

**FUTURE MACHINE LIMITED**  
**未來機器有限公司**

*(formerly known as “Sprocomm Intelligence Limited”)*  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1401)**

*Executive Directors:*

Mr. LI Chengjun  
*(Chairman and Chief Executive Officer)*  
Mr. XIONG Bin *(Vice Chairman)*  
Mr. WEN Chuanchuan  
Mr. GUO Qinglin  
Mr. HE Wen Yuan  
Mr. CHAN Hoi Shu

*Independent non-executive Directors:*

Mr. HUNG Wai Man  
Mr. WONG Kwan Kit  
Mr. LU Brian Yong Chen  
Mr. CHING Khei Cheong Christopher  
Ms. WANG Huihui

*Registered Office:*

Cricket Square, Hutchins Drive  
P.O. BOX 31119  
Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman  
KY1-1205  
Cayman Islands

*Headquarters and principal place of  
business in PRC:*

33/F, Building 1  
Huaqiang Science and Technology  
Innovation Plaza  
Meilin Street, No. 6018 North Ring  
Boulevard  
Futian District  
Shenzhen, China

*Principal place of business in  
Hong Kong:*

Unit 702, 7/F  
Greenfield Tower  
Concordia Plaza  
1 Science Museum Road  
Tsim Sha Tsui East  
Kowloon, Hong Kong

12 September 2025

*To the Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE  
FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE  
ON A NON-UNDERWRITTEN BASIS**

## INTRODUCTION

References are made to the Announcement.

The purpose of this Prospectus is to provide you with, among other things, (i) further information on the Rights Issue; and (ii) other certain financial and other general information of the Group as required under the Listing Rules.

### 1. RIGHTS ISSUE

The terms of the Rights Issue are set out below:

#### **Rights Issue statistics**

Basis of the Rights Issue:	One (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders as the close of business on the Record Date
Subscription Price:	HK\$0.28 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	1,000,000,000 Shares
Number of Rights Shares:	Up to 500,000,000 Rights Shares (assuming there is no change to the total issued share capital of the Company on or before the Record Date)
Total number of Shares in issue upon the completion of the Rights Issue:	Up to 1,500,000,000 Shares (assuming that no new Shares (other than the Rights Issue) will be allotted and issued on or before the completion of the Rights Issue)
Gross proceeds from the Rights Issue:	Up to approximately HK\$140 million before expenses (assuming there is no change to the total issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

Assuming there is no change to the total issued capital of the Company on or before the Record Date, 500,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 50% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 33.3% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon the Completion.

As at the Latest Practicable Date, the Company has no outstanding share options, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company did not grant or vest any Share Option(s) on or before the Record Date.

### **Undertakings**

The Company has not received any information or irrevocable undertaking from any substantial shareholder of the Company of any 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 available to the Qualifying Shareholders only and the Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will make the Prospectus available to them on the websites of the Company and the Stock Exchange for their information only, but no PAL will be sent to the Non-Qualifying Shareholders. Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Prospectus Documents will be made available and/or despatched (as the case may be) to the Qualifying Shareholders on the Posting Date. For the avoidance of doubt, unless the Qualifying Shareholders submit their requests in writing to the Company for printed form of the Prospectus, the Company will send the PAL to Qualifying Shareholders in printed copies only. Copies of the Prospectus Documents will also be made available on the websites of the Company ([www.sprocomm.com](http://www.sprocomm.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date be registered on the registers of members of the Company, and not be the Non-Qualifying Shareholders.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

## **Closure of register of members**

The register of members of the Company were closed from Monday, 4 August 2025 to Friday, 8 August 2025 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares were registered during this period.

## **Subscription Price**

The Subscription Price of HK\$0.28 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 66.27% to the closing price of HK\$0.8300 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 72.28% to the closing price of HK\$1.0100 per Share as quoted on Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 72.28% to the average closing price of approximately HK\$1.0100 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 72.28% to the average closing price of approximately HK\$1.0100 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 63.48% to the theoretical ex-rights price of approximately HK\$0.7667 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$1.0100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 24.09%, which is calculated based on the theoretical diluted price of approximately HK\$0.7667 per Share (as defined under Rule 7.27B of the Listing Rules, taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day); and

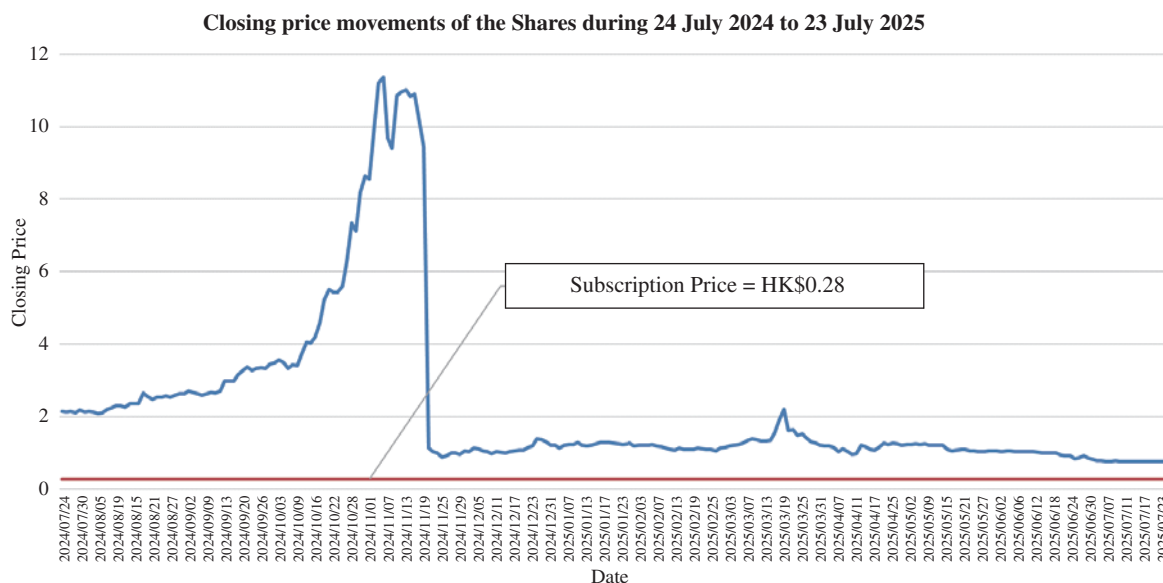
(vii) a discount of approximately 30.17% to the audited net asset value per Share of approximately RMB0.367 (equivalent to HK\$0.401) based on the latest audited consolidated net asset value of the Group of approximately RMB366,534,000 (equivalent to HK\$400,622,000) as at 31 December 2024 and the number of Shares in issue as at the Last Trading Day (i.e. 1,000,000,000 Shares).

