30 September 2025	Placing of new shares under the general mandate	HK\$74.53 million	(i) approximately HK\$44.72 million to acquire advertising traffic from media platforms;	The respective amount has been used for the relevant purposes as intended.
			(ii) approximately HK\$22.36 million to enhance the Group's research and development capabilities and to improve its service and product offerings; and	
			(iii) approximately HK\$7.45 million to strengthen general working capital.	

Save as disclosed above, the Company has not conducted any equity fundraising activities in the past twelve months immediately prior to the Latest Practicable Date.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the Company's shareholding structure arising from the Rights Issue, which are for illustrative purposes only. Below is the illustration of the Company's shareholding structure, including:

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- (i) as at the Latest Practicable Date (excluding treasury Shares);
- (ii) immediately after the Completion, assuming (a) all Qualifying Shareholders will take up their respective entitlements of the Rights Issue in full; and (b) there is no change to the total issued share capital of the Company on or before the Record Date (“**Scenario 1**”);
- (iii) immediately after the Completion, assuming (a) none of the Qualifying Shareholders will take up their respective entitlements of the Rights Shares; (b) the Placing Agent will successfully place all the Unsubscribed Rights Shares under the Placing, and (c) there is no change to the total issued share capital of the Company on or before the Record Date (“**Scenario 2**”);

Shareholders	As at the Latest Practicable		Scenario 1		Scenario 2 (Note 2)	
	Date					
	Approximately		Approximately		Approximately	
	Number of	Shareholding	Number of	Shareholding	Number of	Shareholding
	Shares	percentage	Shares	percentage	Shares	percentage
Mr. Wang (Note 1)	33,491,095	25.76%	167,455,475	25.76%	33,491,095	5.15%
The Placees	—	—	—	—	520,115,040	80.00%
Public Shareholders	96,537,665	74.24%	482,688,325	74.24%	96,537,665	14.85%
Total	130,028,760	100.00%	650,143,800	100.00%	650,143,800	100.00%

Notes:

- Mr. Wang serves as the executive Director, chairman of the Board, and the chief executive officer of the Company. As at the Latest Practicable Date, Mr. Wang was interested in 33,491,095 Shares through Brainstorming Cafe Limited (“**Brainstorming Cafe**”). Brainstorming Cafe is approximately 30% owned by Wanglei Co., Ltd. (“**Wang BVI**”) and approximately 70% owned by Cyber Warrior Holdings Limited (“**Cyber Warrior**”). Wang BVI is wholly owned by Mr. Wang, while Cyber Warrior is entirely owned by Moomoo Trustee (Singapore) Pte. Ltd., which functions as the trustee of a discretionary trust that Mr. Wang established for estate planning purposes, in which Mr. Wang acts as the settlor and protector, with Wang BVI designated as the beneficiary.
- This scenario is for illustrative purposes only. The Company has entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best-effort basis, to subscribe for the Unsubscribed Rights Shares. The Company will take all appropriate steps to ensure that sufficient public float is maintained in compliance with Rule 13.32B of the Listing Rules. In the event that the Rights Issue would result in public float not being maintained, the Company and/or the Placing Agent will take necessary action to place down the Shares such that sufficient public float could be maintained in compliance with Rule 13.32B of the Listing Rules.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the total issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of this circular and up to the Latest Practicable Date, the Rights Issue is conditional on minority Shareholders' approval at the EGM under the requirements of Rule 7.19A of the Listing Rules.

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

As at the Latest Practicable Date, the Company does not have a controlling shareholder as defined by the Listing Rules. However, Mr. Wang, who serves as an executive Director, chairman of the Board, and chief executive officer of the Company, holds beneficial interests in 33,491,095 Shares, which represent approximately 25.76% of the total issued share capital of the Company (excluding the treasury shares) as at the Latest Practicable Date. As a result, Mr. Wang and his associates are required to abstain from voting on the proposed resolutions to approve the Rights Issue and the transactions contemplated thereunder at the EGM. Save as the above disclosure, no other Shareholders are required to abstain from voting in favour of the proposed resolution to approve the Rights Issue and the transaction contemplated thereunder at the EGM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as those terms are defined under Rule 7.27B of the Listing Rules) for the Rights Issue are approximately HK\$0.638 per Share, HK\$0.792 per Share and approximately 19.39%, respectively. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

LETTER FROM THE BOARD

EGM

The EGM will be held at Shop 8, Jingyuan Art Center, Guangqulu No. 3, Chaoyang District, Beijing, PRC, on Monday, 2 November 2026 at 11 a.m. for the purpose of approving, the Rights Issue and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to pages EGM-4 of this circular. A form of proxy for use at the EGM is enclosed herewith.

Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

The register of members of the Company will be closed from Tuesday, 27 October 2026 to Monday, 2 November 2026 (both days inclusive) for determine the eligibility of the Shareholders to attend and vote at the EGM. In order to qualify for attendance and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 26 October 2026.

In compliance with the Listing Rules, all the resolutions to be proposed at the EGM will be voted on by way of poll at the EGM.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue (including information on acceptances of the Rights Shares) and PAL(s) are expected to be despatched to the Qualifying Shareholders on Tuesday, 17 November 2026.

FURTHER INFORMATION

Your attention is drawn to (i) letter from the Independent Board Committee which contains the recommendation from the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM.

ADDITIONAL INFORMATION

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

WARNING OF THE RISK OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

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 “Conditions of the Rights Issue” in this circular.

Shareholders and potential investors of the Company should note that if the conditions of the Rights Issue are not satisfied, the Rights Issue will not proceed. Any dealings in the Shares from the Latest Practicable Date and up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of 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 shareholding in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

LETTER FROM THE BOARD

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares and/or Rights Shares in nil-paid form are recommended to consult their professional advisers.

By Order of the Board
Flowing Cloud Technology Ltd
Wang Lei
Chairman and Executive Director



Flowing Cloud Technology Ltd
飛天雲動科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6610)

9 October 2026

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) 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 as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned, and to advise the Independent Shareholders on how to vote at the EGM.

Vinco Financial Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue, and the advice from the Independent Financial Adviser as set out on pages IFA-1 to IFA-51 of this circular, we are of the opinion that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions 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

Mr. Jiang Yi

Ms. Li Yue

Mr. Li Shaojie

Independent non-executive Directors

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the terms of the Rights Issue and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:

Vinco Financial Limited

9 October 2026

*To the Independent Board Committee and the Independent Shareholders of
Flowing Cloud Technology Ltd*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

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

The Company proposes to implement the Rights Issue on the basis of four (4) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date, at the Subscription Price of HK\$0.6 per Rights Share, to raise gross proceeds of approximately HK\$312.1 million before deducting the costs and expenses by way of issuing up to 520,115,040 Rights Shares (assuming no change in the total issued share capital of the Company on or before the Record Date).

LETTER FROM VINCO FINANCIAL

The estimated net proceeds from the Rights Issue (the “**Net Proceeds**”), after deduction of all estimated expenses, are approximately HK\$306.8 million. This estimate assumes full acceptance of the Rights Issue and that no new shares are allotted or issued prior to the Record Date. The Directors intend to apply the Net Proceeds as follows (and expect full utilisation within 18 months after the Completion), which is anticipated to be fully utilised on or before the end of June 2028:

- (i) approximately HK\$163.8 million, representing approximately 53.39% of the Net Proceeds, for expansion of the Group’s artificial intelligence (AI) capabilities. This allocation will fund (a) research and development (R&D) for the Group’s AI platform, (b) development and productisation of AI platform modules, and (c) upgrades to related hardware and software infrastructure to support capital investment in the AI platform over the next 18 months after the Completion, which is anticipated to be fully utilised on or before the end of June 2028;
- (ii) approximately HK\$93.0 million, representing approximately 30.31% of the Net Proceeds, for repayment of the Group’s short-term bank borrowings that are expected to mature within 12 months after the Completion, which is anticipated to be fully utilised on or before the end of December 2027; and
- (iii) approximately HK\$50.0 million, representing approximately 16.30% of the Net Proceeds, for general corporate and administrative working capital within 12 months after the Completion, including administrative expenses and distribution and selling costs, which is anticipated to be fully utilised on or before the end of December 2027.

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.

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules. Any Unsubscribed Rights Shares that are not placed will not be issued by the Company, and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

On 15 July 2026 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best-effort basis.

LETTER FROM VINCO FINANCIAL

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the total issued share capital of the Company by more than 50% within the 12-month period immediately preceding the date of this circular, the Rights Issue is conditional on minority Shareholders' approval at the EGM in accordance with the requirements of Rule 7.19A of the Listing Rules. Pursuant to Rule 7.27A(1) of the Listing Rules, where Shareholders' approval is required for a rights issue under Rule 7.19A, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company does not have a controlling shareholder as defined by the Listing Rules. However, Mr. Wang, who serves as an executive Director, chairman of the Board, and chief executive officer of the Company, holds beneficial interests in 33,491,095 Shares, which represent approximately 25.76% of the total issued share capital of the Company (excluding the treasury shares) as of the Latest Practicable Date. As a result, Mr. Wang and his associates are required to abstain from voting on the proposed resolutions to approve the Rights Issue and the transactions contemplated thereunder at the EGM. Save as the above disclosure, no other Shareholders or Directors are required to abstain from voting in favour of the proposed resolution to approve the Rights Issue and the transaction contemplated thereunder at the EGM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as those terms are defined under Rule 7.27B of the Listing Rules) for the Rights Issue are approximately HK\$0.638 per Share, HK\$0.792 per Share and approximately 19.39%, respectively. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Jiang Yi, Ms. Li Yue, and Mr. Li Shaojie, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions

LETTER FROM VINCO FINANCIAL

contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM.

We, Vinco Financial Limited, have been appointed and approved by the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Rights Issue is on normal commercial terms, fair and reasonable, are in the interests of the Company and the Independent Shareholders as a whole and whether to vote in favour of the resolution(s) to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any 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. We are not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates.

During the past two years, there was no engagement between the Group and us. Also, we are not aware of any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information

LETTER FROM VINCO FINANCIAL

and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which makes any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omissions of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter.

We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Rights Issue since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Rights Issue.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analysed and relied on (i) the annual report of the Company for each of the two years ended 31 December 2024 and 31 December 2025 (the “**2025 Annual Report**”), and the interim results of the Company for the six months ended 30 June 2026 (the “**2026 Interim Results**”), respectively; (ii) the Placing Agreement; and (iii) market information obtained from the website of the Stock Exchange. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

LETTER FROM VINCO FINANCIAL

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Business and financial performance of the Group

Set out below is a summary of the consolidated financial information of the Group for each of the two years ended 31 December 2024 (“FY2024”) and 31 December 2025 (“FY2025”) and each of the six months ended 30 June 2025 (“HY2025”) and 30 June 2026 (“HY2026”) which were extracted from the 2025 Annual Report and the 2026 Interim Results respectively:

Table 1: Historical financial information of the Group

	For the six months ended		For the year ended	
	30 June		31 December	
	2026	2025	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	223,575	381,313	783,904	995,347
Gross profit	48,359	80,653	152,318	200,036
(Loss) for the period/year				
attributable to owners of				
the Company	(14,972)	(123,508)	(367,086)	(43,702)

LETTER FROM VINCO FINANCIAL

	As at 30 June 2026 <i>RMB'000</i> (unaudited)	As at 31 December 2025 <i>RMB'000</i> (audited)	2024 <i>RMB'000</i> (audited)
Bank and cash balances	13,151	62,020	162,422
Total assets	1,533,817	1,574,341	1,770,509
Total liabilities	427,450	465,736	387,507
Net assets	1,106,367	1,108,605	1,383,002

HY2026 versus HY2025

With reference to the 2026 Interim Results, the Group recorded revenue of approximately RMB223.6 million for HY2026, representing a decrease of approximately 41.37% as compared with approximately RMB381.3 million for HY2025. Such decline was primarily driven by a reduction in revenue from the Augmented Reality and Virtual Reality (“AR” and “VR”) marketing services, AR, VR & artificial intelligence content and integrated marketing.

The Group’s loss for the period attributable to owners of the Company decreased to approximately RMB15.0 million for HY2026 as compared with a loss of approximately RMB123.5 million for HY2025. The loss decreased by approximately 87.9%, primarily due to (i) a reduction in impairment losses of trade receivables; (ii) a decrease in distribution and selling expenses as a result of lower sales and marketing expenses; and (iii) a reduction in research and development expenses mainly attributable to lower staff costs of research and development personnel.

The Group’s unaudited total assets and total liabilities as at 30 June 2026 amounted to approximately RMB1,533.8 million and RMB427.5 million respectively. The Group’s unaudited net assets decreased to approximately RMB1,106.4 million as at 30 June 2026, representing a decrease of approximately 0.20% as compared to net assets of approximately RMB1,108.6 million as at 31 December 2025. The decrease in net assets was mainly due to the decrease in trade receivables.

The gearing ratio of the Group (calculated as net debt divided by total equity) was approximately 8.27% as at 30 June 2026. This represents an increase from approximately 4.97% as at 31 December 2025, primarily due to a significant decrease in cash and bank balances during the period, which outweighed the reduction in borrowings.

LETTER FROM VINCO FINANCIAL

FY2025 versus FY2024

With reference to the 2025 Annual Report, the Group recorded revenue of approximately RMB783.9 million for FY2025, representing a decrease of approximately 21.24% as compared with approximately RMB995.3 million for FY2024. The decrease in revenue was mainly attributable to cutbacks in client marketing budgets and scaling back low-margin integrated marketing.

The Group's loss for the year attributable to owners of the Company increased to approximately RMB367.1 million for FY2025 as compared with a loss of approximately RMB43.7 million for FY2024. The loss increased significantly by approximately 739.98%, alongside a 23.85% year-on-year drop in gross profit (from approximately RMB200.0 million for FY2024 to RMB152.3 million for FY2025), and was primarily driven by (i) surge in R&D expenditure; (ii) increase in impairment losses on trade receivables; (iii) higher distribution and selling costs; and partially offset by (iv) decrease in administrative cost.

The Group's audited total assets and total liabilities as at 31 December 2025 amounted to approximately RMB1,574.3 million and RMB465.7 million respectively. The Group's audited net assets decreased to approximately RMB1,108.6 million as at 31 December 2025, representing a decrease of approximately 19.84% as compared to net assets of approximately RMB1,383.0 million as at 31 December 2024. The decrease in net assets was mainly due to the loss recorded during the year and fair value reductions on equity investments.

The gearing ratio of the Group (calculated as net debt divided by total equity) was approximately 4.97% as at 31 December 2025. This represents a transition from a net cash position as at 31 December 2024, primarily due to an increase in bank borrowings to RMB113.0 million and a decline in bank and cash balances to RMB62.0 million.

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

As set out in the Board Letter, the Group is principally engaged in four primary services: (i) providing marketing solutions utilising augmented reality (AR) and virtual reality (VR); (ii) offering sales of content related to AR, VR, and artificial intelligence (AI); (iii) delivering integrated marketing, platform, and live promotion services; and (iv) developing software-as-a-service (SaaS) platform solutions for AR and VR applications.

