SBI China Capital
軟庫中華

27 April 2026

To: The Independent Board Committee and the Independent Shareholders of
CA Cultural Technology Group Limited

Dear Sir or Madam,

(1) ENTERING OF THE TERM SHEET AND THE SUBSCRIPTION AGREEMENTS;
(2) CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE;
(3) DEBT RESTRUCTURING;
(4) ISSUE OF NEW SHARES;
(5) ISSUE OF CONVERTIBLE BONDS;
(6) APPLICATION FOR WHITEWASH WAIVER;
(7) SCHEME'S SPECIAL DEALS;
AND
(8) SPECIAL DEAL IN RELATION TO DEED OF SETTLEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Restructuring, the Whitewash Waiver; the Scheme's Special Deals and the special deal in relation to Deed of Settlement (i.e. Mr. Lam's Special Deal), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 27 April 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 12 December 2022, the Company and the Investor have entered into the Term Sheet to set out the in-principle understanding of the Company and the Investor with regard to the Proposed Restructuring which involves the basis and proposal for the implementations of transactions to be contemplated thereunder which include, among other things, the Debt Restructuring by way of the Creditors' Scheme, the Subscriptions, the Capital Reorganisation and Change in Board Lot Size.

Debt Restructuring

Upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance. Under the Creditors' Scheme and subject to the terms thereof, a Cash Consideration of HK$160,000,000 will be distributed by the Company to and an aggregated of 59,000,000 Scheme Shares (at the issue price of HK$0.1772 per New Share (the "**Issue Price**")) will be issued and allotted under the Specific Mandate by the Company to the SchemeCo under the Creditors' Scheme for holding for the benefits of the Creditors prior to distributing to the Creditors with Admitted Claims. There will be no cash inflow for the Company in respect of the issue of the Scheme Shares. In addition to the Cash Consideration and Scheme Shares, any sums successfully recovered from the Scheme Receivables, after deducting any costs, expenses, and taxes that may be incurred in connection with the Company's recovery actions, will also be included as part of the Scheme Assets for the benefits of the Creditors. The Scheme Receivables, if recovered, will be distributed according to the same term as the other Scheme Assets as set out in the sub-section headed "Distribution of Scheme Assets upon the Creditors' Scheme becomes effective" under "The Debt Restructuring by the Creditors' Scheme" in the Letter from the Board. Scheme Receivables are included as one of the Scheme Assets so that, upon successful recovery (if any), they may increase the attractiveness of the Creditor's Scheme. Nonetheless, it is mentioned in the Letter from the Board that the likelihood for the recovery of the Scheme Receivables in full amount before the termination of the Creditors' Scheme may be relatively low given that the debtors of the Scheme Receivables have not been responsive to the Company's demands and the potential time required for any legal actions taken against these debtors. The Company advised that no funds have been recovered from the Scheme Receivables as at the Latest Practicable Date.

The distribution of the Scheme Assets which comprises the Cash Consideration, the Scheme Shares and the Scheme Receivables, will be conducted in accordance with the terms of the Creditors' Scheme.

Subscriptions

On 26 January 2023, the Company and the Investor entered into the Share Subscription Agreement and the CB Subscription Agreement, respectively. Pursuant to the Share Subscription Agreement, inter alia, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 530,800,000 Subscription Shares at the Subscription Consideration of approximately HK$94.06 million, which represents a subscription price per Subscription Share of HK$0.1772. Pursuant to the CB Subscription Agreement, inter alia, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of approximately HK$160.94 million.

Capital Reorganisation and Change in Board Lot Size

The Capital Reorganisation comprises (a) the Share Consolidation to consolidate every ten (10) issued Existing Shares of par value HK$0.10 each in the share capital of the Company into one (1) issued Consolidated Share of par value HK$1.00 each; (b) the Capital Reduction to reduce the share capital of the Company by cancelling the paid-up capital to the extent of HK$0.99 on each of the then issued new Consolidated Shares such that the par value of each issued new Consolidated Share will be reduced from HK$1.00 to HK$0.01; and (c) the Increase in the authorised share capital of the Company from HK$500,000,000 divided into 5,000,000,000 Existing Shares of par value HK$0.1 each to HK$10,000,000,000 divided into 1,000,000,000,000 New Shares of par value HK$0.01 each. Conditional upon the Capital Reorganisation having become effective, the Board proposes to change the board lot size for trading on the Stock Exchange from 1,000 Existing Shares to 8,000 New Shares.