(viii) a discount of approximately 32.20% to the audited net asset value per Share of approximately RMB0.378 (equivalent to HK\$0.413) based on the latest audited consolidated net asset value of the Group of approximately RMB378,182,000 (equivalent to HK\$413,353,000) as at 30 June 2025 and the number of Shares in issue as at the Last Trading Day (i.e. 1,000,000,000 Shares).

The Subscription Price was arrived at after arm's length negotiation with reference to, among other things, the prevailing market price of the Shares and the financial conditions of the Group. When setting the Subscription Price, the Directors have considered the following factors:

- (i) the Directors conducted a comprehensive review of the closing price movements of the Shares listed on the Stock Exchange, covering the period from 24 July 2024 to 23 July 2025 (the “**Review Period**”), which is one year before the Last Trading Day. The Directors believe that this one-year timeframe effectively captures the prevailing market sentiment. This duration aligns with recent market trends and price fluctuations, providing a reliable representation of market attitudes toward the Shares.

The chart below shows the movement of the closing Share Price during the Review Period.



During the Review Period, the Shares listed on the Stock Exchange reached a peak closing price of HK\$11.359 on 6 November 2024, while the lowest closing price was recorded at HK\$0.75 on both 4 July 2025 and 7 July 2025. The Directors observed a continuous downward trend in the closing share price beginning in November 2024. The Directors do not identify any specific reasons for the fluctuations observed during the Review Period.

Furthermore, the Directors considered that the significant fluctuations in Share price during the Review Period creates considerable uncertainty in pricing, complicating efforts for Shareholders to accurately assess the fair value of their Shares through fundamental analysis.

In these situations, Shareholders may expect higher returns as compensation for the increased risks involved. The Directors understand that this volatility creates significant challenges in determining the fair value of shares, which in turn leads to a considerable discount in the Subscription Price. This strategy aims to encourage Qualifying Shareholders participation in the Rights Issue;

- (ii) the Directors conducted a review of the trading volume and liquidity of the Shares during the Review Period. During the Review Period, the monthly trading volume of the Shares varied significantly. It ranged from a low of 17,583,937 Shares traded in September 2024 to a peak of 231,541,760 Shares traded in November 2024. This represents approximately 0.09% of the total issued Shares for the lowest volume and approximately 1.10% for the highest volume.

Based on the observations presented, the Directors have determined that the low trading volume may pose challenges for Shareholders in selling their Shares on time and at a more favorable price. Furthermore, the Company may encounter difficulties in raising equity funds from external parties without necessitating a substantial discount to the current Share price. As a result, the Directors believe that the limited liquidity of the Shares observed during the Review Period suggests the potential for a significant discount to the Subscription Price. This adjustment may serve the same purposes in point (i) above to encourage Qualifying Shareholders to accept the allotment under the Rights Issue;

- (iii) the Directors identified an exhaustive list of 32 transactions conducted by companies listed on the Stock Exchange (the “**Comparables**”) using information available from the Stock Exchange’s website, which was done on a best-effort basis. The criteria for selecting these Comparables were as follows:
  - (a) the companies must be listed on the Stock Exchange;
  - (b) Rights issue transactions of A-Shares and H-Shares were excluded; and

- (c) the proposed rights issues must have been announced during the period from 24 January 2025 to 23 July 2025, which is six months preceding the Last Trading Day.

The Directors believe that these Comparables serve as a reliable reference for recent rights issues because a sufficient number of transactions occurred within this timeframe, resulting in a reasonable sample size. The table below presents the findings from this analysis.

<b>Date of initial announcement</b>	<b>Company name</b>	<b>Stock code</b>	<b>Premium/ (Discount) of subscription price over/to the closing share price on the last trading day</b>	<b>Premium/ (Discount) of subscription price over/to the closing price for the five consecutive trading days up to and including the last trading day</b>
27/01/2025	Colour Life Services Group Co., Limited	1778	0.00%	(2.14%)
02/02/2025	CSI Properties Limited	497	5.88%	5.88%
07/02/2025	Stream Ideas Group Limited	8401	(15.00%)	(16.50%)
14/02/2025	Yues International Holdings Group Limited	1529	(7.14%)	(20.25%)
14/02/2025	China Saftower International Holding Group Limited	8623	(6.78%)	(2.83%)
18/02/2025	China Baoli Technologies Holdings Limited	164	6.67%	2.30%
27/02/2025	TIMELESS RESOURCES HOLDINGS LIMITED	8028	(9.64%)	(8.72%)
03/03/2025	China Zenith Chemical Group Limited	362	(17.90%)	(18.40%)
07/03/2025	Volcano Spring International Holdings Limited	1715	47.06%	47.06%