LETTER FROM VINCO FINANCIAL

As disclosed in the 2025 Annual Report, the Group has launched a customised AI software platform that generates text, images, video, and 3D content to support its AR/VR/XR services. This initiative seeks to address the growing market demand for more frequent, lower-cost, and faster content production. It aligns with the Group's strategic roadmap, AI+XR, and aims to shift revenue from customised projects toward reusable, platform-level offerings that enhance gross margins.

Having reviewed the 2025 Annual Report, we noted that the Group generated revenue of approximately RMB783.9 million for FY2025, representing a decrease of approximately 21.24% as compared with approximately RMB995.3 million for FY2024. The Group's net loss has increased to approximately RMB367.1 million due to market challenges and customer budget reductions in FY2025. To drive operational growth and broaden its market footprint, the Company expanded its core business offerings into custom AI software platforms, live promotion services powered by proprietary digital human broadcasters, and telecom data/promotion gateway services. Supporting these strategic initiatives required substantial capital to acquire domestic and overseas advertising traffic, strengthen sales and marketing networks, and fund approximately RMB229.79 million in research and development focused on motion capture, large-scale VR, and 3D asset creation via AI-generated content (AIGC). To satisfy these funding needs and support general working capital, the Group completed two share placings in May and September 2025 that generated approximately HK\$146.15 million in net proceeds, while also fully deploying its proceeds from the initial public offering and increasing short-term bank borrowings to RMB113.0 million.

According to the 2025 Annual Report, as at 31 December 2025, the Group's current liabilities amounted to approximately RMB456.9 million (equivalent to approximately HK\$505.9 million), and total liabilities amounted to approximately RMB465.7 million (equivalent to approximately HK\$515.6 million). The Group had total outstanding bank borrowings of approximately RMB113.0 million (equivalent to approximately HK\$125.1 million), which were due for repayment within 12 months from 31 December 2025, with effective interest rates ranging from approximately 2.4% to 5.8% per annum. Additionally, according to the 2026 Interim Results, it was recorded that bank and cash balances amounted to approximately RMB13.2 million (equivalent to approximately HK\$15.2 million). This situation reflects a significant shortfall in near-term cash resources and creates considerable uncertainty about the Group's ability to meet its upcoming repayment obligations solely from operating cash flows.

Based on our discussion with management of the Company, the Group intends to pursue strategic technological growth and focus its long-term strategy on capturing market opportunities through targeted investments in AI-XR technical synergies and spatial computing solutions.

LETTER FROM VINCO FINANCIAL

In support of this strategic expansion, the Company proposes to raise capital and allocate part of the Net Proceeds to expand the Group's AI capabilities, productise its platforms, and build the supporting infrastructure across its AR/VR and AI content, digital human, livestream promotion, platform services, and offline mixed reality entertainment businesses.

The proposed AI platform development is an expansion of the Group's existing customised AI software platform and is intended to enhance the Group's existing businesses. It is not intended to constitute a separate business unrelated to the Group's existing principal businesses.

Expansion of the Group's artificial intelligence capabilities

As set out in the Board Letter, the initiative will focus on the following five core areas:

1. **AI content generation:** This area encompasses the systematic creation of diverse content types, including text, images, videos, scripts, storyboards, marketing materials, and interactive elements. These resources will support the Group's marketing campaigns, enhance the production of AR and VR content, and facilitate the development of digital human experiences.
2. **AI+XR integration:** This involves the incorporation of AI-generated content (AIGC) to assist in the generation and processing of three-dimensional (3D) assets, the creation of virtual environments, and the development of interactive modules. Such efforts will bolster the execution of AR, VR, and AI content projects while optimising offline mixed-reality entertainment offerings.
3. **Digital human capabilities:** This component focuses on advancing technologies related to voice-driven interactions, facial recognition, gesture and motion control, role management, broadcast control, and real-time interactions. These advancements will enhance applications in livestream promotions, digital human sales, and customer service, as well as scalable digital labor solutions.
4. **Enterprise AI agents and knowledge bases:** This area is dedicated to developing customer knowledge bases, industry-specific libraries, workflow engines, and integration systems relevant to the Group's platform services and enterprise integration projects.
5. **Compute and infrastructure:** This essential component addresses critical services, including cloud computing, inference resources, model orchestration, data storage, as well as security and compliance measures, elements vital to supporting all AI product platforms and ensuring the effective delivery of projects.

LETTER FROM VINCO FINANCIAL

Objectives of the AI capability expansion

With the planned scope of development, the Company aims to achieve the following objectives:

- (i) **Cost reduction & Efficiency:** To improve production efficiency for marketing assets, 3D content, digital human scripts, and interactive materials. Progress will be assessed by reference to shorter production lead times, higher reuse rates for outsourced work, and improved project delivery efficiency.
- (ii) **Productisation:** To streamline and consolidate the Group's AI capabilities into reusable platforms, tools and modules. Relevant deliverables will include platform versions, functional modules, and reusable templates.
- (iii) **Commercialisation:** To create pilot solution packages for AI+XR, digital humans, enterprise AI agents, and offline mixed reality scenarios. Progress will be assessed by reference to pilot projects initiated, the conversion of pilots into customer contracts, and the successful rollout of stores or scenes, where applicable; and
- (iv) **Infrastructure:** To establish robust multi-model integration, compute orchestration, data security, and cost-monitoring capabilities. Relevant indicators will include stable model invocation, active monitoring and management of computing costs, and the maintenance of appropriate security and compliance records.

Based on our discussion with the management of the Company, funding will be prioritised for R&D, product platform development, compute capacity, external technical partnerships, data/model integration, security/compliance, and commercial pilots for validation.

Key phases, milestones and acceptance arrangements

The AI capability expansion programme is expected to be implemented in three phases over 18 months following Completion. Each phase will have defined deliverables, validation procedures and acceptance records.

(i) Phase 1: Foundation and internal validation within six months after Completion

The Company expects to: (a) upgrade its core AI modules and content-generation tools; (b) enhance basic digital human functions; (c) establish the initial platform architecture; (d) complete model integration; and (e) compile inventories of computing resources and model usage.

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The deliverables will be assessed through internal testing and a controlled trial release. Supporting acceptance records are expected to include test cases, defect registers, trial-release records, architecture documentation, computing-resource and model-usage inventories, and sign-off by the relevant technical personnel.

(ii) Phase 2: Product development and pilot deployment by 12 months after Completion

The Company expects to: (a) develop demonstrable AI content and digital human platforms; (b) productise selected AI+XR tools; (c) conduct external demonstrations and initial pilot deployments; and (d) establish reusable templates and delivery standards.

Supporting evidence is expected to include demonstration records, pilot reports, relevant customer or business-owner feedback, reusable templates, delivery standards and sign-off by the relevant project personnel.

(iii) Phase 3: Commercial solution packages by 18 months after Completion

The Company expects to develop repeatable solution packages for: (a) AI+XR applications; (b) digital human services; (c) enterprise AI agents; and (d) mixed reality entertainment scenarios.

The solution packages are expected to include pricing frameworks, delivery documentation and commercial case studies to support future rollout and commercialisation. Supporting evidence is expected to include product package lists, pricing frameworks, delivery manuals, case studies, final acceptance reports and management sign-off.

The Company has established internal delivery and acceptance procedures to ensure that the progress and results of the programme are documented, reviewable and traceable. The specific quantitative thresholds, testing environments, sample sizes, defect classifications, acceptance personnel and sign-off dates will be determined by reference to the relevant approved product requirements documents, technical specifications, testing plans, project charters, procurement contracts and internal authorisation documents.

Use of the AI platform in the Group's AR and VR businesses

The AI platform is intended to enhance the Group's existing AR, VR, XR, digital human, platform services and offline mixed reality businesses. Its principal applications are as follows:

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I. AR/VR marketing services

AI will assist in producing marketing assets, event scripts and interactive content. This is expected to shorten production cycles, support faster content iterations and improve the Group's ability to serve multiple clients.

II. AR/VR and AI content

AI-generated content will assist with the creation of three-dimensional assets, virtual environments and standardised interactive content. This is intended to reduce repetitive production work and support the development of reusable platform tools.

III. Digital human business

Enhancements to voice interaction, facial recognition, gesture and motion control, role management, broadcast control and real-time interaction will support livestream promotion, digital human sales and customer service applications.

IV. Platform services

Enterprise AI agents, customer and industry knowledge bases, and workflow engines will be integrated into the Group's platform services. These capabilities are intended to support enterprise integration projects and improve the functionality and commercial potential of the Group's platforms.

V. Offline mixed reality entertainment:

AI will support content updates, non-player character interactions and in-store assistant functions, with the aim of improving operational efficiency and creating additional value-added services in offline mixed reality venues.

The above business applications will be supported by five technical workstreams:

- AI content generation;
- AI+XR integration;
- digital human capabilities;
- enterprise AI agents and knowledge bases, and

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- computing and infrastructure.

The programme is therefore intended to strengthen shared technical capabilities and convert the Group's existing service offerings into more reusable and scalable products.

Proposed investment budget and financing

In accordance with the above development plan, the Company proposes to allocate approximately HK\$163.8 million of the Net Proceeds to the AI capability expansion programme. To present the intended application of the Net Proceeds more clearly, the Company has grouped the proposed investment budget into the following three categories of use:

- a) approximately HK\$78.62 million will be allocated to the research and development of the Group's existing AI platform and related capabilities, comprising:
 - approximately HK\$57.33 million for external technical partnerships and outsourced R&D; and
 - approximately HK\$21.29 million for internal R&D personnel and project management.

The relevant work packages are expected to cover: (i) AI content generation; (ii) AI+XR integration; (iii) digital human functions; (iv) enterprise AI agents and knowledge bases; (v) core AI modules and content-generation tools; (vi) platform foundation components; and (vii) model integration and optimisation capabilities.

The internal R&D allocation is expected to cover both existing and newly engaged personnel. The estimated expenditure will be determined by reference to the required staffing levels, roles and responsibilities, estimated person-months and applicable staff costs.

The external R&D allocation will fund technical services and specialist support provided by external technical partners, including the development, integration, testing and optimisation of relevant AI modules. The final allocation will depend on the scope of each work package, the relevant technical specifications and the applicable project plans and budgets.

- b) approximately HK\$42.62 million will be allocated to the development and productisation of AI platform modules, comprising:

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- approximately HK\$31.12 million for AI product platform development; and
- approximately HK\$11.50 million for commercial pilots and proof-of-concept deployments.

This allocation is intended to support the development, refinement and conversion of AI capabilities into reusable and commercially deployable solutions. The relevant modules are expected to include: (i) AI content-generation tools; (ii) AI+XR applications; (iii) digital human solutions; (iv) enterprise AI agents; (v) workflow engines; and (vi) knowledge-base and related platform functions.

The commercial pilot and proof-of-concept budget will support the testing and validation of these modules in selected customer, business or operational scenarios. Depending on the relevant opportunity, such activities may include external demonstrations, initial pilot deployments, productisation testing and the preparation of reusable delivery templates and implementation standards.

The specific customers, use cases and deployment scenarios had not necessarily been determined as at the Latest Practicable Date. The final allocation will depend on the scope and complexity of the relevant modules, development and testing requirements, pilot or proof-of-concept requirements, applicable technical and personnel costs, and the relevant project plans and budgets.

- c) Approximately HK\$42.56 million will be allocated to the software and hardware infrastructure required to develop, operate and commercialise the AI platform, comprising:
- approximately HK\$32.76 million for computing, cloud services and infrastructure; and
 - approximately HK\$9.80 million for data and model integration, security and compliance measures.

The allocation is expected to cover: (i) cloud and computing resources; (ii) storage capacity; (iii) model invocation and orchestration; (iv) data integration and management; (v) information security and system protection; (vi) compliance controls; and (vii) other software and hardware infrastructure necessary for the reliable operation of the AI platform.

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The infrastructure will support both the R&D stage and the subsequent productisation and commercial deployment of the AI modules. The detailed allocation will be determined based on expected computing and storage requirements, projected model usage, required service periods, data integration scope, and applicable security and compliance requirements.

Depending on the relevant project, the Group may procure the required services or equipment from external suppliers or obtain them through cloud-service and other technology-service arrangements. Suppliers, procurement status and final contractual terms will be determined progressively in accordance with the Group's procurement procedures and the approved requirements of each project.

Expected total capital commitment for the development of the AI platform and financing arrangements

The proposed allocation of approximately HK\$163.8 million represents the maximum planned budget for the Group's AI capability expansion programme over the 18-month period following Completion, assuming that the maximum estimated Net Proceeds are raised. It is not a minimum or mandatory investment, an irrevocable capital commitment already entered into by the Group, or an indication that the entire amount will necessarily be classified as capital expenditure for accounting purposes. The Group's finance team will determine the accounting treatment of each expenditure item by reference to the relevant contract, project stage and applicable accounting standards.

The principal source of funding for the AI capability expansion programme is the Net Proceeds. As at the Latest Practicable Date, the Group had not entered into any material irrevocable contract or incurred any capital commitment in respect of the unimplemented portion of the programme.

If the Rights Issue is undersubscribed, or if the actual Net Proceeds are lower than expected, the Company will apply the funds raised to its funding needs and allocate them among the proposed uses according to their relative priority. The Company may reduce, defer or cancel the AI-related projects or work packages in the event of the Rights Issue is under-subscribed, having regard to their relative importance.

The Company will also review and, where appropriate, reduce the proposed investment amount and consider additional financing or fundraising alternatives. If the Group subsequently decides to proceed with any AI-related projects requiring funding in excess of the actual Net

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Proceeds available, the Company will determine the appropriate funding source after obtaining the relevant approvals. Potential sources may include the Group's existing internal resources, cash flows generated from operations and financing facilities available to the Group from time to time.

Expected synergies with the Group's existing businesses

The programme is expected to generate the following synergies:

- I. Marketing services: Faster and more efficient production of marketing assets, event scripts and interactive materials.
- II. AR/VR and AI content: Greater reuse of three-dimensional assets, virtual environments and interactive components, reducing repetitive production work.
- III. Digital human services: Improved voice, motion and broadcast capabilities to support livestreaming, sales and customer-service applications.
- IV. Platform services: Enhanced enterprise integration through AI agents, knowledge bases and workflow engines.
- V. Offline mixed reality entertainment: More efficient content updates, richer non-player character interactions and expanded in-store assistant functions.

Taken together, these initiatives are intended to: (i) convert selected customised services into reusable and scalable products; (ii) reduce production and delivery inefficiencies; (iii) support commercial validation through pilots and partnerships; and (iv) strengthen the Group's computing, security, compliance and delivery infrastructure.

Accordingly, the proposed AI investment is designed to enhance and commercialise the Group's existing businesses rather than establish a separate business unrelated to its current operations.