Whitewash Waiver

As mentioned in the Letter from the Board, as at the Latest Practicable Date, the Investor, its beneficial owner and parties acting in concert with any of them are not interested in any Shares. Immediately after the Capital Reorganisation becoming effective and immediately after the completion of the Share Subscription, the Investor will be interested in 530,800,000 New Shares, representing approximately 81.79% of the issued Share capital upon the Capital Reorganisation and as enlarged by the Subscription Shares (assuming that there will be no change in the issued Share capital from the Latest Practicable Date and up to completion of the Share Subscription other than as a result of the Capital Reorganisation and the issue of the Subscription Shares). As such, the Investor would be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Investor and the parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

In this regard, an application has been made by the Investor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes (excluding those Shareholders who are interested in or involved in the Whitewash Waiver and the Special Deals) that are cast either in person or by proxy by the Independent Shareholders at the EGM by way of poll, and each of the Share Subscription, the CB Subscription, the Creditors' Scheme and the transactions contemplated thereunder would be subject to the approval by more than 50% of the Independent Shareholders in separate resolutions at the EGM by way of poll.

As it is a condition precedent to Completion that the Whitewash Waiver is granted by the Executive, the Debt Restructuring, the Share Subscription, the CB Subscription and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is granted but subsequently invalidated by the Executive or not approved by the Independent Shareholders at the EGM.

The Scheme's Special Deals

As mentioned in the Letter from the Board, based on the records currently available to the Company, Shareholders who are also eligible to be Scheme Creditors under the Scheme Document are China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping. As at the Latest Practicable Date, save for Mr. Lam, there is no other Shareholders who are also the creditors of the Company having a Claim and have been considered not eligible as the Creditors. Set out below is their respective shareholding in the Company as at the Latest Practicable Date and the respective amount payable to them as at 31 January 2026:

Creditors	Number of Shares held as at the Latest Practicable Date	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date	Outstanding sum as at 31 January 2026
			(HK$'million)
China Sun Group Holding Limited *(Note)*	85,888,000	7.27%	88.37
Ms. Chow Wai Man Grace	10,000,000	0.84%	40.19
Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla	85,000,000	7.19%	34.53
Mr. Ho Chi Ping	20,000,000	1.69%	6.71
Total	**200,888,000**	**16.99%**	**169.80**

Note: The ultimate beneficial owner of China Sun Group Holding Limited is Ms. Wang Xiuhua.

As at the Latest Practicable Date, the Company had not entered into any side arrangement with any Creditor, and none of the Creditors had any side arrangement(s) with any connected person to the Company in respect of the Creditors' Scheme.

As the proposed settlement of the indebtedness due to the Creditors who are Shareholders under the Creditors' Scheme is not extended to all the other Shareholders, the implementation of the Creditors' Scheme constitutes the Scheme's Special Deals under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Creditors' Scheme are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which the Creditors and their associates and parties acting in concert with any of them and those who are interested in or involved in the Scheme's Special Deals will be required to abstain from voting on the relevant resolutions. An application will be made by the Company to the Executive for the consent to the Scheme's Special Deals under Rule 25 of the Takeovers Code.

Mr. Lam's Special Deal

Since Mr. Lam is the ultimate beneficial owner of the Assigned Shares, representing approximately 1.69% of the issued share capital of the Company as at the Latest Practicable Date, and the proposed settlement under the Deed of Settlement to Mr. Lam is not extended to all the other Shareholders, it constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code and requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Deed of Settlement are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which Mr. Lam and parties acting in concert with him and those who are interested in or involved in Mr. Lam's Special Deal, will abstain from voting on the relevant resolutions.

The Company confirms that apart from being a major supplier of the Group, Mr. Lam does not have other relationship (finance, personal, business or otherwise) with the Company or any of the Directors or their respective spouses. Mr. Lam further confirms that he is a third party independent of and not connected with the Investor and the parties acting in concert with it.

For avoidance of doubt, whether the Deed of Settlement and the transactions contemplated thereunder to be proceeded or not, it will not affect the Proposed Restructuring. An application will be made by the Company to the Executive for the consent to Mr. Lam's Special Deals under Rule 25 of the Takeovers Code.

No Shareholders are required to be abstained from voting on the resolutions to approve the Capital Reorganisation. For details of (i) parties to abstain from voting for the resolutions relating to the Proposed Restructuring, the Whitewash Waiver, the Scheme's Special Deals and the transactions contemplated thereunder; and (ii) parties to abstain from voting on the resolutions relating to the Proposed Restructuring, the Whitewash Waiver and the Special Deals and the transactions contemplated thereunder, please refer to the paragraphs headed "Parties to abstain from voting at the EGM" below in this letter.