<b>Date of initial announcement</b>	<b>Company name</b>	<b>Stock code</b>	<b>Premium/ (Discount) of subscription price over/to the closing share price on the last trading day</b>	<b>Premium/ (Discount) of subscription price over/to the closing price for the five consecutive trading days up to and including the last trading day</b>
14/03/2025	Good Fellow Healthcare Holdings Limited	8143	(12.28%)	(19.35%)
19/03/2025	Pacific Legend Group Limited	8547	(13.79%)	(13.79%)
11/04/2025	ISP Holdings Limited	2340	(74.50%)	(73.38%)
16/04/2025	AustAsia Group Ltd.	2425	(29.11%)	(29.11%)
16/04/2025	Bonjour Holdings Limited	653	(25.93%)	(27.93%)
25/04/2025	Melco International Development Limited	200	(72.93%)	(71.03%)
29/04/2025	C Cheng Holdings Limited	1486	(67.21%)	(66.44%)
07/05/2025	SEEC Media Group Limited	205	(23.61%)	(26.17%)
09/05/2025	China Sci-Tech Industrial Investment Group Limited	339	(43.10%)	(47.40%)
13/05/2025	Shougang Century Holdings Limited	103	12.30%	14.30%
13/05/2025	Capital Realm Financial Holdings Group Limited	204	4.17%	21.36%
15/05/2025	Zhongzheng International Company Limited	943	0.00%	0.00%
22/05/2025	China Health Group Limited	673	(28.60%)	(37.10%)
23/05/2025	Grand Talents Group Holdings Limited	8516	(33.00%)	(33.00%)
02/06/2025	Lvji Technology Holdings Inc.	1745	(32.10%)	(33.10%)



Date of initial announcement	Company name	Stock code	Premium/ (Discount) of subscription price over/to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of subscription price over/to the closing share price on the last trading day
04/06/2025	Howkingtech International Holding Limited	2440	(49.70%)	(50.00%)
10/06/2025	Pinestone Capital Limited	804	(40.71%)	(41.55%)
10/06/2025	Greenheart Group Limited	94	(9.25%)	(4.97%)
17/06/2025	Risecomm Group Holdings Limited	1679	(22.48%)	(21.63%)
25/06/2025	Sino Splendid Holdings Limited	8006	(11.10%)	(12.10%)
07/07/2025	SANERGY GROUP LIMITED	2459	(55.60%)	(56.30%)
08/07/2025	Alco Holdings Limited	328	(19.00%)	(19.00%)
10/07/2025	XJ International Holdings Co., Ltd.	1765	5.82%	6.95%
		maximum	47.06%	47.06%
		average	(19.96%)	(19.18%)
		minimum	(74.50%)	(73.38%)
23/07/2025	Future Machine Limited	1401	(72.28%)	(72.28%)

The table above presents a detailed overview of the subscription prices of the Comparables in relation to their respective closing prices on or before the dates of the last trading day. These prices varied, showing a discount of approximately 74.50% to a premium of approximately 47.06%.

In further examining the subscription prices in comparison to the average closing prices over the five trading days before the date of the last trading day, the Directors found that the results showed a comparable range, with the prices

varying from a discount of approximately 73.38% to a premium of approximately 47.06%.

As a result, the discount of approximately 72.28% to the closing Share price of HK\$1.0100 per Share as quoted on the Stock Exchange on the Last Trading Day, and the discount of approximately 72.28% to the average closing Share price of HK\$1.0100 per Share for the five consecutive trading days immediately preceding the Last Trading Day, fall within the established range of the Comparables.

After a thorough review of the Comparables, the Directors determined that the Subscription Price was set within an acceptable range. However, although the Subscription Price is lower than all closing Share Prices during the Review Period, and the discount used to determine the Subscription Price is almost equal to the maximum discount observed among the Comparables, the Directors considered the following additional factors to ensure that the Subscription Price remains fair and reasonable:

- (i) the observed high volatility in the closing prices of the Shares, coupled with the limited liquidity during the Review Period, indicates the potential for a significant discount to the Subscription Price. This adjustment could serve to encourage participation from the Qualifying Shareholders in the Rights Issue;
- (ii) the Rights Issue will be accessible to all Qualifying Shareholders, and their interests will not be adversely affected by the discount on the Subscription Price as long as they are afforded an equal opportunity to participate and subscribe for the Rights Shares;
- (iii) Qualifying Shareholders who opt not to subscribe for their pro-rata entitlement of the Rights Shares may still derive economic benefits by selling their nil-paid Rights Shares in the market; and
- (iv) the insights provided in the section titled “Reasons for and Benefits of the Rights Issue and the Intended Use of Proceeds” outlined in this letter.

Considering the factors mentioned above, the Directors believe that the benefits associated with them outweigh the significant discount applied to the Subscription Price. The Directors want to highlight the Company’s commitment to prioritising the involvement of Qualifying Shareholders in the Rights Shares. To strike a balance between the Company’s cash flow needs and the interests of its Shareholders, the Company has set a substantial discount to encourage participation in the Rights Issue. As a result, the Directors consider the substantial discount to be fair and reasonable. This substantial discount is intended to prioritise the Qualifying Shareholders in participating in the Company’s development and to encourage their involvement.

## **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.

## **Basis of provisional allotments**

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) existing Shares 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 the Overseas Shareholders**

The Prospectus Documents are not intended to be, have not been and will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue.