Overall, these initiatives are designed to convert current service capabilities into scalable, repeatable products, accelerate commercialisation through pilot programs and partnerships, and mitigate delivery and compliance risks through robust infrastructure and structured governance. This strategic approach underscores the rationale for the Rights Issue and the targeted allocation of proceeds to expand the Group's AI capabilities.

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In evaluating whether the proposed application of the Net Proceeds is fair and reasonable, we have examined each category of the intended use of fund, considering its priority, necessity and alignment with the Group's business needs. We have also enquired with the management of the Company and reviewed the business plans and capital expenditure for the expansion of the Group's AI capabilities and other operational cost estimations, to evaluate and justify the amount needed to expand the Group's artificial intelligence capabilities.

We have conducted desktop research on the development of AI and its applications in the marketing industry. According to the report titled "IDC Market Primer: Asia/Pacific AI Spending is Scaling Fast" published by International Data Corporation ("IDC", a global market intelligence and advisory services provider) in April 2026, enterprise AI spending is primarily directed towards infrastructure, AI platforms, data services and implementation activities. Against this backdrop, we consider the proposed expenditure categories, comprising computing infrastructure, cloud services, AI platform development, data integration, governance and commercial deployment activities, to be generally consistent with prevailing industry practices for the development and deployment of AI technologies. In assessing the commercial rationale of the proposed investments, we have reviewed publicly available industry research relating to generative AI, mixed reality technologies, digital avatars, enterprise AI agents and AI infrastructure. We note that these sectors are expected to experience significant growth over the medium to long term. For example, Grand View Research (a market research and consulting company) estimates that the global generative AI content creation market will grow from approximately 26.0 billion United States dollar ("US\$") in 2026 to approximately US\$80.1 billion by 2030 at a compound annual growth rate ("CAGR") of approximately 32.5% as set forth in its report entitled "Generative AI In Content Creation Market (2025-2030)" published in May 2025. Meanwhile, Fortune Business Insights (a market research and consulting firm) forecasts that the global mixed reality market will expand from approximately US\$12.56 billion in 2026 to approximately US\$142.36 billion by 2034, representing a CAGR of approximately 35.5%, detailed in the report titled "Mixed Reality Market Size, Share & Industry Analysis, By Component (Hardware, Software), By Application (Automotive & Aerospace, Healthcare, Entertainment, E-commerce & Retail, Others) and Regional Forecast, 2026-2034" published in July 2026. In our view, these forecasts indicate a favourable industry backdrop for the Group's planned expansion into AI-enhanced content creation and immersive digital experiences.

We further note that approximately HK\$32.76 million is proposed to be allocated towards computing, cloud services and related infrastructure. According to the report entitled "AI Infrastructure Market (2024-2030)" published by Grand View Research in May 2024, the global AI infrastructure market is expected to increase from approximately US\$75.9 billion in 2026 to approximately US\$223.5 billion by 2030, reflecting increasing demand for AI computing resources, model deployment and AI-related infrastructure. Given that AI applications are

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computationally intensive and require scalable infrastructure to support model training, deployment and inference, we consider such allocation to be necessary to support the Group's proposed AI development strategy.

We note that approximately HK\$78.62 million, representing approximately 48.0% of the total budget allocated to the AI expansion initiative, will be allocated towards external technical partnerships and outsourced research and development, as well as internal AI-related research and development personnel and project management. According to the report titled "IDC Market Primer: Asia/Pacific AI Spending is Scaling Fast" mentioned above, AI and generative AI spending in Asia Pacific is expected to increase from approximately US\$73 billion in 2024 to approximately US\$370 billion by 2029, representing a CAGR of approximately 38.4%. The report further indicates that enterprise AI expenditure extends beyond hardware and software to include implementation services, systems integration, consulting, governance, training and other specialist services required to deploy and scale AI solutions. Against this backdrop, we consider it commercially reasonable for a substantial portion of the proposed AI investment budget to be dedicated to technical development resources, specialist expertise and project execution capabilities, which are essential for the successful development, deployment and commercialisation of AI products and services.

In respect of approximately HK\$31.12 million intended for the development of AI product platforms, we noted that enterprise AI agents and intelligent workflow solutions represent one of the fastest-growing segments within the broader AI software market. According to the report entitled "AI Agents Market (2026–2033)" published by Grand View Research in June 2026, the global AI agents market is projected to grow from approximately US\$10.9 billion in 2026 to approximately US\$182.9 billion by 2033, representing a CAGR of approximately 49.6%. We therefore consider that the proposed investment in AI platform development is broadly consistent with industry trends towards intelligent automation, AI-driven workflow management and enterprise software transformation.

We further note that approximately HK\$9.8 million is proposed to be allocated towards data and model integration, security and compliance measures. According to the interview titled "Global AI Regulations Fuel Billion-Dollar Market for AI Governance Platforms" published by Gartner (a global research and advisory company) in February 2026, spending on AI governance platforms is expected to reach approximately US\$492 million in 2026 and exceed US\$1 billion by 2030, reflecting the increasing importance of governance, compliance and risk management in enterprise AI deployment. Gartner also reported that organisations deploying AI governance platforms are 3.4 times more likely to achieve high effectiveness in AI governance than those which do not. Accordingly, we consider the proposed allocation to be commercially justifiable to support future commercialisation and mitigate operational, cybersecurity and regulatory risks.

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In addition, approximately HK\$11.5 million is intended for commercial pilots and proof-of-concept deployments. According to the report entitled “State of AI in the Enterprise” published by Deloitte (a global professional services firm) in January 2026, 25% of organisations being surveyed had moved 40% or more of their AI pilot projects into production, highlighting the importance of validating AI solutions prior to large-scale deployment. We therefore consider the proposed allocation towards pilot programmes and proof-of-concept deployments to be reasonable.

In assessing whether it is fair and reasonable for the Company to allocate approximately HK\$163.8 million of the Net Proceeds towards the AI capability expansion programme notwithstanding the Group’s decline in revenue and increase in loss in FY2025, we have discussed with the management of the Company and reviewed the Company’s implementation plan, budget schedules, staffing plan and milestone in relation to the proposed AI initiative. We noted that the decrease in the Group’s revenue in FY2025 was primarily attributable to macroeconomic pressures and management’s conscious shift away from low-margin integrated marketing projects, while losses increased partly due to substantial investments in research and development. In our view, the deterioration in the Group’s financial performance demonstrates the need for the Group to enhance operational efficiency, expand its technology capabilities and diversify its revenue sources, rather than maintain its historical business model without further investment.

Notwithstanding the deterioration in the Group’s recent financial performance, we further note that the proposed AI capability expansion programme is intended to enhance and transition the Group’s business model from bespoke, low-margin services to scalable, high-margin software platforms and reusable product modules, including but not limited to commercialise the Group’s existing AR/VR marketing services, AR/VR and AI content production, digital human business, platform services and offline mixed reality entertainment business, instead of establishing a new business unrelated to the Group’s existing operations. According to the implementation plan reviewed by us, the programme will focus on AI content generation, AI+XR integration, digital human capabilities, enterprise AI agents and supporting computing infrastructure, with the objective of transforming selected customised and labour-intensive AR/VR/XR project capabilities into scalable, reusable software platforms, tools, and standard solutions.

We have reviewed the quantitative targets established by the Company and noted that, among others, the programme aims to (i) reduce the production lead times of typical marketing and AI-generated content projects by approximately 30% to 50%; (ii) achieve reuse of templates and components across not less than 60% of standardised application scenarios; (iii) develop at least three major platform versions, seven core platform modules and more than 30 reusable templates and components; (iv) complete 17 proof-of-concept projects covering AI+XR, digital human, enterprise AI agent and mixed reality applications; and (v) achieve a target conversion rate of not less than 35% from proof-of-concept projects into formal commercial contracts. We consider that

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such objectives indicate a clear commercialisation pathway and provide a reasonable basis for management's expectation that the programme may contribute to future revenue generation and operational efficiency improvements.

We have also reviewed the detailed budget schedule and noted that the proposed budget was prepared on a bottom-up basis with reference to identifiable work packages, staffing requirements, infrastructure needs, platform development activities and commercial pilot projects. In particular, approximately HK\$57.33 million will be allocated to external technical partnerships and specialised development work, approximately HK\$21.29 million will be allocated to internal research and development personnel and project management, approximately HK\$32.76 million will be allocated to computing and cloud infrastructure, and the remaining budget has been allocated to platform productisation, data and model integration, security and compliance, and proof-of-concept deployments. The budget is further supported by a proposed staffing plan comprising approximately 23 full-time equivalent personnel across AI algorithm engineering, AIGC content generation, AI platform engineering, digital human development, AI+XR development, enterprise AI agents, data engineering, cloud infrastructure, testing, product management and project management functions.

Furthermore, we noted that the programme is subject to milestone deliverables and acceptance procedures. During the first six months after Completion, the Company intends to complete core AI module upgrades, model integrations and content-generation tools with specific performance targets such as core functionality test pass rates of not less than 95% and key interface success rates of not less than 99%. During the following stages, the Company intends to launch external pilot projects, develop standardised AI+XR and digital human solutions, and ultimately establish commercially deployable solution packages with pricing structures, delivery documentation, case studies and target proof-of-concept conversion rates. In our view, the existence of measurable milestones, quantifiable acceptance criteria and designated project governance arrangements enhances the visibility and accountability of the proposed use of proceeds.

Having considered (i) the need for the Group to respond to the changing market environment and the decline in its traditional business segments; (ii) the direct linkage between the proposed AI capability expansion programme and the Group's existing principal businesses; (iii) the expected efficiency gains, productisation opportunities and potential commercialisation benefits arising from the programme; (iv) the implementation plan, manpower planning, budget preparation methodology and milestone-based governance framework reviewed by us; and (v) the long-term industry growth prospects of AI-related technologies discussed above, we are of the view that the proposed allocation of approximately HK\$163.8 million of the Net Proceeds towards the AI capability expansion programme is commercially justifiable, fair and reasonable so far as the Independent Shareholders are concerned and may improve the Group's competitiveness,

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operational efficiency and future revenue-generating capabilities, although the actual financial benefits achieved will depend on successful implementation of the programme and future market conditions.

Repayment of the Group's bank borrowings

As set out in the Board Letter, under the section headed “REPAYMENT OF THE GROUP'S BANK BORROWINGS”. The Group had total outstanding bank borrowings of approximately RMB113.0 million (equivalent to approximately HK\$125.1 million) which were due for repayment within 12 months from 31 December 2025, with effective interest rates ranging from approximately 2.4% to 5.8% per annum. According to the 2026 Interim Results, it was recorded that bank and cash balances amounted to approximately RMB13.2 million (equivalent to approximately HK\$15.2 million) as at 30 June 2026. This situation reflects a significant shortfall in near-term cash resources and creates considerable uncertainty about its ability to meet repayment obligations from operating cash flows.

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As at the Latest Practicable Date, the total outstanding bank borrowings have been reduced to approximately RMB90.9 million (equivalent to HK\$105.0 million). Of this amount, approximately RMB5 million (equivalent to approximately HK\$5.8 million) owed to lender K (as defined in the table below) is repayable in 2028, while the remaining approximately RMB85.9 million (equivalent to HK\$99.2 million) is due for repayment within 12 months following Completion. Below are the key terms of the Group's existing bank borrowings as at Latest Practicable Date:

Lender	Amount		Credit terms	Maturity date	Interest Rate	Note
	Amount RMB'000	equivalent to HK\$'000				
A	4,500	5,199	1 year	22 October 2026	2.90%	(a)
B	10,000	11,553	1 year	10 December 2026	2.45%	
C	10,000	11,553	1 year	12 January 2027	4.00%	
D	10,000	11,553	1 year	15 January 2027	2.85%	
E	9,900	11,437	1 year	31 January 2027	3.05%	
F	8,000	9,242	1 year	26 February 2027	4.00%	
G	10,000	11,553	1 year	18 March 2027	2.40%	
H	6,000	6,932	1 year	17 June 2027	2.60%	
I	9,500	10,975	1 year	22 June 2027	2.90%	
J	8,000	9,242	1 year	28 June 2027	3.80%	
K	5,000	5,776	2 years	30 January 2028	2.65%	
Total outstanding	90,900	105,015				

(a) This borrowing will be settled prior to the Completion and therefore does not form part of the Company's proposed repayment plan using the Net Proceeds.

According to information provided by the Company, the Company currently intends to apply approximately HK\$93.0 million of the Net Proceeds towards repayment of its outstanding bank borrowings from Lender B to Lender J, with a total outstanding amount of approximately RMB81.4 million (equivalent to approximately HK\$94.0 million). It is anticipated that the Rights Issue will be completed in December 2026. In particular, the borrowing from Lender B, with an outstanding principal amount of approximately RMB10.0 million (equivalent to approximately HK\$11.5 million) and maturing on 10 December 2026, is intended to be repaid as a first priority, subject to the progress of the Completion. Thereafter, the remaining proceeds allocated for debt repayment are expected to be applied towards repayment of bank borrowings maturing in the first half of 2027 in the order of their respective maturity dates. The above allocation represents the Company's current intention and may be adjusted having regard to, among other things, the actual amount of Net Proceeds raised, the maturity profile of the relevant borrowings, the Group's liquidity position and its funding requirements at the relevant time.

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We have been provided by the Group with (i) a list of all the loan agreements entered into between the Group and the banks and the repayment schedule; and (ii) the 2026 Interim Results, noting that the cash and cash equivalents decreased from approximately RMB62.0 million as at 31 December 2025 to approximately RMB13.2 million as at 30 June 2026.

The use of approximately HK\$93.0 million of the Net Proceeds is expected to reduce the Group's short-term repayment pressure, recurring interest expenses and outstanding liabilities, improve its short-term capital structure and liquidity position, and strengthen its position in negotiating loan renewals or other financing arrangements. The remaining bank borrowings not repaid from the Net Proceeds will be managed and repaid through a combination of the following measures:

- (i) **Renewal and refinancing of existing facilities:** The Group will continue to communicate with the relevant banks and, having regard to the maturity dates of the respective facilities, seek loan renewals, extensions, refinancing, replacement facilities or adjustments to repayment periods, as appropriate, to maintain the normal and stable rollover of its existing banking facilities.
- (ii) **Cash flows from operations:** The Group will strengthen its accounts receivable management, improve customer credit and settlement terms, accelerate project acceptance, invoicing and collection, and progressively shorten customer credit periods. Operating receipts and net cash flows generated from the Group's business will, where available, be applied towards repaying bank borrowings as they fall due.
- (iii) **Internal funds and liquidity management:** The Group will coordinate the use of its available cash resources, improve the utilisation and realisation of receivables, prepayments and other current assets, and strengthen its control over costs, expenses and capital expenditure. These measures are intended to reduce unnecessary cash outflows and release additional liquidity to meet its financial obligations.
- (iv) **Additional financing:** Depending on its actual funding requirements, market conditions and applicable regulatory requirements, the Group may seek additional or replacement bank facilities, financing from financial institutions or other feasible financing arrangements to improve its debt maturity profile and support its overall liquidity.