An Independent Board Committee, comprising Mr. Ni Zhenliang, Mr. Wang Guozhen and Mr. Hung Muk Ming, in compliance with Rule 2.8 of the Takeovers Code, has been established to advise the Independent Shareholders as to whether the terms of the Proposed Restructuring, the Whitewash Waiver and the Special Deals are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account our recommendations. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

SBI China Capital Hong Kong Securities Limited ("**SBI China**") has not acted as financial adviser or independent financial adviser in other transactions of the Company in the past two years prior to the date of the Joint Announcement; and is not associated with the Company, the Investor or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby SBI China will receive any fees or benefits from the Company, the Investor or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. The Independent Shareholders will be informed by the Company and us as soon as possible if there is any material change to the information disclosed in the Circular pursuant to Rule 9.1 of the Takeovers Code, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Independent Shareholders accordingly. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We have reviewed (i) published information on the Company, including its annual reports for the years ended 31 March 2023 and 2024, annual results announcement for the year ended 31 March 2025 and the interim results announcement for the six months ended 30 September 2025; (ii) the bond instruments issued by the Company to the Investor on 1 November 2022 in relation to the Investor Bond A; and on 8 December 2022 in relation to the Investor Bond B; (iii) the loan agreement and the side letter dated 22 February 2023 (as amended on 1 March 2023) in relation to the Investor Loan; (iv) company profile of the Investor provided by the management of the Group; and company website of the Investor (www.kyosei-bank.co.jp); and (v) relevant information of the Comparable Transactions and the CB Comparables (both defined hereafter) for analysis purpose and such information was obtained from the website of the Stock Exchange. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Proposed Restructuring, we have taken into consideration the following principal factors and reasons:

(1) Background to the entering into the Term Sheet and the Debt Restructuring

As mentioned in the Letter from the Board, the Group has faced severe liquidity challenges and required urgent financial assistance to support its operation and turnaround its financial position. According to the interim report released prior to the entering into the Term Sheet, as at 30 September 2022, the Group recorded net current liabilities and net liabilities in the amount of approximately HK$533.5 million and approximately HK$119.0 million, respectively.

In order to restructure the financial position of the Group, the Company has been attempting to raise capital through debts, but has been experiencing extreme difficulties to seek for fund sources with the Group's high level of loans and borrowings and the high gearing ratio.

Given the circumstances, should the Group fail to seek new funds to enhance its financial position, the Group would likely be placed into insolvent liquidation.

In light of the liquidity challenges faced by the Group and the failure of the Company in obtaining new funding through debts, the Group and the Company consider that a holistic restructuring was essential to turn around its business and financial position. Hence, the Company has been actively seeking to restructure its business and improve its financial position. The Group was able to identify the Investor and on 12 December 2022, entered into the Term Sheet in relation to the Proposed Restructuring. The severe liquidity challenges facing by the Group and Company remained. As at 30 September 2025, the Group recorded net current liabilities and net liabilities in the amount of approximately HK$1,232.7 million and approximately HK$1,154.2 million, respectively.

As mentioned in the Letter from the Board, the aggregate gross proceeds from the Subscriptions will be HK$255 million, being a sum equal to the consideration of the Subscriptions. The aggregate net proceeds from the Subscriptions (after deducting related expenses) are estimated to be approximately HK$220 million and will be utilised in the following manner:

(i) approximately HK$160 million will be distributed to the SchemeCo as Cash Consideration for the benefits of the Scheme Creditors;

(ii) not more than HK$25 million will be utilised to settle the professional fees and expenses in connection with the Proposed Restructuring; and

(iii) the residual of approximately HK$35 million will be utilised as working capital of the Company.

As the Group is in need of financial resources to support its current operations and potentially in risk of winding up, it has been agreed by the Investor to provide initial fundings to the Group in facilitating the transactions set out under the Term Sheet and hence, the Parties have agreed to enter into the Term Sheet prior to the execution of the Subscription Agreements. The Investor has provided, including (i) the Investor Bonds; and (ii) the Investor Loan to the Group serving as rescue funding to settle professional parties fee. As mentioned in the Letter from the Board, as at the Latest Practicable Date, the Investor Loan in the total amount of HK$25 million has been fully drawn down by the Company. In addition to the above, the Investor has indicated to the Company that the Company may, with prior consent of the Investor, withdraw from the Escrowed Consideration in the amount of JPY3,520,000,000 (which is equivalent to approximately HK$211.2 million as at the date of the Subscription Agreements based on an exchange rate of JPY1 = HK$0.060) in a bank account which is currently being held in escrow for the purpose of settling the Subscription Consideration prior to the Completion to support the Group's business when necessary. However, the Company confirmed that no withdrawal had been made from the Escrowed Consideration as it cannot be utilised without prior consent of the Investor; and may only be released upon approval of the Proposed Restructuring.