According to the register of members of the Company as of the Record Date, the Company had a total of 6 Overseas Shareholders holding an aggregate of 66,440,000 Shares, representing approximately 6.64% of the total number of the issued Shares, 3 with registered addresses in the PRC holding an aggregate of approximately 4,656,000 Shares, representing approximately 0.46% of the total number of the issued Shares, and 3 with a registered address in BVI holding 61,784,000 Shares, representing approximately 6.18% of the total number of the issued Shares. Save for the above Overseas Shareholders, there was no other Overseas Shareholder based on the register of members of the Company as at the Record Date.

In compliance with to Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses in the jurisdictions set out above.

The Company has obtained legal advice from legal advisers in the PRC and BVI and has been informed that, according to the relevant legislation in the PRC and BVI, there are no regulatory restrictions or requirements from any regulatory body or stock exchange regarding the extension of the Rights Issue to Overseas Shareholders in the relevant jurisdiction.

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.

Based upon such advice, the Directors have decided to extend the Rights Issue to the Overseas Shareholders having registered addresses in the PRC and BVI, who are, therefore, Qualifying Shareholders. As such, based upon the register of members of the Company as of the Record Date, there was no Non-Qualifying Shareholder.

The Company reserves the right to treat as invalid any acceptance of or application 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.

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 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.

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 Unsubscribed 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 should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

#### **No fractional entitlement**

On the basis of the entitlement to subscribe one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise from the Rights Issue.

**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 equity and debt securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Dealing in the Rights Shares in both 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.

**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 Tuesday, 11 November 2025.

If the Rights Issue does not become unconditional, refund cheques are expected to be despatched on or before Tuesday, 11 November 2025 by ordinary post 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 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 Unsubscribed Arrangements. Any Unsubscribed Rights Shares remain not placed under the Unsubscribed 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.

In deciding to conduct the Rights Issue on a non-underwritten basis without a minimum subscription level, the Directors considered several factors, which include:

- i. there are no statutory requirements concerning minimum subscription levels for a Rights Issue;
- ii. the Directors evaluated the Company's fundraising requirements, which are crucial for fulfilling business contracts and improving financial returns. Through this evaluation, the Directors determined that removing the minimum subscription level for the Rights Issue would provide greater flexibility in securing the necessary funds. Their goal is to prioritise the Company's interests by maximising fundraising efforts while ensuring that Qualifying Shareholders are given due consideration to encourage their participation in the Rights Issue;
- iii. as mentioned in the "Subscription Price" section of this letter, the Directors have set the Subscription Price at a substantial discount. This strategy prioritises Shareholders and incentivises their involvement in the Rights Issue. Consequently, the outcome of the Rights Issue is expected to be positive, even without a minimum subscription level; and
- iv. if the proceeds from the Rights Issue do not reach the anticipated maximum Net Proceeds, the Company is prepared to reallocate the funds proportionately among the planned areas. Additionally, the Company may explore alternative fundraising methods, including the placement or subscription of new shares. Therefore, the removal of a minimum subscription level for the Rights Issue is not expected to impact the Company's overall fundraising strategy significantly.

After considering the above factors, the Directors have concluded that executing the Rights Issue on a non-underwritten basis without establishing a minimum subscription level is unlikely to have a significant impact on the Group. This approach not only allows Shareholders to participate in the Rights Issue actively but also fulfills the Group's fundraising objectives, thereby enhancing its overall financial performance.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlements under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5) of the Listing Rules.

**Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares**

Qualifying Shareholders will find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein.

If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Friday, 26 September 2025 (or, under bad weather and/or extreme conditions, such later date and/or time as mentioned in the section headed “Expected Timetable – Effect of Bad Weather and/or Extreme Conditions on the Latest Time for Acceptance of and Payment for the Rights Shares” on the Latest Time of Acceptance in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “**FUTURE MACHINE LIMITED – RIGHTS ISSUE ACCOUNT**” and crossed “**ACCOUNT PAYEE ONLY**”. Such payment will constitute acceptance of the provisional allotment of Rights Shares on the terms of the Prospectus Documents and subject to the memorandum and articles of association of the Company. Any payments for the Rights Shares should be rounded up to nearest cent.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Friday, 26 September 2025 (or, under bad weather and/or extreme conditions, such later date and/or time as mentioned in the section headed “Expected Timetable – Effect of Bad Weather and/or Extreme Conditions on the Latest Time for Acceptance of and Payment for the Rights Shares” on the Latest Time of Acceptance in this Prospectus), whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled.



If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer all or part of their rights to more than one person (not as joint holders), the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Thursday, 18 September 2025 to the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company is not obliged to but may (at its sole and absolute discretion) treat PAL(s) as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require the relevant person(s) to complete such incomplete PAL(s) at a later stage.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

All cheques or cashier's orders accompanying completed PALs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order in payment for the Rights Shares whether by a Qualifying Shareholder or any nominated transferee, will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation, and in that event the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. Qualifying Shareholders must pay the exact amount payable upon application for Rights Shares, and any underpaid application will be rejected. In the event of an overpaid application, a refund cheque, without interest, will be made out to such applicant only if the overpaid amount is HK\$100 or above.

No receipt will be given in respect of any PAL and/or relevant application monies received. If any of the conditions of the Rights Issue as set out in the section headed "Letter from the Board – The Rights Issue – Conditions of the Rights Issue" is not



fulfilled at or before 5:00 p.m. on Friday, 31 October 2025 (or such later date as the Company may determine), the Rights Issue will not proceed. Under such circumstances, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person, without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, on or before Tuesday, 11 November 2025.