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The Group will determine the specific repayment and financing arrangements by reference to the actual maturity dates, outstanding balances, financing costs, renewal terms and liquidity position of the relevant facilities. Taking into account the expected Net Proceeds, the Group's available cash resources, cash flows from operations and the measures described above, the Company intends to manage its working capital and debt obligations over the 12 months following Completion according to the timing and priority of its expected cash outflows.

If the actual Net Proceeds are lower than the maximum estimated amount, the Company will prioritise the available funds among the repayment of bank borrowings, working capital and the other proposed uses according to their relative importance. Based on the current estimates and assumptions, the Company anticipates that, taking into account the expected Net Proceeds, it will have sufficient working capital to meet its present requirements for at least the 12 months following Completion. However, the adequacy of the Group's working capital will remain subject to the actual amount of Net Proceeds raised, the timing of customer collections, cash flows from operations, the renewal or refinancing of existing borrowings and the availability of additional financing. If any shortfall arises, the Group will adjust the timing and priority of its expenditures, defer non-essential expenditure, and consider the financing and liquidity-management measures described above.

General corporate and administration working capital purposes

In preparation for the expected expansion of the Company's business activities, the Directors expect a material increase in administrative and operating expenses to support growth. After reviewing the 2025 Annual Report and 2026 Interim Results and assessing the Group's distribution and selling expenses, administrative expenses, and cash resources, the Directors intend to allocate HK\$50.0 million from the Net Proceeds to general working capital to ensure stable operations and to support the Group's commercialisation and market expansion initiatives.

The HK\$50.0 million working-capital allocation is budgeted as follows: (i) approximately HK\$25.0 million for selling and distribution expenses to support brand promotion, marketing activities and sales team support for the Group's key products; (ii) approximately HK\$12.0 million for employee salaries and related personnel costs; (iii) approximately HK\$4.0 million for professional service fees; (iv) approximately HK\$4.0 million for rental payments; and (v) approximately HK\$5.0 million for other administrative costs.

This allocation will help preserve operational liquidity, sustain the Group's go-to-market activities, and ensure the business can scale while maintaining service quality and timely delivery. The above-planned proceeds are expected to be fully utilised by the Group within 12 months falling after the Completion.

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In assessing whether the Group will have sufficient working capital for at least the next twelve months following Completion, we have reviewed, among other things, (i) the Group's historical financial information; (ii) its latest cash position and indebtedness profile; (iii) the intended application of the Net Proceeds; (iv) the proposed repayment of outstanding bank borrowings; (v) the Group's working capital forecast and assumptions provided by management of the Company; and (vi) the liquidity management measures available to the Group.

Taking into account the foregoing, and assuming no material adverse changes to the Group's business operations, market conditions or financing environment, we are of the view that the Group is expected to have sufficient working capital to satisfy its present requirements for at least the twelve months immediately following Completion.

Considering the Group's bank and cash balances is reduced to a low level of approximately RMB13.2 million as at 30 June 2026 as set out above, which is the result of, among others, the continuous losses of the Group, is insufficient to be applied for selling and distribution expenses to support brand promotion, marketing activities and sales team support for the Group's key products, staff costs and other administrative costs in its usual operation; and (ii) the tight financial resources as the Group's general working capital provides very minimal financial flexibility for its daily business operation to capture business opportunities arising from its daily operation, it inevitably hinders the Group's business operation and profitability, we concur with the Directors' view that the Group has imminent funding needs for its general working capital and to support the normal day to day business operation. Therefore, we concur with the Board's view that the deployment of Net Proceeds to drive the Group's operational development may enable the Group to enhance its business development and ultimately amplify its long-term commercial value, thereby driving sustainable returns for the Company and the Shareholders as a whole.

Other fund-raising alternatives

Based on our discussion with the management of the Company, the Company has considered various ways of raising funds and believes that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long-term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs. The Board has considered other fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner as it may be subject to lengthy due diligence and negotiations with financial institutions, it may as well require pledge of assets and/or other kind of securities which may reduce the Group's flexibility in managing its portfolio, further imposing additional financial burden on the Group's future cash flow. As for equity fund raising, such as placing of

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

On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future growth and development of the Group and at the same time offer the Qualifying Shareholders to maintain their respective proportional shareholdings in the Company by taking up their respective rights entitlement, especially in view of the incentive for participating in the Rights Issue and subscribing for the Rights Shares given the discount of the Subscription Price as compared to the current market price of the Shares. Furthermore, the Rights Issue, if substantiated, will be able to strengthen the financial position of the Group by raising additional funds and thereby providing a higher liquidity to increase the Group's operational flexibility and to sustain its capability for financing any of its potential business development opportunities upon the Group's existing businesses and/or anticipated expansion, as and when suitable opportunity arises.

In view of the above, we concur with the view of the Board that as compared to raising funds by other means, raising funds by way of the Rights Issue, which will allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro-rata shareholding interests in the Company and dealing with the Shares, is an appropriate fundraising method and is fair, cost effective, efficient and beneficial to the Company and its Shareholders as a whole.

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3. Principal terms of the Rights Issue

The Company proposes to implement the Rights Issue. Set out below are the details of the Rights Issue statistics.

Basis of the Rights Issue	:	Four (4) Rights Shares for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date
Subscription Price	:	HK\$0.6 per Rights Share
Net subscription price per Rights Share (i.e., the subscription price, after deducting the expenses associated with the rights issue)	:	approximately HK\$0.59 per Rights Share
Number of Shares in issue as of the Latest Practicable Date (excluding treasury shares)	:	130,028,760 Shares
Maximum number of Rights Shares	:	up to 520,115,040 Rights Shares (assuming that there are no changes to the total issued share capital of the Company on or before the Record Date, and that no fractional Shares will be issued)
Aggregate nominal value of the Rights Shares	:	Up to US\$104,023.008 (assuming that there are no changes to the total issued share capital of the Company on or before the Record Date)
Number of Shares in issue immediately upon completion of the Rights Issue	:	Up to 650,143,800 Shares (assuming that there are no changes to the issued share capital of the Company on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before the Completion)

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Maximum gross proceeds to : up to approximately HK\$312.1 million before expenses
be raised from the Rights (assuming that there are no changes to the total issued
Issue share capital of the Company on or before the Record
Date, and that the Rights Shares will be taken up by the
Qualifying Shareholders, any Rights Shares that remain
unsubscribed will be successfully placed by the Placing
Agent under the Placing)

Maximum net proceeds : Approximately HK\$306.8 million (after deducting the
from the Rights Issue expenses) (assuming no new shares are allotted or issued
prior to the Record Date)

As at the Latest Practicable Date, the Company has 59,100 treasury Shares and has outstanding 972,600 Share Options entitling the holders thereof to subscribe for an aggregate total of 972,600 Shares under the Share Option Scheme.

The Company had no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Adjustment(s) (if any) to the exercise price and/or the number of Shares subject to the outstanding share options as a result of the Rights Issue will be made in accordance with the terms of the share option scheme of the Company and the requirements of the Listing Rules. The Company will notify the holders of such share options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the share option scheme and such adjustments will be certified by an independent financial adviser or auditor of the Company (as the case may be).

As at the Latest Practicable Date, the Company has not received any information or irrevocable undertaking from any substantial shareholder of the Company of its intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

Assuming there are no changes to the total issued capital of the Company on or before the Record Date, the issuance of 520,115,040 Rights Shares pursuant to the terms of the Rights Issue will represent (i) 400% of the total issued share capital of the Company (excluding treasury shares) as at the Latest Practicable Date; and (ii) 80% of the total issued share capital of the Company (excluding treasury shares) after the allotment and issuance of the Rights Shares upon the Completion.

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The Subscription Price

The Subscription Price of HK\$0.6 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 21.57% to the closing price of HK\$0.765 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 24.05% to the closing price of HK\$0.79 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 24.24% to the average closing price of approximately HK\$0.792 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up immediately prior to the Last Trading Day;
- (iv) a discount of approximately 23.27% to the average closing price of approximately HK\$0.782 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the Last Trading Day;
- (v) a discount of approximately 5.96% to the theoretical ex-rights price of approximately HK\$0.638 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.79 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 19.39%, which is calculated based on the theoretical ex-rights price of approximately HK\$0.6384 per Share and the benchmarked price of HK\$0.792 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares of HK\$0.79 as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Shares of HK\$0.792 as quoted on the Stock Exchange for the five (5) previous consecutive trading days immediately prior to the Last Trading Day); and
- (vii) a discount of approximately 93.66% to the audited net asset value per Share of approximately RMB8.52 (equivalent to approximately HK\$9.46) based on the latest audited consolidated net asset value of approximately RMB1,108,605,000 (equivalent to approximately HK\$1,230,552,000) as at 31 December 2025 and the number of Shares in issue as at the Latest Practicable Date (i.e., 130,028,760 Shares).

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The Subscription Price was determined by the Company with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the financial position of the Group; and (iii) the reasons as discussed in the section headed “Reasons for and benefits of the Rights Issue and the use of proceeds” in the Board Letter.

Based on our discussion with the management of the Company, the Board noted that the Subscription Price represents a discount to the closing price of the Shares on the Stock Exchange on the Last Trading Day, as well as the closing prices in the preceding five consecutive trading days and the latest published unaudited consolidated net asset value per Share. In determining the Subscription Price, the Board expressly considered the size of that discount and a range of quantitative and qualitative factors, including: (i) the historical trading level of the Shares since the publication of the Group’s 2025 annual results, during which the Shares have traded persistently below the Group’s latest published unaudited consolidated net asset value per Share, such that net asset value per Share may not be a meaningful standalone benchmark for price fairness; (ii) the Group’s recent financial performance, including continuous annual losses from 2024 and the consequent reduction in total equity from approximately RMB1,452,232,000 as at 31 December 2023 to approximately RMB1,108,605,000 as at 31 December 2025, which may affect market sentiment and valuation; (iii) the relatively limited liquidity of the Shares in the 12 months before the Last Trading Day, which the Board recognised could justify a discount to improve take-up; (iv) the fact that the Rights Issue is being offered to all Qualifying Shareholders on a pro rata basis, so the discounted Subscription Price does not disadvantage eligible shareholders and provides them with an equal opportunity to participate; and (v) that Qualifying Shareholders who do not wish to take up their entitlements may realise value by selling their nil-paid Rights Shares in the market.

Furthermore, the Directors acknowledge that the audited net asset value (“NAV”) per Share was approximately RMB8.52 (equivalent to around HK\$9.46) as of 31 December 2025, representing a significant discount of approximately 93.66% relative to the Subscription Price. However, the Directors consider this as having limited relevance when determining the Subscription Price for the Rights Issue after considering (i) the audited NAV may be subject to influences from accounting timing and non-cash revaluation items, which do not necessarily reflect the marketability or liquidity of the Shares; (ii) analysis of market data from the period 2 January 2026 to 30 June 2026 (the “**Company Review Period**”) demonstrates that Shares consistently traded at a significant discount to the NAV per Share, with closing prices varying between HK\$0.75 and HK\$1.93. This enduring discount indicates that market participants place greater emphasis on observable trading prices and prevailing liquidity conditions than on the audited NAV alone; (iii) trading volumes during the Company Review Period exhibited low volatility, with an average of approximately 289,038 Shares traded per trading day during the Review Period, ranging from 10,700 Shares (approximately 0.008% of the entire issued share capital excluding treasury shares) at the lowest point on 12 March 2026 to 3,247,301 Shares (approximately 2.49% of the entire issued share capital excluding treasury shares) at the highest point on 16 April 2026. With

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the exclusion of two trading days with less than 10,000 Shares traded and one trading day with more than 13 million Shares traded as outlier statistics, this scenario reflects limited liquidity of the Shares and suggests that the NAV will not indicate such price at which new equity can realistically be issued to existing Shareholders; and (iv) the Company is currently facing immediate funding requirements.

To facilitate the Rights Issue and attract participation from Qualifying Shareholders under current market conditions, the Directors are of the view that the Subscription Price should be set in line with historical market prices which is sufficiently recent and observable and investor sentiment. Setting a subscription price near the audited NAV will not attract sufficient interest, given the audited NAV per Share is approximately 1,097.47% premium over the trading price on the Last Trading Day and with the limited liquidity, such hypothetical Subscription Price could compromise the effectiveness of the fundraising initiative. In light of these considerations, the Directors have given greater weight to market pricing and liquidity factors than to the audited NAV per Share in determining the Subscription Price.

Having balanced the Company's funding needs against Shareholder interests, and having considered the foregoing factors and market conditions, the Board concluded that the benefits of proceeding with the Rights Issue at a discounted Subscription Price outweigh the disadvantage. The discount was set to encourage participation and to improve the likelihood of successful capital raising.

The Directors (including the members of the Independent Board Committee, comprising all the independent non-executive Directors, and whose opinion set forth in "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in the Circular after having been advised by the Independent Financial Adviser) consider that 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.

Historical performance of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have taken into account (i) the closing price per Share for the one year period up to and including the Last Trading Day prior to the announcement of the Company dated 15 July 2026 (the "Announcement") (being a period of approximately one year prior to and including the Last Trading Day) (the "Review Period"), with a view to provide a meaningful comparison to the Subscription Price under the Rights Issue (the "Closing Price"); and (ii) the average daily trading volumes of the Shares for each of the months/periods during the Review Period.

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We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement as (i) the one year period represents a reasonable period to reflect the performance of the closing price of the Shares in response to the prevailing market condition and operating condition; (ii) a shorter review period can only demonstrate the Share price performance in a limited and specific time which may be distorted by specific events; and (iii) it is commonly used for analysis purposes. Besides, such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share prices before the Announcement represent a fair market value of the Company, the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the Closing Price versus the Subscription Price of HK\$0.6 per Share:

Chart 1: Historical closing prices of the Shares during the Review Period



Source: The website of the Stock Exchange (<http://www.hkex.com.hk>)

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Notes:

- Event A: Publication of profit warning announcement on 11 August 2025
- Event B: Publication of 2025 Interim Report on 2 September 2025
- Event C: Publication of placing of new shares under general mandate on 9 September 2025
- Event D: Publication of proposed share consolidation announcement on 20 October 2025
- Event E: Publication of disposal of listed securities announcement on 6 February 2026
- Event F: Publication of profit warning announcement on 12 February 2026
- Event G: Publication of annual results announcement for the year ended 31 December 2025 on 26 March 2026
- Event H: Publication of 2025 Annual Report on 27 April 2026

During the Review Period, the Shares traded within a range between HK\$0.750 on 30 June 2026 and 2 July 2026, and HK\$6.200 on 23 July 2025 with an average closing price per Share of approximately HK\$2.428. The Subscription Price represents (i) a discount of approximately 20.00% to the lowest closing price per Share (i.e. HK\$0.750); (ii) a discount of approximately 90.32% to the highest closing price per Share (i.e. HK\$6.200); and (iii) a discount of approximately 75.29% to the average closing price per Share (i.e. HK\$2.428) during the Review Period.