Incidents led to the Proposed Restructuring

(a) Default in the subscription of ACCP Global

On 8 December 2021, the Company announced that a former share subscriber of the Company, namely ACCP Global, failed to pay share consideration whilst first batch of the subscription shares were deposited to the subscriber's securities account on 29 September 2021. Please refer to the announcements of the Company dated 1 September 2021 and 8 December 2021 for details. As mentioned in "10. Litigation — (a) ACCP Global Limited (HCA1618/2021)" of

"Appendix III General Information" of the Circular, ACCP Global refused to pay any consideration for the Shares on the grounds that the Company allegedly misrepresented that it was in good financial health and standing and was not in default of any of its existing liabilities, despite being in default of multiple bond payables upon the date of the ACCP Subscription Agreement. On that basis, ACCP Global claimed that the ACCP Subscription Agreement had been repudiated and was not obliged to perform its obligations pursuant to the ACCP Subscription Agreement. On 26 October 2021, ACCP Global filed a writ of summons (HCA1618/2021) against the Company and Mr. Chong Heung Chung Jason, the chairman and executive Director, to claim for the damages, cost, interest on the damages and further or/and other relief resulting from the alleged fraudulent misrepresentations made by the Company. In response, the Company denied the alleged misrepresentations and on 18 August 2022, filed a Defence to Counterclaim against ACCP Global, Lau Wing Chi Barry being the ultimate beneficial owner of ACCP Global and Well Link Securities Limited, the referral agent whom introduced ACCP Global to the Company and, as suspected by the Company, helped ACCP Global to breach the terms of the ACCP Subscription Agreement (being the other 2 concert parties of ACCP Global) for damages to be assessed, an account of profits and payment of sums found due, cost, interest and further or/and other relief. Please refer to "10. Litigation — (a) ACCP Global Limited (HCA1618/2021)" of "Appendix III General Information" of the Circular for latest development of the relevant litigation.

(b) Adverse share price and financing challenges

On 6 October 2021, the closing prices of the Shares had fallen significantly from HK$2.60 to HK$0.61, representing a drop of approximately 76.5% on a single trading day. As mentioned in the Letter from the Board, following the above, the Company noted that its public perception had been negatively affected and it had experienced more difficulties and challenges in conducting its financing for operations. For instance, the Company was forced into a less favorable position in its negotiations and then consumed more time and costs and/or been offered higher interest rates in seeking for external financial resources to sustain the Group's operations and expenses as (i) banks and investors are less interested to provide loans to the Company such that more time are required to negotiate and the terms (including the interest) of such loans are less favorable; (ii) low participation rates by the public when the Company was conducting equity or debt financing activities; and (iii) the Company would then have to issue more Shares (resulted from a lower issue price due to the drop in the Share price and the Company's condition) to raise money should potential investors are successfully identified.

(c) Termination of fund raising activities

On 29 December 2021, the Company announced (i) the issue of 98,170,000 new Shares at HK$0.405 per Share as settlement shares to the creditor, namely Bloom Fort Limited (whose entire issued share capital was legally and beneficially owned by Mr. Lee Pui Kin, a Hong Kong citizen, and both Bloom Fort Limited and Mr. Lee Pui Kin were then Independent Third Parties); and (ii) the placing of a maximum of 98,170,000 new Shares at HK$0.405 per Share, on a best effort basis, to independent placees. Completion of the issue of settlement shares to Bloom Fort Limited took place on 14 January 2022. As for the placing of new Shares, further to the announcements dated 24 January 2022 and 25 January 2022, the placing price had been lowered from HK$0.405 per placing Share to HK$0.283 per placing Share. As a result, estimated net proceeds from the placing reduced from approximately HK$38.06 million to approximately HK$26.38 million. Nevertheless, on 14 February 2022, the Company announced termination of the relevant placing agreement (the "**Terminated Placing**") due to inability to fulfil the conditions before the long stop date.

As advised by the management of the Company, during the first half of year 2022, the Company had discussions with financial institutions to explore the possibility of raising funds from the market and/or obtaining bank loans, but such efforts were in vain.

On 12 April 2022, the Company announced among others, the proposed rights issue on the basis of one rights share for every two existing shares at a price of HK$0.143 per rights share to raise net proceeds of approximately HK$79.32 million. On 20 June 2022, the underwriter for the rights issue unilaterally terminated the underwriting agreement (the "**Terminated Rights Issue**") owing to the winding-up petition (the "**Petition**") announced on 1 June 2022, 8 June 2022 and 13 June 2022, respectively.