### **Procedures in respect of the Unsubscribed Rights Shares and the Unsubscribed 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 Issue. 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 23 July 2025, 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. Pursuant 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 Friday, 24 October 2025, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares. Any Unsubscribed Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders 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**

Principal terms of the Placing Agreement are summarised as below:

Date : 23 July 2025

Issuer : The Company

Placing Agent : Imperium International Securities Limited

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, 8 October 2025 up to 4:00 p.m. on Friday, 24 October 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements.

Placing Price : The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price. The final Placing Price will be determined by the Placing Agent during the Placing Period, which will be influenced by the number of Unsubscribed Rights Shares successfully placed, the demand for the remaining Unsubscribed Rights Shares, and any necessary adjustments to the placing price for the remaining Unsubscribed Rights Shares. Any adjustments will be assessed in terms of their associated costs and benefits. If adjustments to the Placing Price are made, the final Placing Price will be mutually agreed between the Company and the Placing Agent.

Placing Commission : Subject to the completion of the Placing, the Company shall pay the Placing Agent a placing commission, being 0.75% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent (the “**Commission Rate**”).

- Placees : The Placing Agent shall procure that not less than six placees will take up the Placing Shares. The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s), shall be Independent Third Parties.
- In any event if the number of placee(s) is less than six, the Company shall complete the Placing and disclose the identity of such placee(s) in accordance with the applicable Listing Rules.
- 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.
- Conditions Precedent of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions being fulfilled:
- (i) the Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares including the Unsubscribed Rights Shares;
  - (ii) 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;
  - (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and

- (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

The Placing Agent may, in its absolute discretion, waive the fulfilment of all or any or any part of the conditions (other than those set out in paragraphs (i) (ii) and (iv) above) by notice in writing to the Company.

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 its best endeavour to procure the fulfilment of the conditions to the Placing and undertakes to inform the Placing Agent promptly of any matter or circumstance which comes to the attention of it and indicating that any of such conditions being unable or fail to fulfil. In the event that the above condition precedents have not been fulfilled or waived on or before the Placing Long Stop Date (as defined below), all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other party in respect of the Placing (save for any antecedent breaches thereof).

Termination : The Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to 4:00 p.m. on Thursday, 30 October 2025 (the “**Latest Time for Termination**”), to terminate the Placing Agreement, if, prior to the Latest Time for Termination:

(a) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:

(i) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(ii) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or

(iii) occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares (for more than ten (10) consecutive trading days) generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

- (iv) any adverse change in the business or in the financial or trading position of any members of the Group, which in the reasonable opinion of the Placing Agent, is material in the context of the Placing; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing; or
- (c) any material breach of any of the representations and warranties by the Company that comes to the knowledge of the Placing Agent, or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of the Placing Agreement, would have rendered any of such representations and warranties untrue or incorrect in any material respect, or there has been a material breach by the Company of any other provision of the Placing Agreement.

Upon the giving of such notice as referred to above by the Placing Agent, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other party, save for any prior breaches of the Placing Agreement.

The Unsubscribed Arrangements are in compliance 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 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 an 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 considers that the Unsubscribed Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Independent 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 Unsubscribed 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:

- (i) the delivery to the Stock Exchange and the filing and registration with the Registrar in Hong Kong respectively one duly certified copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having being approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (ii) 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;
- (iii) 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;
- (iv) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (v) 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 4:00 p.m. on Friday, 31 October 2025 (or such later date as the Company may determine), the Rights Issue will not proceed.

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

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

## **REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS**

The Directors believe that the Rights Issue will raise the Group's corporate profile and enhance its capital base, enabling it to expand the scale and scope of its operations further.

Assuming that there will be no change to the total issued share capital of the Company on or before the Record Date and full acceptance of the Rights Issue, the maximum net proceeds from the Rights Issues (after deducting the estimated expenses) (the “**Net Proceeds**”) are estimated to be approximately HK\$138 million (equivalent to a net price of approximately HK\$0.276 per Rights Share).

The Directors intend to allocate the Net proceeds as follows:

- (i) approximately 57.2% of the Net Proceeds, or approximately HK\$79 million, will be allocated to address the genuine findings needs of the Group's mobile phone and related products business, in particular, for the additional working capital required to complete new business contracts entered into by the Group in the first quarter 2025. The Company is responsible for the research and development, product design, manufacturing, and sales of mobile phones and related products, which is expected to be fully utilised within 6 months upon the Completion;
- (ii) approximately 8.7% of the Net Proceeds, or approximately HK\$12 million, will be allocated to expanding production lines, enhancing workforce capacity, and advancing research and development initiatives of the Group's mobile phone and related products business, which is expected to be fully utilised within 10 months upon the Completion;
- (iii) approximately 3.6% of the Net Proceeds, or approximately HK\$5 million, will be allocated to expanding the Group's automobile business, which is expected to be fully utilised within 12 months upon the Completion;
- (iv) approximately 1.5% of the Net Proceeds, or approximately HK\$2 million, will be allocated to enhance the Group's Enterprise Resource Planning (“**ERP**”) system, which is expected to be fully utilised within 14 months upon the Completion;



- (v) approximately 14.5% of the Net Proceeds, or approximately HK\$20 million, for general working capital and general corporate purposes, which is expected to be fully utilised within 11 months upon the Completion; and
- (vi) approximately 14.5% of the Net Proceeds, or approximately HK\$20 million, will be allocated for selected mergers, acquisitions, and strategic investments, with a particular focus on exploring potential opportunities in the artificial intelligence sector. While no specific targets are currently under negotiation, the Company continues to actively identify and evaluate businesses that may complement its existing operations and align with its long-term strategic objectives, which is expected to be fully utilised within 25 months upon the Completion.

Based on the existing business plan, the above-planned proceeds are expected to be fully utilised by Group within 12 months falling after the Completion.