As illustrated in Chart 1 above, the closing price of the Shares exhibited prolonged downtrend during the Review Period. From mid-July 2025, the closing price reached its initial peak at HK\$6.200 on 23 July 2025 and the price began to correct through August. The closing price continued its downward trend and reached as low as HK\$4.140 on 8 September 2025, then the closing price has shortly rebounded to HK\$4.580 on 10 September 2025. We noted the Company published announcements regarding the (i) profit warning on 11 August 2025; (ii) 2025 interim report for the six months ended 30 June 2025 on 2 September 2025; and (iii) placing of new shares under the general mandate on 9 September 2025. Thereafter, the closing price fluctuated with a range of approximately HK\$4.520 to HK\$3.840 during mid-September to mid-October.

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Subsequently, the Company published an announcement regarding a proposed share consolidation in October 2025 but the share price resumed its downtrend and gradually declined in the following months and was trading within a narrow range of approximately HK\$1.280 to HK\$2.420 in December 2025. In early 2026 the share price wavered around HK\$1.420 to HK\$1.830. On 6 February 2026 the Company announced a disposal of listed securities and on 12 February 2026 another profit warning announcement was published; both events align with renewed downward pressure in February. The closing price then fell sharply in late March 2026 as the Company published its annual results announcement for the year ended 31 December 2025 on 26 March 2026. The share price then dropped below HK\$1.000 mark for the first time during the Review Period.

A short rally in share price occurred in mid-April 2026, the share price surged significantly from HK\$0.920 on 14 April to HK\$1.930 on 15 April 2026, however, the momentum could not be sustained, and the closing price declined from its high to around HK\$1.400 in late April 2026. After reviewing the Company's announcement, we did not notice any specific reasons for the spike of the closing price during the period in mid-April 2026. As discussed with the management of the Company, they were not aware of any particular reason that contributed to the fluctuations in the closing price per Share during the aforesaid period.

We noted the Company published the 2025 Annual Report on 27 April 2026. The closing price retreated and traded in a narrower, lower band through late April to July within a narrow range of approximately HK\$0.750 to HK\$1.930 before closing at approximately HK\$0.790 on the Last Trading Day.

After reviewing the Company's announcements, we did not notice any specific reasons for the aforementioned movements of the closing price during the Review Period. As discussed with the management of the Company, they were not aware of any particular reason that contributed to the fluctuations in the closing price per Share during the Review Period aside from the aforementioned events.

Although the Subscription Price is at a discount to the average closing price per Share during the Review period, taking into consideration that (i) the Subscription Price falls below the aforesaid historical closing price per Share during the Review Period; (ii) the low liquidity of the Shares as discussed in sub-section headed "Liquidity of the Shares" below in this letter; (iii) the funding needs of the Group as discussed in the section headed "2. Reasons for and benefits of the Rights Issue and the use of proceeds" above in this letter; (iv) the Subscription Price is within the range in the comparable analysis as discussed in the sub-section headed "Comparison with other rights issue transactions" below in this letter which indicates it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares to attract

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the shareholders to participate in the rights issue; and (v) the latest business performance and financial position as discussed in the sub-section headed “Business and financial performance of the Group” above in this letter, we consider that the discount of the Subscription Price is fair and reasonable and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Liquidity of the Shares

The table below sets out the average daily trading volume of the Shares per month/ period and the respective percentages of the average daily trading volume as compared to the total number of issued Shares during the Review Period:

Month/Period	Total trading volume of the Shares in the month/period	Number of trading days in the month/period	Average daily volume of the Shares in the month/period	Percentage of average daily trading volume to total number of Shares (Note 2)
2025 July (Note 3)	5,794,650	12	482,888	0.0223%
August	9,539,200	21	454,248	0.0210%
September	13,205,819	22	600,265	0.0231%
October	11,274,634	20	563,732	0.0217%
November	6,279,900	20	313,995	0.0121%
December	4,393,364	21	209,208	0.1609%
2026 January	3,266,550	21	155,550	0.1196%
February	1,578,700	17	92,865	0.0714%
March	8,215,400	22	373,427	0.2872%
April	28,215,780	19	1,485,041	1.1421%
May	3,832,350	19	201,703	0.1551%
June	2,464,288	21	117,347	0.0902%
July (Note 4)	403,250	10	40,325	0.0310%

Source: The website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Calculated based on the total number of Shares in issue at the end of each month/period.

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3. Represents trading volume for the period from 16 July 2025, being one year prior to the Last Trading Day, to 31 July 2025, both days inclusive.
4. Represents trading volume for the period from 2 July 2026 to 15 July 2026, the Last Trading Day, both days inclusive.

As illustrated in the above table, we noted that the trading volume of the Shares ranged from 40,325 Shares to 1,485,041 Shares during the Review Period, representing approximately 0.0121% to 1.1421% of a total of 2,167,146,000, 2,600,575,200 or 130,028,760 Shares in issue as at the respective month or period. Across the entire Review Period, the overall average daily trading volume accounted for approximately 0.1660% of the total number of issued Shares as at the respective month or period. We noted the increase in trading volume on 15 April 2026. Based on our review of the Company's announcements, save for the publication of the Company's annual results for FY2025 we did not identify any specific reasons for the aforementioned trading liquidity. As discussed with the management of the Company, they were not aware of any particular reason that contributed to the increase in trading liquidity in April 2026.

Based on the above analysis, the trading liquidity of the Shares was generally thin during the Review Period, given that the average daily trading volume remained below 1.0% of total issued Shares (except in April 2026), we consider that the Company is unlikely to be able to raise equity funds from third parties without a discount on the prevailing Share prices. In light of the above, we consider that conducting a fundraising exercise by way of Rights Issue with Subscription Price set at a discount to the closing price per Share as quoted on the Stock Exchange on the Last Trading Day is appropriate and reasonable so as to enhance the attractiveness of the Rights Issue.

Comparison with other rights issue transactions

In order to assess the fairness and reasonableness of the Subscription Price, we conducted an exhaustive search of recent proposed rights issue transactions three months prior to the Last Trading Day (the "**Comparison Period**") to understand the trend of the recent market practice. For the comparable rights issue analysis, we adopted the Comparison Period of approximately three months immediately prior to the Last Trading Day. We consider the Comparison Period appropriate, fair, reasonable and representative because the objective of the comparable analysis is to assess recent market practice in relation to the rights issue exercise in the recent market conditions rather than the Company's historical trading performance. Given that market sentiment, fundraising conditions and pricing practices may change over time, we consider more recent rights issue transactions to be more relevant for assessing the reasonableness of the Rights Issue. We further noted that the Comparison Period identified an exhaustive list of 20 rights issue comparables (the "**Comparable(s)**") during the Comparison Period which we consider to be a sufficient sample size for comparative analysis.

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We noted that the business activities and the terms of the rights issue of the Comparables may not be directly comparable to the business activities carried out and the terms of the rights issue announced by the Group due to the differences in business activities and performances. Although the Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, net asset value (“NAV”), maximum dilution on the shareholding and theoretical dilution effect; (iii) a three-month period for the selection of the Comparables has resulted in the generation of a reasonable sample size; and (iv) the Comparables were included without any artificial selection or filtering on our part. Since there are a sufficient number of Comparables under the selection criteria mentioned above, we are of the view that they represented a true and fair view and representative samples of the recent market trends for rights issue and are sufficient for assessing the fairness and reasonableness of the Rights Issue.

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Date of announcement	Company name	Stock code	Basis of entitlement	Premium/(discount) of the subscription					Theoretical dilution effect (Note 4) %	Excess Application (Note 5) %	Placing commission (Note 6) %	Minimum placing commission HK\$	Underwriting arrangement	Underwriting fee %
				Premium/(discount) of subscription price per share for average closing price over/ to the last five consecutive trading days immediately up to and including the last trading day	Premium/(discount) of subscription price per rights issue share over/ to the net asset value per share (Note 3) %	Premium/(discount) of subscription price per rights issue share over/ to the last trading day	Premium/(discount) of subscription price per rights issue share over/ to the last trading day	Premium/(discount) of subscription price per rights issue share over/ to the last trading day						
				Maximum dilution on the shareholding announcement of rights issue (Note 2) %	Premium/(discount) of subscription price per rights issue share over/ to the last trading day	Premium/(discount) of subscription price per rights issue share over/ to the last trading day	Premium/(discount) of subscription price per rights issue share over/ to the last trading day	Premium/(discount) of subscription price per rights issue share over/ to the last trading day						
16 April 2026	Pa Shun International Holdings Limited	574	1 for 2	33.33	(72.88)	(69.04)	(69.04)	(69.04)	N/A	No	1.00	No	Non-underwritten	N/A
17 April 2026	Hong Wei (Asia) Holdings Company Limited	8191	4 for 1	80.00	(16.13)	(10.47)	(10.47)	(10.47)	(85.43)	No	1.00	No	Non-underwritten	N/A
21 April 2026	China Information Technology Development Limited	8178	1 for 2	33.33	(24.40)	(25.60)	(25.60)	(25.60)	(88.60)	No	1.00	No	Non-underwritten	N/A
27 April 2026	Tasty Concepts Holding Limited	8096	3 for 2	60.00	(16.70)	(16.70)	(16.70)	(16.70)	66.70	No	3.00	No	Non-underwritten	N/A
29 April 2026	Minerva Group Holding Limited	397	1 for 2	33.33	(19.10)	(17.70)	(17.70)	(17.70)	(91.80)	No	3.50	No	Non-underwritten	N/A
5 May 2026	Citychamp Watch & Jewellery Group Limited	256	1 for 3	25.00	31.60	28.20	28.20	28.20	(88.90)	No	1.50	300,000	Non-underwritten	N/A
12 May 2026	MTT Group Holdings Limited	2350	2 for 5	28.57	(64.29)	(65.01)	(65.01)	(65.01)	1.85	No	2.20	300,000	Non-underwritten	N/A
13 May 2026	V & V Technology Holdings Limited	8113	1 for 2	33.33	1.12	5.88	5.88	5.88	(29.91)	Yes	N/A	No	Non-underwritten	N/A
21 May 2026	MOG Digitech Holdings Limited	1942	1 for 2	33.33	(54.55)	(56.95)	(56.95)	(56.95)	(90.05)	No	1.00	No	Non-underwritten	N/A
26 May 2026	Harbour Digital Asset Capital Limited	913	3 for 2	60.00	(19.10)	(20.90)	(20.90)	(20.90)	(84.40)	No	3.00	No	Non-underwritten	N/A
29 May 2026	FDB Holdings Limited	1826	1 for 2	33.33	(20.60)	(1.20)	(1.20)	(1.20)	N/A	No	3.50	No	Non-underwritten	N/A
5 June 2026	Gaodi Holdings Limited	1676	1 for 2	33.33	(12.44)	(12.44)	(12.44)	(12.44)	(51.90)	No	0.75	No	Non-underwritten	N/A
17 June 2026	CMON Limited	1792	3 for 1	75.00	(14.74)	(19.80)	(19.80)	(19.80)	N/A	No	2.50	No	Non-underwritten	N/A
18 June 2026	China Wood International Holding Co., Limited	1822	1 for 1	50.00	(43.80)	(44.84)	(44.84)	(44.84)	5.48	No	1.50	No	Non-underwritten	N/A

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Date of announcement	Company name	Stock code	Basis of entitlement	Premium/(discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day and prior to announcement of rights issue										Underwriting arrangement	Underwriting fee %	
				Maximum shareholding (Note 2) %	Premium/(discount) of subscription price per rights issue share over/to the last trading day prior to announcement of rights issue %	Premium/(discount) of subscription price per rights issue share over/to the last trading day prior to announcement of rights issue %	Premium/(discount) of subscription price per rights issue share over/to the last trading day prior to announcement of rights issue %	Premium/(discount) of subscription price per rights issue share over/to the last trading day prior to announcement of rights issue %	Premium/(discount) of subscription price per rights issue share over/to the last trading day prior to announcement of rights issue %	Premium/(discount) of subscription price per rights issue share over/to the last trading day prior to announcement of rights issue %	Theoretical dilution effect (Note 4) %	Excess Application (Note 5) Yes/No	Placing commission (Note 6) %			Minimum placing commission HK\$
22 June 2026	Imperium Technology Group Limited	776	1 for 2	33.33	(66.67)	(67.24)	N/A	(22.34)	No	3.00	No	Non-underwritten	N/A			
24 June 2026	Biosysen Limited	1355	1 for 2	33.33	(51.43)	(50.29)	N/A	(17.14)	No	1.50	No	Non-underwritten	N/A			
9 July 2026	Hong Kong Entertainment International Holdings Limited	8291	3 for 1	75.00	(4.76)	(4.76)	N/A	(3.57)	No	3.00	No	Non-underwritten	N/A			
10 July 2026	Guen Holdings Limited	8121	4 for 1	80.00	(24.21)	(27.27)	(72.52)	(22.40)	No	4.00	No	Non-underwritten	N/A			
13 July 2026	KPM Holding Limited	8027	2 for 1	66.67	(13.80)	(16.40)	(65.50)	(11.10)	No	3.00	No	Non-underwritten	N/A			
14 July 2026	Capital Industrial Financial Services Group Limited	730	1 for 1	50.00	0.81	(1.26)	(65.82)	(1.10)	No	2.00	No	Non-underwritten	N/A			
	Maximum			80.00	31.60	28.20	66.70	(1.10)		4.00	300,000		—			
	Minimum			25.00	(72.88)	(69.04)	(91.80)	(24.29)		0.75	300,000		—			
	Average			47.51	(25.30)	(24.69)	(52.91)	(13.48)		2.21	300,000		—			
	Median			33.33	(19.10)	(18.75)	(69.17)	(14.35)		2.20	300,000		—			
	Company	6610	4 for 1	80.00	(24.05)	(24.24)	(93.66)	(19.39)	No	1.00	2,000,000	Non-underwritten	N/A			

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

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Notes:

1. Information shown in the above table has been extracted from the relevant announcements or circulars of the rights issue of the respective Comparables, where applicable.
2. The potential maximum dilution effect of each rights issue is calculated as number of rights shares issued or to be issued under the basis of entitlement divided by the total number of shares as enlarged by the rights issue according to their respective basis of entitlements and assuming all rights shares have been/will be allotted and issued times 100%.
3. The NAV per share is calculated based on the latest published net asset value of the subject company and total number of shares in issue as at the date of the respective announcement. “N/A” denotes that the NAV of the relevant Rights Issue Comparable that has net liabilities according to its latest published audited/unaudited consolidated financial statements.
4. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rule**”), or extracted from announcement, circular or prospectus in respect of the relevant rights issue.
5. Pursuant to Rule 7.21(1) of the Listing Rule or Rule 10.31(1) of the GEM Listing Rule.
6. “N/A” denotes that the subject rights issue was conducted without the involvement of any placing.