### **The Group's genuine funding needs for its mobile phone and related products business**

The Group is an original design manufacturer (ODM) mobile phone supplier located in the PRC. Its operations focus primarily on research and development, design, manufacturing, and sales of mobile phones and related products. Additionally, the Group produces printed circuit board assemblies (PCBAs) for mobile phones and related products on an ODM basis.

The Directors would like to emphasise that the Group's core business has remained consistent since its initial public offering. The operations are based on thorough market research, which allows the Group to create mobile phones that align with its clients' expectations. The Group's research and development team is dedicated to designing both hardware and software components, providing a diverse range of models that cater to customer preferences.

New products and features are systematically introduced through meetings, direct communication, and participation in international exhibitions, allowing the Group to engage effectively with both existing and prospective clients. Following the confirmation of orders, the Group initiates mass production, which includes the internal manufacturing of PCBAs and the procurement of essential components, such as integrated circuits and display modules, from reputable third-party electronic manufacturing service providers.

Final assembly is conducted by the Group, with rigorous quality control measures implemented across all production sites to ensure product excellence. Upon completion, finished products are delivered to customers or their designated agents for distribution. The Group primarily serves clients in the PRC while also maintaining a presence in international markets, with key clients located in India and the United States. These clients are responsible for selling products within their respective regional markets.

As of the Latest Practicable Date, the Group has successfully secured contracts or purchase orders with over 30 customers, resulting in a total contract value of approximately RMB317 million. As of the Latest Practicable Date, approximately RMB160 million of this amount has

been completed in the first half of 2025. The remaining balance of the contracts is expected to be completed before the end of 2025 and be financed using Net Proceeds or other banking facilities to meet working capital needs. The products ordered by contracted customers primarily consist of smartphones and feature phones under the ODM arrangement.

Currently, the Group relies on its available cash resources and bank facilities offered by financial institutions to support its business operations. To maintain a competitive edge, the Group must sustain a high level of working capital, which facilitates smooth operations and meets the growing demand for its products. The Group typically requires capital to procure raw materials and components from suppliers in a timely manner and offers extended credit terms to downstream customers. However, this approach can lead to mismatches between trade receivable and trade payable turnover days. Specifically, the credit period extended to customers is generally 90 days, while the credit terms received from suppliers range from 30 to 60 days. As a result, there is a timing mismatch between the Group's payments to suppliers and the receipts from customers, which creates a funding gap of approximately one to two months within this business cycle. The Directors would like to highlight that the current funding practices during this business cycle align with established norms in the mobile phone industry. Specifically, the credit periods offered to customers are determined by the size of their orders. The credit periods extended to customers placing larger orders typically range from 60 to 120 days. In contrast, customers with smaller orders are offered credit periods of 30 to 60 days. As of the Latest Practicable Date, the majority of the Group's customers are those placing larger orders and receiving credit periods ranging from 60 to 120 days.

To bridge this gap and fulfill the new business orders, the Group plans to allocate approximately HK\$79 million from the Net Proceeds to procure raw materials and components from suppliers, including PCBAs, display modules, camera modules and mobile chips (such as memory and central processing unit (CPU)). In the event of a shortfall in contributions from Net Proceeds or additional cash flow requirements necessary to support production and operations related to new orders, the Group will conduct a thorough evaluation of its available operational cash resources. Should these resources prove inadequate to fulfill working capital needs, the Group will explore debt facilities provided by financial institutions to address short-term financial requirements.

As per the unaudited financial statements of the Group for the six months ended 30 June 2025, the Group recorded bank and cash balances (excluding pledged bank deposits) of approximately RMB113 million as of 30 June 2025. On the same date, the Group's total borrowings amounted to approximately RMB154 million, of which approximately RMB120 million is scheduled for repayment in 2025. Furthermore, as of 30 June 2025, the Group has pledged approximately RMB1,829 million in deposits to banks to facilitate the issuance of bank acceptance bills. These bills are used to settle the Group's outstanding purchase obligations to suppliers and associates, as well as to finance internal production activities, which include expenses related to raw materials, labor, and manufacturing. The Company recognises that the pledged bank deposits serve as collateral. This arrangement enables the Group to earn short-term interest income, while the banks assist in covering costs on behalf of the Company through bank acceptance bills. In simpler terms, the pledged deposits are restricted until the Group meets its

obligations concerning these bills. As of 30 June 2025, the trade and other bills payables associated with the aforementioned outstanding operating costs totaled approximately RMB2,641 million. Therefore, the Group's current cash resources are inadequate to address the increasing volume of purchase orders. To meet the working capital requirements necessary for ongoing production, the Group relies on banking facilities, which has resulted in significant financing costs and an increased gearing ratio. Given the operational scale for the year ended 31 December 2024, the average monthly operating costs, including selling and administrative expenses, are estimated to be not less than approximately RMB26 million. Therefore, the Group's available cash resources are sufficient to cover approximately three months of operations, indicating a need for additional funding to support both the timing gap and the increased production scale associated with the newly secured orders.

### **Strategic business expansion and investment**

The Directors intend to allocate HK\$20 million from the Net Proceeds towards strategic investments and acquisition opportunities. This initiative is designed to implement a comprehensive business growth strategy aimed at expanding the Group's presence across various industry verticals.

To achieve this objective, the Directors will carefully assess a variety of potential investments in emerging businesses that align with the Group's core operations. The primary focus of the Group is to enhance its artificial intelligence (AI) capabilities by investing in sectors such as smart robotics and AI-powered Internet of Things (IoT) products, including AI smart glasses and AI smart speakers. Additionally, the Group aims to implement advanced AI technologies, such as AI-driven voice recognition and graphics processing, in mobile technology to improve its product offerings further. Furthermore, the Group recognises the opportunity to leverage technologies associated with communication, display, camera functionality, and energy efficiency from mobile devices to enhance AI-powered Internet of Things (IoT) products. The Directors are confident that these strategic initiatives will not only expand the Group's customer base but also strengthen its network of business partners.

When making investment decisions, key factors to consider include: (i) identifying businesses whose technologies complement the Group's existing products; and (ii) targeting companies with established industry expertise that aligns with the Group's future expansion plans. By leveraging these strategic investments and acquisitions, the Director expects to achieve synergies that will enhance the Group's overall operational efficiency, strengthen its technological capabilities, and expand its user base.

The Directors intend to pursue these investments and acquisitions mainly through equity arrangements, which may involve both controlling and non-controlling stakes. The Group is also open to exploring other types of investments, such as debt or convertible instruments, if they are more suitable for specific transaction needs. Each opportunity will be assessed individually, with evaluations based on the outcomes of the necessary due diligence process.

As of the Latest Practicable Date, the Directors do not possess the expertise required for the operation of the AI-related business. To address this need, the Group has developed a strategic plan to recruit AI experts over the next six to twelve months upon Completion. Additionally, the Group aims to attract research and development professionals who hold master's degrees from universities ranked among the top 100 globally, according to the QS World University Rankings. The Group will also leverage its existing knowledge and experience to explore new opportunities in related fields. Furthermore, it is committed to optimizing and refining its business functions to ensure their relevance in new scenarios and industries.

As of the Latest Practicable Date, the Group has not yet identified any potential investment or acquisition targets. If the Company fails to identify suitable targets within twelve months upon Completion, the Company intends to allocate the available funds toward the Group's general working capital, included but not limited to, (i) salary payments for the employees in mobile phone business; (ii) trade payable settlements; and (iii) research and development expenses to maintain a cash reserve.

Should there be any updates regarding this investment or such an investment constitutes a notifiable transaction as defined under Chapter 14 of the Listing Rules, the Company will publish announcements as soon as possible, in accordance with the applicable Listing Rules.

**Expand production lines, increase workforce, and enhance research and development capabilities of the Group's mobile phone and related products business**

As of the Latest Practicable Date, the Group operates six surface mount technology (SMT) production lines, which together have a monthly production capacity of 2 million pieces of smartphone PCBAs. The SMT process involves mounting electronic components directly on both sides of a printed circuit board. This increases board capacity, reduces the volume of the final electronic products, and supports advanced production automation. Additionally, the Group manages twenty-two mobile phone assembly lines that can produce up to 2 million mobile phones each month. The Group also provides packaging capacity for semi-knock-down (SKD) and completely knocked down (CKD) products, totaling 3 million sets per month. All production activities take place at the Group's plant located in Luzhou City, Sichuan Province (the "**Luzhou Plant**"). As stated in the sub-section titled "The Group's genuine fundings needs for its mobile phone and related products business" above, the total contract value of secured contracts and purchase orders for the Group's products has reached over RMB300 million in 2025. Given the positive feedback received from customers, the Company anticipates a further increase in purchase orders in 2026. In consideration of this expected growth, if the Group is unable to enhance its production facilities, it may be necessary to outsource a portion of production to adequately meet the rising demand.

The Directors would like to emphasise that manufacturing mobile phones and related products on an ODM basis is a capital-intensive venture. The Directors believe that mobile phone manufacturers with sufficient production capacity and intense research and development capabilities will benefit from the anticipated market growth. Therefore, it is crucial for the Group to strategically allocate capital towards acquiring new production lines, investing in research and development equipment, hiring skilled professionals, and advancing research

initiatives. These steps are essential for effectively seizing emerging market opportunities. Additionally, the Directors emphasise that improving the Group's production capacity and overall capabilities will lead to greater cost efficiency and increased productivity.

To achieve this, the Group has conducted a comprehensive analysis and plans to invest in additional six mobile phone assembly lines. This development is projected to increase the Group's production capacity by 100,000 mobile phones per month for each assembly line that becomes operational with a total projected expenditure of no less than RMB6 million (i.e. approximately RMB1 million for each line). According to the construction schedule, the Directors anticipate that three assembly lines will be operational by the fourth quarter of 2025, with another three expected to start operations in the second quarter of 2026. Furthermore, the Group intends to recruit at least 80 additional staff members to support the operation of these new production lines. Consequently, the Group anticipates allocating approximately RMB5 million to facilitate this expansion.

Producing PCBAs in-house is more cost-effective than subcontracting this work. Moreover, in-house production provides better control over the production schedule. As a result, the Directors strongly believe that increasing production capacity and enhancing operational capabilities will lead to improved cost efficiency and overall production effectiveness.

### **Expand the production line of the Group's automobile business**

In addition to the Group's mobile phone operations, the Group has expanded into the automobile sector, a venture that began in 2022. The Group currently operates one production line dedicated to automobile manufacturing, which has a monthly capacity of approximately 4,000 units. Of this capacity, 60% is used for processing orders from outsourcing clients generating processing fees, while the remaining 40% is dedicated to the production of the Group's own products.