As at the Latest Practicable Date, 15 of the 20 Comparables had been completed and the remaining 5 Comparables remained in progress. Although Asian Citrus Holdings Limited (Stock code: 73) was previously identified within the Comparison Period, it has been excluded from the Comparable analysis as its rights issue subsequently lapsed and did not proceed to completion. Save for the aforesaid lapsed rights issue, none of the Comparables had been terminated.

According to our research, we observed that (i) 17 of the 20 Comparables had set the subscription price of their rights issue at a discount to the prevailing closing price of their shares on the last trading day in relation to their respective rights issue (the “**LTD Price**”); (ii) 18 of the 20 Comparables had set the subscription price of their rights issue at a discount to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day (the “**5-Day Discount Price**”); and (iii) 11 of the 20 Comparables had set the subscription price of their rights issue at a discount to the NAV per share. It indicates that it is common for listed companies to set the subscription price of rights issue at a discount to the LTD Price, 5-Day Discount Price and the NAV per share, with the view to encourage participation.

The subscription price to the LTD Price of the Comparables ranged from a discount of approximately 72.88% to a premium of approximately 31.60% with average and median discounts of approximately 25.30% and 19.10% respectively. The discount of approximately 24.05% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables and is lower than the average but higher than the median of the Comparables.

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The subscription price to the 5-Day Discount Price ranged from a discount of approximately 69.04% to a premium of approximately 28.20% with average and median discounts of approximately 24.69% and 18.75% respectively. The discount of approximately 24.24% of the Subscription Price to the 5-Day Discount Price of the Company falls within the range of those of the Comparables and is lower than the average but higher than the median of the Comparables.

The subscription prices to the NAV per share of the Comparables ranged from a discount of approximately 91.80% to a premium of approximately 66.70% with average and median discounts of approximately 52.91% and 69.17% respectively. The discount of approximately 93.66% of the Subscription Price to the NAV per share of the Company which is deeper than the highest discount among the Comparables. However, having considered that during the Review Period, (i) the closing price of the Shares were between HK\$0.750 to HK\$6.200 per Share representing a deep discount to the NAV per Share throughout the Review Period. Even at the peak closing price of HK\$6.200 per Share, the Shares were still trading at a discount of approximately 27.3% to the NAV per Share, indicating that investors might not value the Shares solely on the Group's net assets, therefore, the NAV per Share may not be a meaningful benchmark for assessing the fairness and reasonableness of the Subscription Price. Moreover, setting the Subscription Price at or near the NAV per Share would imply a substantial premium to prevailing market price, which may not be commercially sensible and would likely depress the Shareholders' participation in the Rights Issue and undermine the objective of raising fund.

Although the discounts and premiums represented by the Comparables span a relatively wide range, we consider the Comparables to be meaningful reference points for assessing the fairness and reasonableness of the Subscription Price.

We note that the pricing of rights issues is inherently influenced by issuer-specific factors, including financial position, funding needs, profitability, share price performance, trading liquidity, shareholder base, market capitalisation and prevailing market sentiment. Accordingly, it is not uncommon for rights issue subscription prices to vary significantly among issuers.

Our purpose in selecting the Comparables is not to identify transactions with identical characteristics to the Company but rather to assess whether the pricing parameters of the Rights Issue fall within the spectrum of outcomes observed in recent rights issue transactions conducted under prevailing market conditions. As the Comparables represent an exhaustive list of rights issue transactions announced during the Comparison Period without any subjective selection or exclusion, we consider them to provide an objective and meaningful benchmark against which the Subscription Price may be assessed.

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We have considered whether any of the Comparables should be regarded as outliers. In particular, we note that certain Comparables were positioned at the higher/lower ends of the range of discounts/premiums represented by the Comparables. However, having considered that (i) each Comparable represents an actual rights issue transaction conducted under prevailing market conditions; (ii) there is no objective basis to conclude that any particular transaction is fundamentally atypical or irrelevant for comparison purposes; and (iii) excluding any Comparable may introduce subjective bias into the analysis, we have retained all Comparables in the analysis. Notwithstanding the existence of transactions at the higher/lower ends of the range, we note that the Subscription Price remains within the overall range of the Comparables in respect of the discount to the LTD Price, the discount to the 5-Day Discount Price and the theoretical dilution effect. In relation to the discount of the Subscription Price to the NAV per Share, although it falls outside the range of the Comparables, we consider the NAV per Share may not be a meaningful standalone benchmark for assessing the fairness and reasonableness of the Subscription Price for the reasons discussed above.

The theoretical dilution effect of the rights issue conducted by the Comparables ranged from approximately 1.10% to approximately 24.29% with average and median discounts of approximately 13.48% and approximately 14.35% respectively. The theoretical dilution effect of the Rights Issue of approximately 19.39% falls within the range of the Comparables and is higher than the average and the median of the Comparables.

Taking into account that (i) the Subscription Price was below the Closing Price during the Review Period; (ii) the discounts of the Subscription Price to the LTD Price, the 5-Day Discount Price and the theoretical dilution effect of the Rights Issue fall within discount range of the Comparables and are lower than the average but higher than the median of those of the Comparables, whilst the NAV per Share may not be a meaningful benchmark for assessing the fairness and reasonableness of the Subscription Price despite the Subscription Price represents a discount of approximately 93.66% to the NAV per Share; and (iii) the theoretical dilution effect of the Rights Issue is within the range of the Comparables and is higher than the average and the median of the Comparables, we consider the Subscription Price is fair and reasonable to set the Subscription Price at a discount to the prevailing market price.

As shown in the table of the Comparables above, it is common for listed issuers in Hong Kong to issue rights shares at a discount to prevailing market prices in order to enhance the attractiveness of the Rights Issue. We consider all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares under the Rights Issue and are offered the same discounts of the Subscription Price to the closing price of the Share and the same potential maximum dilution, we are of the view that the Subscription Price (together with its dilution effect) is fair and reasonable so far as the Independent Shareholders are concerned, and also in alignment with the market practice. As such, we concur with the view of the Directors that it would be more

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practical and commercially reasonable to set a subscription price which is lower than the prevailing market price as illustrated above in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate in the Rights Issue under the prevailing market conditions and economic sentiment and with reference to the recent market performance of the Shares particularly the Company's average trading volume as illustrated above indicated a lack of liquidity and demand for the Shares.

Among the Comparables, we noted that 19 out of 20 Comparables involved placing arrangements in their rights issues. As such, we consider that it is reasonable for rights issue to have placing arrangements.

Non-underwritten basis

As shown in the table of the Comparables above, we noted that it is common for rights issues to be conducted on a non-underwritten basis as all of the 20 Comparables conducted/proposed to conduct their rights issues on a non-underwritten basis.

As disclosed in the Board Letter, 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.

In deciding to conduct the Rights Issue on a non-underwritten basis and without a minimum subscription level, we noted that the Directors have considered the Company's funding needs, prevailing market conditions, the interests of the Qualifying Shareholders and the risks associated with the proposed structure. The following factors were considered:

- (i) **Difficulty in obtaining underwriting support.** The Company approached securities firms to underwrite the Rights Issue. However, due to, among other things, the trading performance, trading volume and liquidity of the Shares, the uncertain level of Shareholder participation and the size of the fund-raising, the firms approached declined to provide underwriting support. Accordingly, the Directors consider that proceeding on a non-underwritten basis is a practical and commercially reasonable alternative.
- (ii) **Discounted Subscription Price.** The Subscription Price has been set at a discount to the prevailing market price of the Shares to encourage Qualifying Shareholders to participate in the Rights Issue and improve the prospects of raising funds.

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- (iii) **Flexibility in fund-raising.** The absence of a minimum subscription level enables the Company to proceed with the Rights Issue and use the proceeds actually raised, even if the Rights Issue is not fully subscribed. The Directors consider that this avoids the risk of the Rights Issue being delayed or terminated if a minimum subscription level is not achieved.
- (iv) **Fair opportunity for Shareholders to participate.** The Rights Issue is offered to Qualifying Shareholders on a pro rata basis. Qualifying Shareholders may subscribe for their entitlements to maintain their percentage interests in the Company. The discounted Subscription Price also provides an incentive to participate and helps mitigate potential dilution arising from the Rights Issue.
- (v) **Arrangements for any shortfall.** If the Rights Issue is not fully subscribed, the Company may prioritise or reallocate the proceeds among its proposed uses and consider alternative financing options, where appropriate. These arrangements provide the Company with flexibility to address any shortfall in proceeds.

The proposed non-underwritten structure and the absence of a minimum subscription level are legally permissible and enable the Company to raise funds in a timely and flexible manner, particularly given the difficulty in obtaining underwriting support.

Having considered the above factors, we concur with the view of the Directors that proceeding with the Rights Issue on a non-underwritten basis and without a minimum subscription level is in the best interests of the Company and its Shareholders as a whole.

We are of the view that the arrangements are fair and reasonable so far as the Shareholders are concerned. The Rights Issue gives all Qualifying Shareholders an equal and pro rata opportunity to participate at the Subscription Price and to avoid or minimise dilution of their interests. Although the non-underwritten structure does not guarantee that the maximum amount of proceeds will be raised, we consider that this is outweighed by the practical difficulty of obtaining underwriting support and the risk that the Rights Issue may otherwise be delayed or not proceed. Accordingly, we consider that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares that remain unplaced under the Compensatory Arrangements will not be issued by the Company, and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

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As the Rights Issue will proceed on a non-underwritten basis, Shareholder(s) who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code and/or potentially result in the Company's non-compliance of the Public Float Requirement of the Listing Rules. 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 by the Company to a level which (i) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules; and/or (ii) does not result in the non-compliance of the Public Float Requirement. Any subscription money which not utilised due to the scaled-down application of entitled Rights Shares will be refunded to the affected applicants.

The Placing Agreement

As disclosed in the Board Letter, pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

On 15 July 2026 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best-effort basis. Details of the Placing Agreement are as follows:

Date	:	15 July 2026
Issuer	:	the Company
Placing Agent	:	CNI Securities Group Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO, was appointed as the Placing Agent to procure, on a best effort basis, the Placees to subscribe for the Unsubscribed Rights Shares during the Placing Period.

As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

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- Placing Period : The period from Wednesday, 9 December 2026 up to 4:00 p.m. on Thursday, 17 December 2026, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.
- Placing Price : The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price, and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process.
- Placing commission : Subject to completion of the Placing, the Company shall pay the Placing Agent a placing commission equal to the greater of:
- (a) 1% of the amount equal to the Placing Price multiplied by the total number of Unsubscribed Rights Shares successfully placed by the Placing Agent; and
 - (b) a fixed placing commission of HK\$2 million. The Placing Commission will be payable in cash only and will not bear interest.
- Placees : The placees shall be professional, institutional, and other investors. The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s) (where applicable), shall be independent third party(ies) of the Directors, chief executive of the Company or Substantial Shareholders or any of its subsidiaries or any of their respective associates.

For further details, please refer to section headed “The Placing Agreement” in the Board Letter. As stated in the Board Letter, the Placing Agent confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company. The engagement between the Company and the Placing Agent for the Unsubscribed Rights Shares (including the commission payable) was determined after arm’s length negotiation between the Placing Agent and the Company, with reference to the prevailing market rate, and the Company considers the terms to be normal commercial terms.

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The placing commission under the Placing Agreement is the higher of HK\$2,000,000 or 1% of gross proceeds from the subscription of the Unsubscribed Rights Shares successfully placed by the Placing Agent. The Placing Agreement sets a minimum floor of placing commission to be received by the Placing Agent of HK\$2,000,000 (the “**Floor**”), which represents the amount of fee that will be paid to the Placing Agent, in the extreme event that none of the Unsubscribed Rights Shares was successfully placed by the Placing Agent.

For illustration purposes, based on 520,115,040 Rights Shares, being the maximum amount of Unsubscribed Rights Shares assuming that nil acceptance by the Qualifying Shareholders of Rights Shares and all of the Unsubscribed Rights Shares having been placed by the Placing Agent, the maximum amount of placing commission is approximately HK\$3,120,690.

As shown in the table of the Comparables above, 19 out of the 20 Comparables did not have excess application arrangement and have compensatory arrangement to place the unsubscribed rights shares and any unsold rights shares in their rights issues. As such, we consider that the absence of excess application arrangements in rights issues is not an uncommon market practice. Among these 19 Comparables, the placing commissions ranged from 0.75% to 4.00%, with average and median of 2.21% and 2.20% respectively. The commission rate of 1.00% for the Rights Issue is within the range of the Comparables and is below both the average and median of the Comparables.

We make reference to the rights issue of the Comparables and notice that in addition to the variable placing fee to be charged solely based on a certain percentage to the amount of funds to be raised by them, some of the placing fee are subject to fixed amount of cap or floor. Among these Comparables, there are 2 Comparables setting a minimum placing commission and both are set at HK\$300,000. These floors/cap of these 2 Comparables (the “**Placing Commission Comparables**”) are all less than the Floor commission of our case. Nevertheless, the Placing Commission Comparables are fairly selected based on the same selection criteria as the other Comparables when analysing the Subscription Price and provide a general reference for the current market practice in setting placing fee for rights issue, which may take the form of either a purely variable amount or a variable placing fee with a floor/cap fee. We consider that the adoption of such floor/cap arrangements in the Comparables represents a commercial decision made by each company and is not unusual. Having regard to the arm’s length negotiation with an independent Placing Agent, the Company’s low liquidity and execution risk, and the fact that the Floor is below the estimated maximum commission in a full-placement scenario (i.e. approximately HK\$3,120,690), we consider the minimum placing commission to be commercially justified, proportionate and on normal commercial terms.

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Among the 19 Comparables with placing as compensatory arrangement, all the placings were conducted on a non-underwritten basis with no guarantee of success. We also observe that the placing commission rate levels show no correlation with the amount of target funds to be raised. We consider that the placing fee and expenses to be charged by a placing agent may generally depend on, among others, the marketability of the Shares, more fairly reflected by the historical liquidity, the discount of subscription price to market price, and historical business performance of the company. As discussed above, the Company is in a loss-making position for years, and the average daily trading volume of the Shares by month was generally thin during the Review Period. Following our discussions with the Directors, we have concluded that establishing the placing commission at this level is essential for motivating the Placing Agent to attract investors for the Unsubscribed Shares. Having considered that (i) the placing commission of 1.0% is less than both the average and the median of the placing commission charged by the Comparables with similar arrangements; (ii) setting a floor/cap placing commission is not exceptional in the market based on our study of the rights issues of the Comparables, and (iii) setting a floor placing commission may incentivise the placing agent to accept the placing engagement since it compensates and safeguards their efforts in marketing the Unsubscribed Rights Shares. As such, we concur with the view of the Directors that the commission rate charged by the Placing Agent under the Placing is fair and reasonable and on normal commercial terms.

We concur with the view of the Board that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders since the Compensatory Arrangements would provide (i) a distribution channel for the Placing Shares to the Company; (ii) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders. In particular, excess application is considered as a passive arrangement to facilitate additional participation of the Qualifying Shareholders. Taking into account the low liquidity of the Shares before the Last Trading Day, we consider it would be more desirable for the Company to adopt a more active measure by way of the Compensatory Arrangements to mitigate the uncertainty of the fundraising exercise.