According to the unaudited management accounts for the six months ended 30 June 2025, the revenue generated from automobile trading amounted to approximately RMB30 million, representing approximately 1.875% of the Group's total revenue for the six months ended 30 June 2025, indicating a significant increase compared to the same period in 2024, which reported approximately RMB6 million, representing approximately 0.477% of the Group's total revenue for the six months ended 30 June 2024. Based on this positive trend, the Directors anticipate that the revenue generated from automobile trading for the year ending 31 December 2025 will reach approximately RMB90 million. Accordingly, the existing production capacity will not be sufficient to meet the projected demand. In response to this anticipated market need, the Group is planning to enhance its production capabilities by establishing additional production line. In accordance with the planned budget, the Directors propose the following allocation of funds:

- (i) approximately HK\$2 million from the Net Proceeds for the acquisition of essential machinery and equipment for the new production line;

- (ii) approximately HK\$2 million for leasing a facility to support the operations of this production line; and
- (iii) the remaining allocation of approximately HK\$1 million for recruiting personnel with the necessary expertise.

The Group plans to hire a total of 15 personnel, including staff for research and development, as well as sales and marketing, to support this expansion of production. Establishing the new production lines is anticipated to increase the Group's annual revenue by approximately RMB70 million. It is projected that an estimated budget of approximately HK\$1 million will be necessary to recruit personnel with the required expertise.

### **Enhancement of the Group's ERP system**

To enhance the Group's management capabilities and overall operational efficiency, the Directors intend to allocate a portion of the Net Proceeds towards upgrading the Group's computer hardware, design software, and ERP system. This investment aims to optimise the integration of essential functions, including product design, cost management, budgeting, procurement, production planning, inventory monitoring, quality control, and financial reporting.

As the business continues to grow, the Directors believe that these enhancements will promote production efficiency and improve customer satisfaction and empower the management team to develop strategic plans, respond swiftly to market changes, and effectively monitor business implementation. This strategic approach will enable the Group to maintain a competitive edge in the industry.

### **General working capital and general corporate purposes**

In preparation for the expected growth in the Company's business activities, the Directors have acknowledged the likelihood of a significant rise in operating expenses to facilitate this expansion. Consequently, the Directors have determined to allocate HK\$20 million from the Net Proceeds specifically to address these operating expenses. This budget is anticipated to cover approximately HK\$15 million for employee salaries, approximately HK\$2 million for office rental costs, and approximately HK\$3 million for other administrative expenses.

### **Other fundraising alternatives**

Apart from the Rights Issue, the Directors have considered other debt/equity fundraising alternatives such as bank borrowings, placing, or an open offer. The Directors noted that bank borrowings will carry interest costs and may require the provision of security, creditors will rank before the Shareholders, and placings will dilute the interests of Shareholders without allowing them to participate in the exercise. The Directors consider that over-reliance on debt financing would expose the Group to a huge liquidity risk, especially when there are any unforeseen economic downturns and the additional finance costs would also affect the Group's financial performance. Unlike an open offer, the Rights Issue enables the Shareholders to sell the nil-paid



rights in the market. The Rights Issue will allow the Qualifying Shareholders to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Considering the abovementioned alternatives, the Directors consider raising funds through the Rights Issue more attractive in the current market condition. 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.

If the proceeds raised by the Rights Issue or Placing is less than the aforesaid estimated net proceeds of approximately HK\$138 million, the Company will allocate the use of proceeds proportionately and will further evaluate options including, amongst others, reducing the proposed investment amount or exploring other financing, and/or fundraising alternatives. The Group is focused on improving its profitability.

As at the Latest Practicable Date, save as disclosed in this Prospectus, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months; and (iii) the Company does not have any concrete fundraising plan for the upcoming 12 months.

## **Conclusion**

After taking into account the expected cash to be utilised in operating activities, and to ensure the Group has sufficient financial resources to meet its upcoming financial obligations, the Directors are considering raising an additional fund which they believe is in the best interest of the Company and its Shareholders.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fundraising activities in the past twelve months immediately prior to the Latest Practicable Date.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the shareholding structure of the Company arising from the proposed Rights Issue, which are for illustrative purpose only.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Completion assuming all Qualifying Shareholders will take up their respective entitlements of the Rights Issue in full, and there is no change to the total issued share capital of the Company on or before the Record Date (“**Scenario 1**”); and (iii) immediately after the Completion assuming none of the Qualifying Shareholders will take up their respective entitlements of the Rights Shares and all the Unsubscribed Rights Shares will be successfully placed by the Placing Agent under the Placing, and 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 Date		Scenario 1		Scenario 2 (Note 3)	
	Approximate		Approximate		Approximate	
	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage
Leap Elite Limited (Note 1)	204,967,204	20.50%	307,450,806	20.50%	204,967,204	13.66%
Beyond Innovation Limited (Note 2)	140,032,056	14.00%	210,048,084	14.00%	140,032,056	9.34%
The Placees	–	–	–	–	500,000,000	33.33%
Public Shareholders	655,000,740	65.50%	982,501,110	65.50%	655,000,740	43.67%
<b>Total</b>	<b>1,000,000,000</b>	<b>100.00%</b>	<b>1,500,000,000</b>	<b>100.00</b>	<b>1,500,000,000</b>	<b>100.00%</b>

### Notes:

1. Leap Elite Limited is legally owned as to 100% by Mr. Li Chengjun, who is an executive Director, chairman and chief executive officer of the Company, for the beneficiaries of the family trust found by himself.
2. Beyond Innovation Limited is legally owned as to 100% by Mr. Xiong Bin, who is an executive Director and vice chairman of the Company, for the benefit of the beneficiaries of the family trust found by himself.
3. This scenario assumes none of the Qualifying Shareholders will take up their respective entitlements of the Rights Shares and 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. As at the Latest Practicable Date, the Company has no public float issue and 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. 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 8.08 of the Listing Rules.



## **2. ADDITIONAL INFORMATION**

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

## **3. WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE 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 letter.

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 date of the Announcement 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 shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

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  
Future Machine Limited



**Mr. Li Chengjun**  
*Chairman and Executive Director*