Potential dilution effect

All Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date so as to maintain their proportionate interests in the Company and participate in the future growth of the Group.

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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. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares will be placed on a best effort basis by the Placing Agent to independent placees under the Placing. Any Unsubscribed Rights Shares remain not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed “EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” in the Board Letter.

Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares have been placed by the Placing Agent, the shareholding interests of the Qualifying Shareholders will be diluted by up to a maximum of 80.00%, which fall within the range of the Comparables.

As discussed in the section headed “Comparison with other rights issue transactions” above, the theoretical dilution effect of the Rights Issue is approximately 19.39%, which falls within the range of approximately 1.10% to 24.29% represented by the Comparables. Although the theoretical dilution effect of the Rights Issue is higher than the average and median of approximately 13.48% and 14.35%, respectively, of the Comparables, we note that it remains within the range represented by the Comparables and complies with Rule 7.27B of the Listing Rules.

In assessing the fairness and reasonableness of the theoretical dilution impact of the Rights Issue, we have also taken into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares; (iv) the discount of the Subscription Price to the current market price will encourage them to participate in the Rights Issue; and (v) the Rights Issue is intended to address the Group’s funding needs, strengthen its liquidity position and support its business development.

Having considered that the theoretical dilution effect of the Rights Issue falls within the range represented by the Comparables, together with the factors set out above, we are of the view that the theoretical dilution impact of the Rights Issue is acceptable and fair and reasonable so far as the Independent Shareholders are concerned, notwithstanding that it is higher than the average and median of the Comparables.

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Financial effects of the Rights Issue

Net tangible assets

In light of the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interests of the Company and the Shareholders. According to the “UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP” set out in the Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company was approximately RMB998.3 million as at 30 June 2026, while the unaudited consolidated net tangible assets per Share before completion of the Rights Issue was approximately RMB7.68; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would increase to approximately RMB1,265.1 million, while the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights Issue was approximately RMB1.95.

Gearing ratio and liquidity

According to the 2026 Interim Results, as at 30 June 2026, the unaudited bank and cash balances of the Group was approximately RMB13.2 million. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the Net Proceeds of approximately HK\$306.8 million (equivalent to approximately RMB266.8 million). Upon the completion of the Rights Issue, the equity attributable to owners of Company would be enlarged by the Net Proceeds of approximately HK\$306.8 million. The gearing ratio was approximately 8.27% as at 30 June 2026.

RECOMMENDATION

Taking into consideration the principal factors and reasons as set out in this letter, in particular, (i) the financial performance of the Group and the net loss recorded in HY2026, FY2025 and FY2024; (ii) the funding needs of the Group for the expansion of the Group’s businesses, for repayment of the Group’s bank borrowings and general working capital of the Group; (iii) the Rights Issue being considered a more preferable options as compared to other alternatives under the current circumstance of the Group; (iv) the positive impact on the Group’s liquidity position as a result of the Rights Issue; and (v) the Qualifying Shareholders can maintain and even increase their shareholding interest in the Company by participating in the Rights Issue, we are of the opinion that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

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Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the three years ended 31 December 2023, 2024 and 2025; and (ii) for the six months ended 30 June 2026 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.floatingcloud.com), respectively:

- (i) annual report of the Company for the year ended 31 December 2023 (pages 124 to 186) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042901230.pdf>)
- (ii) annual report of the Company for the year ended 31 December 2024 (pages 130 to 184) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042902078.pdf>)
- (iii) annual report of the Company for the year ended 31 December 2025 (pages 115 to 171) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0427/2026042701503.pdf>)
- (iv) interim report of the Company for the six months ended 30 June 2026 (pages 31 to 45) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0928/2026092800508.pdf>)

STATEMENT OF INDEBTEDNESS

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

	<i>Note</i>	<i>RMB'000</i>
Bank borrowings	(a)	90,900
Unsecured and unguaranteed amount due to a controlling shareholder		10,440
Unsecured and unguaranteed amount due to a shareholder		371
Unsecured and unguaranteed lease liabilities		2,662
		<u>104,373</u>

Note:

- (a) As at 31 August 2026, bank borrowings of approximately RMB27,500,000 were unsecured and guaranteed and remaining bank borrowings of approximately RMB63,400,000 were unsecured and unguaranteed.

Save as disclosed above and for intra-group liabilities, the Group did not have any debt securities authorized or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities as at the close of business on 31 August 2026.

SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that following Completion, after taking into account the Group's internal resources, cash flow from operations, and facilities available to the Group, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular, in the absence of unforeseeable circumstances.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Company were made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 December 2025, the Group focused on four core activities: (i) AR and VR marketing services; (ii) AR/VR and AI content development; (iii) platform services for telecom operators; and (iv) live-promotion services utilizing 3D digital humans. The AR and VR market in China is expanding rapidly, fueled by advancements in hardware, software, and content, as well as government support. However, it remains competitive and faces challenges such as high production costs, limited consumer affordability, content shortages, and potential export restrictions on advanced components.

AR and VR marketing was the Group's primary source of revenue in 2025, supported by partnerships with media platforms and channel representatives. The Group employs a proprietary development engine and a newly launched AI-generated content platform (AIGC) to create customized AR and VR solutions, as well as cost-effective text, image, and video content for sectors such as culture and tourism, education, gaming, and internet services. The platform services, along with secure API/data gateways and product promotion offerings, provide recurring

business-to-business (B2B) revenue and strengthen relationships with operators. Live-promotion services leverage the Group’s live-streaming system and digital human streamers to generate immediate cash flow and develop monetizable virtual intellectual property (IP).

Looking ahead to 2026, the Group plans to increase its investment in research and development to accelerate the convergence of AI and XR. This will prioritize automation and cost-efficiency in 3D content creation to support the large-scale commercialization of digital humans and digital assets. The strategy emphasizes the growth of enterprise and operator channels, the expansion of platform capabilities, and the conversion of digital IP into scalable revenue streams.

Overall, the Board anticipates continued revenue diversification and medium-term growth as AIGC and XR solutions scale, production costs decrease, and partnerships with platforms and operators deepen. This positions the Group to deliver sustainable value to Shareholders.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix D1B and Paragraph 29 of Chapter 4 of Listing Rules is set out below to illustrate the effects of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2026.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Rights Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 30 June 2026, adjusted as described below:

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2026 (Note 1) RMB'000	Estimated net proceeds from the Rights Issue (Note 2) RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2026 RMB'000
998,317	266,756	1,265,073
Unaudited consolidated net tangible assets per existing share before completion of the Rights Issue (Note 3)		
		RMB7.68
Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights Issue (Note 4)		
		RMB1.95

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2026 is extracted from the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2026 of approximately RMB1,103,954,000 as adjusted by exclusion of intangible assets of approximately RMB105,637,000 as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2026.
2. The estimated net proceeds from the Rights Issue of approximately RMB266,756,000 (equivalent to HKD306,769,000) is calculated based on the maximum number of 520,115,040 Rights Shares to be issued at the subscription price of HK\$0.60 per Rights Share, after deduction of the estimated related expenses of approximately RMB4,609,000 (equivalent to HKD5,300,000), assuming that the Rights Issue had been completed on 30 June 2026.
3. The calculation is determined based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2026 of approximately RMB998,317,000 divided by the number of Shares in issue of 130,028,760 as at 30 June 2026 and immediately before completion of the Rights Issue.
4. The calculation is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2026 of approximately RMB1,265,073,000 divided by total number of Shares as enlarged by the issue of the Rights Shares of 650,143,800 which is arrived at on the basis that 130,028,760 shares in issue as at 30 June 2026 and 520,115,040 rights shares to be issued upon completion of the Rights Issue, as if the Rights Issue had been completed on 30 June 2026.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



ZHONGHUI ANDA CPA Limited

Certified Public Accountants

9 October 2026

The Board of Directors
Flowing Cloud Technology Ltd

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Flowing Cloud Technology Ltd (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 30 June 2026 as set out on pages II-1 to II-2 of the circular (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in Section A of Appendix II to the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Rights Issue on the Group’s consolidated net tangible assets as at 30 June 2026 as if the transaction had been taken place at 30 June 2026. As part of this process, information about the Group’s consolidated net tangible assets has been extracted by the directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2026, on which a review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 13 of Appendix D1B and paragraph 29 of Chapter 4 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.

The firm applies Hong Kong Standard on Quality Management 1, 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 29(7) of Chapter 4 of the Listing Rules, on the 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 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 have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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 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 pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction 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 event or transaction at 30 June 2026 would have been as presented.

A reasonable assurance engagement to report on whether the 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 in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The 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 pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

We make no comments regarding the reasonableness of the amount of net proceeds from the Rights Issue, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for and benefits of the Rights Issue and the use of proceeds" set out on page 34 of the Circular.

Opinion

In our opinion:

- (a) the 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 pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Practising Certificate Number P07374

Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately following the completion of Increase in Authorised Share Capital and the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date) will be, as follows:

(a) As at the Latest Practicable Date

		US\$
<i>Authorised:</i>		
<u>250,000,000</u>	Shares of US\$0.0002 each	<u>50,000</u>
<i>Issued and fully paid:</i>		
<u>130,087,860</u>	Shares of US\$0.0002 each	<u>26,018</u>

(b) Immediately upon completion of Increase in Authorised Share Capital and the Rights Issue

		US\$
<i>Authorised:</i>		
<u>2,000,000,000</u>	Shares of US\$0.0002 each	<u>400,000</u>
<i>Issued and fully paid:</i>		
<u>650,143,800</u>	Shares of US\$0.0002 each	<u>130,029</u>

The Rights Shares, when allotted, issued and fully-paid, shall rank *pari passu* in all respects with the Shares then in issue. Holder 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 fully-paid Rights Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. 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.

As at the Latest Practicable Date, the Company has outstanding 1,466,500 Share Options entitling the holders thereof to subscribe for up to an aggregate of 1,466,500 Shares under the Share Option Scheme.

Save for the Share Options, the Company has no outstanding warrants, options or convertible securities in issue or other similar rights entitling holders thereof to convert into or exchange into or subscribe for new Shares as at the Latest Practicable Date.

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

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange are as follows:

Long position in the shares and underlying shares

Name of Directors	Nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company
Mr. Wang	Beneficial owner	90,000 (Note 1)	0.07%
	Interest in a controlled corporation	33,491,095	25.74%
Ms. Xu Bing	Beneficial owner	90,000 (Note 2)	0.07%
Mr. Li Yao	Beneficial owner	90,000	0.07%

Notes:

1. Mr. Wang is interested in 33,491,095 Shares through Brainstorming Cafe Limited (“**Brainstorming Cafe**”). Brainstorming Cafe is owned as to 30.00% by Wanglei Co., Ltd. (“**Wang BVI**”) and 70.00% by Cyber Warrior Holdings Limited (“**Cyber Warrior**”). Wang BVI is wholly owned by Mr. Wang. Cyber Warrior is wholly owned by Moomoo Trustee (Singapore) Pte. Ltd., the trustee of a discretionary trust established for estate planning purposes by Mr. Wang as the settlor and protector and Wang BVI as the beneficiary.

As at the Latest Practicable Date, Mr. Wang was interested in 90,000 underlying Shares which comprised 90,000 Share Options granted to him pursuant to the Share Option Scheme.

2. As at the Latest Practicable Date, each of Ms. Xu Bing and Mr. Li Yao was interested in 90,000 underlying Shares which comprised 90,000 Share Options granted to each of them pursuant to the Share Option Scheme.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), 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 which are required to be entered into the register kept pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at the Latest Practicable Date, so far as the Directors and chief executive of the Company are aware, other than the Director or chief executive of the Company, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long position in the Shares

Name of Shareholders	Nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company (Note 1)
Wanglei Co., Ltd.	Interest in controlled corporation	33,491,095 (Note 2)	25.74%
Moomoo Trustee (Singapore) Pte. Ltd.	Trustee	33,491,095 (Note 3)	25.74%
Cyber Warrior Holdings Limited	Interest in controlled corporation	33,491,095 (Note 3)	25.74%
Ms. Zhang Zimo	Interest in controlled spouse	33,491,095 (Note 4)	25.74%
Brainstorming Cafe Limited	Beneficial owner	33,491,095	25.74%

Note:

1. Based on 130,087,860 Shares in issue as at the Latest Practicable Date.
2. Mr. Wang is interested in 33,491,095 Shares through Brainstorming Cafe Limited ("**Brainstorming Cafe**"). Brainstorming Cafe is owned as to 30.00% by Wanglei Co., Ltd. ("**Wang BVI**") and 70.00% by Cyber Warrior Holdings Limited ("**Cyber Warrior**"). Wang BVI is wholly owned by Mr. Wang. Cyber Warrior is wholly owned by Moomoo Trustee (Singapore) Pte. Ltd., the trustee of a discretionary trust established by for estate planning purposes by Mr. Wang as the settlor and protector and Wang BVI as the beneficiary.

As at the Latest Practicable Date, on top of Mr. Wang's interests in 33,491,095 Shares stipulated above, Mr. Wang was interested in 90,000 underlying Shares which comprised 90,000 Share Options granted to him pursuant to the Share Option Scheme.

3. Cyber Warrior is wholly-owned by Moomoo Trustee (Singapore) Pte. Ltd., the trustee of the Wang Family Trust which is a discretionary trust established by Mr. Wang as the settlor and protector and the beneficiary of the Wang Family Trust is Wang BVI. The Wang Family Trust is established for Mr. Wang's estate planning purposes.
4. Ms. Zhang Zimo is the spouse of Mr. Wang. Under the SFO, Ms. Zhang Zimo is deemed to be interested in the same number of Shares in which Mr. Wang is interested.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have 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 was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2025, the date to which the latest published audited accounts of the Group were made up.

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders of the Company or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

7. LITIGATION

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

8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material:

- (i) the Placing Agreement;
- (ii) the Subscription Agreement dated 5 November 2025 entered between (1) Hangzhou Zhongrunxing Information Technology Co. Ltd.* (杭州中潤星數字科技有限公司) (“**Hangzhou Zhongrunxing**”), a company established under the laws of the PRC with limited liability; (2) Anhui Tongchuang SME Science and Technology Transfer Fund Partnership (Limited Partnership)* (安徽同創中小科轉基金合夥企業(有限合夥)) (“**Anhui Tongchuang**”); (3) Mr. Wang Lei; (4) Beijing Flowing Cloud Technology Co., Limited* (北京飛天雲動科技有限公司) (“**Beijing Flowing Cloud**”); and (5) Beijing Dinglijiahe Enterprise Management Consulting Center (Limited Partnership) (北京鼎力佳和企業管理諮詢中心(有限合夥)) (“**Beijing Dingli**”). Anhui Tongchuang agreed to subscribe to Hangzhou Zhongrunxing’s newly increased registered capital of RMB375,000 at a subscription amount of RMB15,000,000;
- (iii) the Subscription Agreement dated 31 October 2025 entered between Hangzhou Zhongrunxing, Beijing Flowing Cloud, Beijing Dingli, and Lingshui Smart Navigation Private Equity Partnership (Limited Partnership)* (陵水智選領航股權基金合夥企業(有限合夥)) (“**Lingshui Equity Fund**”). Anhui Tongchuang agreed to subscribe to Hangzhou Zhongrunxing’s newly increased registered capital of RMB250,000 at a subscription amount of RMB9,750,000;

- (iv) the placing agreements dated 9 September 2025 entered into between the Company and CNI Securities Group Limited in respect of the placing up to a maximum of 433,429,200 shares at the placing price of HK\$0.174 per placing share; and
- (v) the placing agreements dated 30 April 2025 entered into between the Company and CNI Securities Group Limited in respect of the placing up to a maximum of 361,000,000 shares at the placing price of HK\$0.201 per placing share.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular (collectively, the “**Experts**”):

Name	Qualification
Vinco Financial Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
ZHONGHUI ANDA CPA Limited	Certified Public Accountants

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 letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or the 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, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited accounts of the Company were made up.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming the Rights Issue is not fully-subscribed and any Unsubscribed Rights Shares are placed by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$5.3 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**Board of Directors***Executive Directors*

Mr. Wang Lei

Ms. Xu Bing

Mr. Li Yao

Independent non-executive Directors

Mr. Jiang Yi

Mr. Li Shaojie

Ms. Li Yue

Registered office

89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

**Principal place of business in
Hong Kong**

Room 1917, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Authorised representatives

Mr. Wang Lei
Mr. Yau Tsz Lun

**Business address of all Directors and
authorised representatives**

Room 1917, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Joint Company secretaries

Mr. Li Yao
Mr. Yau Tsz Lun

**Principal share registrar and
transfer office**

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

Hong Kong branch share registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal bankers

Beijing Rural Commercial Bank Co., Ltd.
Taoranting Branch
1st Floor, Tower E, Fuli Morgan Center
6 Tai Ping Street
Xicheng District
Beijing
PRC

Bank of Nanjing Co.
Beijing Branch
Yongxing Garden Hotel
101 Fucheng Road
Haidian District
Beijing
PRC

Auditor and Reporting accountants

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

Legal adviser to the Company**Patrick Mak & Tse**

Rooms 901–905, 9th Floor
Wing On Centre
111 Connaught Road Central, Hong Kong

**Independent Financial Adviser to the
Independent Board Committee and
the Independent Shareholders****Vinco Financial Limited**

Unit 2808, 28/F
The Center
99 Queen's Road Central
Hong Kong

Placing Agent**CNI Securities Group Limited**

Unit A 26/F Times Media Centre
133 Wan Chai Road
Wanchai
Hong Kong

Financial Adviser to the Company**Diligent Capital Limited**

Room 2203, 22/F
New World Tower 1
16–18 Queen's Road Central
Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT**a) Biographical details of Directors***Executive Directors*

Mr. Wang Lei (汪磊) (“**Mr. Wang**”), aged 43, was appointed as the Director on June 24, 2021. He was appointed as the chairman of the Board, chief executive officer and re-designated as the executive Director on December 13, 2021. He is primarily responsible for the strategic development, overall operation and management and major decision making of the Group. Mr. Wang joined the Group as a general manager of Ophyer Technology on April 1, 2009. Mr. Wang also holds various positions with other members of the Group.

Mr. Wang has over 20 years of experience in the Internet technology industry. Prior to joining the Group, from July 2005 to May 2006, Mr. Wang served as WAP operation manager in Newpalm (China) Information Technology Co., Ltd. (掌中萬維(中國)信息科技有限公司). From June 2006 to January 2009, Mr. Wang served as senior operations director in Ourpalm Co., Ltd. (北京掌趣科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code 300315).

Mr. Wang received the “Industry Leading Individual Award” at the 7th session of the Beijing Animation Event issued by the Beijing Animation Committee in August 2018. Mr. Wang obtained his bachelor’s degree in automation from the North China University of Technology (北方工業大學) in Beijing, PRC in July 2005, and his master’s degree in project management from the Beijing University of Posts and Telecommunications (北京郵電大學) in Beijing, PRC in March 2013.

Ms. Xu Bing (徐冰) (“Ms. Xu”), aged 43, was appointed as the Director on December 13, 2021 and was re-designated as the executive Director on December 13, 2021. She is also a vice president and chief officer for data of the Company, responsible for assisting in overall management and sales and marketing activities of the Group. Ms. Xu joined the Group as a commercial manager of Ophyer Technology on August 3, 2009. Ms. Xu also holds various positions with other members of the Group.

Ms. Xu has over 18 years of experience in the information technology services industry. Prior to joining the Group, from January 2007 to March 26, 2008, Ms. Xu served as business development manager in Beijing Joyes Tech. Co., Ltd. (北京卓娛互動科技有限公司), responsible for market development related work. From April 2008 to April 2009, Ms. Xu served as terminal cooperation manager in Shanghai Jichuang Network Technology Co., Ltd. (上海積創網絡科技有限公司), responsible for promoting games and cooperating with mobile terminals to provide game content. From April 2009 to August 2009, Ms. Xu served as marketing manager in Yimenlou (Beijing) Technology Co., Ltd. (億門樓(北京)科技有限公司).

Ms. Xu obtained her bachelor’s degree in international economics and trading from Jilin University of Finance and Economics (吉林財經大學) (previously known as the Changchun Taxation College (長春稅務學院)) in Jilin, PRC in July 2006.

Mr. Li Yao (李堯), aged 43, was appointed as the Director on December 13, 2021. He was appointed as the joint company secretary to the Board and re-designated as the executive Director on December 13, 2021. He is also a vice president of the Company, responsible for overseeing the daily business operations and assisting in overall management of the Group.

Mr. Li Yao joined the Group as deputy general manager and secretary to the board of Ophyer Technology on February 29, 2016. Mr. Li Yao also holds various positions with other members of the Group. Mr. Li Yao has over 20 years of experience in games and software development. Prior

to joining the Group, from December 2004 to December 2007, Mr. Li Yao served as product manager in Ourpalm Co., Ltd. (北京掌趣科技股份有限公司), responsible for games related business. From January 2008 to June 2010, Mr. Li Yao served as mobile games product director in Shanghai Snowfish Tech. Co., Ltd. (上海雪鯉魚計算機科技有限公司), responsible for Java related business. From July 2010 to January 2016, Mr. Li Yao served as general manager in Beijing Fengxinzi Computer Technology Co., Ltd.* (北京風信子計算機科技有限公司) (currently known as (Beijing Planet Wings Sports Culture Co., Ltd.* 北京星球之翼體育文化有限公司)), responsible for marketing and operation of the company.

Mr. Li Yao received the 2018 National Equities Exchange and Quotations Gold Medal for Secretary of the Board (2018年度新三板金牌董秘) issued by the Rhino Star (IPO3.COM) in 2018.

Mr. Li Yao obtained his diploma in stage lighting and sound engineering from the Beijing Broadcast and Television University (北京廣播電視大學) (subsequently known as Beijing Open University (北京開放大學)) in Beijing, PRC in July 2005, and his bachelor's degree in Chinese literature and linguistics from the Central Broadcast and Television University (中央廣播電視大學) (subsequently known as The Open University of China (國家開放大學)) in Beijing, PRC in January 2011.

Independent non-executive Directors

Mr. Jiang Yi (江一) (“Mr. Jiang”), aged 41, was appointed as the independent non-executive Director on September 8, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Jiang has over 13 years of experience in the field of corporate services. Since March 2012, he has been serving as the chairman of the board of Zhonglian Hengye (Beijing) Investment Management Co., Ltd.* (中聯恒業(北京)投資管理有限公司), primarily responsible for leading the board and focusing on strategic matter. Since November 2014, He has been serving as the chairman of the board of Qingyun Technology (Beijing) Co., Ltd.* (擎雲科技(北京)有限公司), primarily responsible for leading and supervising the board and the senior management. Since April 2019, he has been serving as the independent non-executive director of HCR Co., Ltd.* (北京慧辰資道資訊股份有限公司), a company listed on the Shanghai Stock Exchange Science and Technology Innovation Board (stock code: 688500), primarily responsible for providing independent opinion and judgement to the company.

Mr. Jiang obtained his bachelor's degree in electronic information engineering from the Wuhan University of Science and Technology (武漢科技大學) in Wuhan, PRC in June 2007.

Mr. Li Shaojie (李紹杰), aged 50, has over 25 years of experience in film and television media, animation and the internet.

From August 1998 to August 2000, Mr. Li Shaojie worked as a marketing representative at Wolters Kluwer Business Computer Systems (Beijing) Co., Ltd.* (威科商務電腦系統(北京)有限公司); from August 2000 to August 2001, he served as the business development director of Renren (Beijing) Co., Ltd.* (人人網(北京)有限公司); from September 2001 to February 2018, he successively served as the copyright director, general manager of the animation department, and deputy general manager of Beijing Yadi Media Co., Ltd.* (北京雅迪傳媒股份有限公司), responsible for the management of animation business and the investments in film and television industry; and since February 2018, he has served as the general manager of Beijing Changhe Shengxiang Cultural Communication Company Limited* (北京昌和晟祥文化傳播有限公司), responsible for overall operation and management.

Mr. Li Shaojie obtained his fund practitioner qualification in April 2016. Moreover, Mr. Li Shaojie obtained a bachelor's degree in law from Peking University in July 1998.

Ms. Li Yue (李月), aged 54, brings over 30 years of experience in financial management. From January 2018 to January 2022, Ms. Li Yue held the position of board member at Taxing Peace (Beijing) Enterprise Tax Services Co., Ltd.* (稅稅平安(北京)企業稅務服務有限公司) and served as the business department manager at CITIC Leyitong Business Technology Co., Ltd.* (中信樂益通商務科技有限公司).

Ms. Li Yue obtained a bachelor's degree in Business Administration from Changchun University of Technology. Additionally, Ms. Li Yue has been recognised as an intermediate accountant* (中級會計師) by the Ministry of Human Resources and Social Security of the People's Republic of China* (中華人民共和國人力資源和社會保障部) since May 2007.

Joint Company Secretaries

Mr. Li Yao (李堯), details of which is disclosed in the paragraph headed "Executive Directors"

Mr. Yau Tsz Lun (游子麟) ("Mr. Yau") has been appointed as the joint company secretary to the Board and the authorised representative of the Company, all with effect from 21 April 2026. Mr. Yau is a manager of Company Secretarial Services of Tricor Services Limited. Mr. Yau has over 7 years of experience in the company secretarial field. He has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Mr. Yau is currently the company secretary or joint company secretary of a few listed

companies on the Hong Kong Stock Exchange. Mr. Yau is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

b) Business address of the Directors and the senior management of the Company

The business address of the Directors, the senior management and authorized representatives is the same as the Company's head office and principal place of business in Hong Kong located at Room 1917, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprised three independent non-executive Directors, namely Mr. Jiang Yi, Ms. Li Yue, and Mr. Li Shaojie. The audit committee is chaired by Ms. Li Yue. The audit committee is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

14. 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.floatingcloud.com) for 14 days from the date of this circular:

- (a) the annual reports of the Company for each of the three financial years ended 31 December 2023, 2024 and 2025, and the interim report of the Company for six months ended 30 June 2026;
- (b) the Placing Agreement;
- (c) the letter from the Board, the text of which is set out on pages 13 to 53 of this circular;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 54 to 55 of this circular;
- (e) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-51 of this circular;
- (f) the accountant's report on the unaudited pro forma financial information of the Group issued by ZHONGHUI ANDA CPA Limited, the text of which is set out in Appendix II to this circular;

- (g) the material contracts referred to in the paragraph headed “8. MATERIAL CONTRACTS” of this appendix;
- (h) the written consents from the Experts referred to in paragraph headed “9. EXPERTS AND CONSENTS” of this appendix; and
- (i) this circular.

15. MISCELLANEOUS

- (a) 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.
- (b) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (c) 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.

* *For identification purpose only*

NOTICE OF EGM



Flowing Cloud Technology Ltd

飛天雲動科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6610)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Flowing Cloud Technology Ltd (the “**Company**”) will be held at Shop 8, Jingyuan Art Center, Guangqulu No. 3, Chaoyang District, Beijing, PRC on Monday, 2 November 2026 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the authorised share capital of the Company be increased from US\$50,000 divided into 250,000,000 Shares to US\$400,000 divided into 2,000,000,000 Shares (the “**Increase in Authorised Share Capital**”); and
- (b) any one or more Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital.”

2. **“THAT** subject to and conditional upon (i) The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholder(s)**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (ii) the Placing Agreement (as defined below) becoming unconditional and not being terminated in accordance with its terms:

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- (a) issue by way of rights issue (the “**Rights Issue**”) of up to 520,115,040 ordinary shares (the “**Rights Share(s)**”) at the subscription price of HK\$0.6 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on the date (the “**Record Date**”) by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to 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) in the proportion of four (4) Rights Shares for every one (1) share of the Company then held on the Record Date at the subscription price of HK\$0.6 per Rights Share and otherwise on the terms and conditions set out in the circular of the Company dated 9 October (the “**Circular**”) be and is hereby approved;
- (b) placing agreement (the “**Placing Agreement**”) dated 15 July 2026 entered into among the Company and CNI Securities Group Limited (a copy of which has been produced to the EGM marked “B” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may (i) make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem 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; and (ii) not offer for application under forms of excess application for any Rights Shares provisionally allotted but not accepted; and
- (d) Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue, the Placing Agreement and the Supplemental Placing Agreement, the exercise or enforcement of any of the Company’s rights under the Placing Agreement and to make and agree to make such variations of the terms of the Placing Agreement as they may in their

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discretion consider to be appropriate, necessary, desirable or expedient to carry out, to give effect to or in connection with the Rights Issue or any transactions contemplated thereunder.”

By Order of the Board
Flowing Cloud Technology Ltd
Wang Lei
Chairman and Executive Director

Registered office:

89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

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

Room 1917, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares of the Company, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or person authorised, and must be deposited with 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 (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM or any adjournment thereof.
4. For the purpose of determining members who are qualified for attending and voting at the EGM, the register of members of the Company will be closed from Tuesday, 27 October 2026 to Monday, 2 November 2026 (both days inclusive), during which no transfer of Shares will be effected. In order to qualify for attending and voting at the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Registrar at the address stated in note 3 above not later than 4:30 p.m. on Monday, 26 October 2026 for registration.
5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on the proposed resolution set out in this notice will be taken by a poll.

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7. 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 7:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the Company’s website at www.floatingcloud.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.
8. All times and dates specified herein refer to Hong Kong local times and dates.

As at the date hereof, the board of Directors comprises Mr. Wang Lei, Ms. Xu Bing and Mr. Li Yao as executive Directors and Mr. Jiang Yi, Ms. Li Yue and Mr. Li Shaojie as independent non-executive Directors.