(d) The winding-up petition

The Petition was filed by Maxx Capital (the "**Petitioner**") on 27 May 2022 with the High Court for the winding-up of the Company. The Petition is in relation to the Petitioner's claim for an outstanding debt in relation to secured guaranteed notes in the principal amount of HK$20,000,000.00. On 22 December 2022, the Company received a statutory demand (the "**Statutory Demand**") from the solicitors acting on behalf of the Petitioner demanding the Company to pay the total amount of HK$25,770,082.19 within three weeks from the date of service of the Statutory Demand, failing which the creditor may present a winding-up petition against the Company. For details of the above, please refer to the announcements of the Company dated 12 April 2022, 1 June 2022, 23 June 2022 and 23 December 2022 respectively. As set out in the Settlement Announcement, Maxx Capital had entered into an agreement with Mr. Lam in relation to the Assignment on 9 February 2024 and the consideration of the Assignment, i.e. HK$8 million, was settled by Mr. Lam's own fund. Following the completion of the Assignment, Mr. Lam had replaced Maxx Capital as the ultimate beneficial owner of the Assigned Shares and the Assigned Debt. In light of the results of the Assignment, the Company had also entered into a deed of mutual release with Maxx Capital on 9 September 2024 and pursuant to which, the parties agreed, among other things, to take the necessary steps to dismiss or discontinue each other of and from all court actions and to withdraw the relevant absolute application with no order as to costs (or the order for each party to bear its own costs) in respect of the Legal Proceedings.

It is mentioned in "10. Litigation — (b) Claims from bond and other loan holders" of "Appendix III — General information" of the Circular that up to the Latest Practicable Date, several demand letters and statutory demands were served on the Company by bond and other loan holders of the Company (the "**Holders**"), the Holders which are also Creditors under the Creditors' Scheme, demanded the Company to repay outstanding bond payables and accrued interest in an aggregate amount (up to 31 January 2026) of approximately HK$198.09 million. For identities and details of such bond and other loan holders, please refer to "10. Litigation — (b) Claims from bond and other loan holders" of "Appendix III — General Information" of the Circular. The Company confirmed that the Holders are Scheme Creditors.

The Company announced trading halt on 13 December 2022 pending the release of an announcement which contains inside information of the Company pursuant to the Takeovers Code.

On 16 January 2023, the Company announced that certain summons filed and/or to be filed (as the case may be) by supporting creditors with respect to the Petition, including (i) Mr. Zou Sailan and Ms. Chen Tengfang, with indebtedness owed by the Company in the respective amount of HK$11,692,523.95 and HK$5,896,794.52; and (ii) China Sun Group Holding Limited with indebtedness owed by the Company in the amount of HK$55,777,616.44.

On 31 January 2023, the Company announced that it was in negotiation with an investor and the creditors of the Company in respect of proposed restructuring of the Group involving a possible whitewash waiver under the Takeovers Code. On 15 March 2023, the Group released the Joint Announcement in relation to the Proposed Restructuring, the Whitewash Waiver, the Scheme's Special Deals and the resumption of trading.

The Proposed Restructuring

The Proposed Restructuring comprises of the Capital Reorganisation, the Change in Board Lot Size, the Debt Restructuring by way of the Creditors' Scheme and the Subscriptions. Please refer to the paragraphs under 2.5 Updates on the Creditors' Scheme of the section headed "2. Background" in the Letter from the Board for the sequence of the transactions of the Proposed Restructuring upon the Creditors' Scheme having been sanctioned by the High Court.

As mentioned in the Letter from the Board, out of aggregate net proceeds from the Subscriptions of approximately HK$220 million, approximately HK$160 million will be distributed to the SchemeCo as Cash Consideration for the benefits of the Scheme Creditors, not more than HK$25 million will be utilised to settle the professional fees and expenses in connection with the Proposed Restructuring and the residual of approximately HK$35 million will be utilised as working capital of the Company. The Company is of the view that (i) the Subscriptions will be able to provide additional working capital for the Group and facilitate the Creditors' Scheme; and (ii) to discharge and release the debts and liabilities of the Company to the Creditors, which would constitute approximately 96.33% of the total indebtedness of the Company as at 31 January 2026 upon the effective of the Creditors' Scheme, and improve its financial position upon Completion. In view of the above, the Directors consider that the Term Sheet and the Subscription Agreements were entered into upon normal commercial terms following arm's length negotiations between the Company and the Investor and that the terms of the Term Sheet (including the Share Subscription Price and the CB Conversion Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We concur with the Directors' view that the Proposed Restructuring is in the interests of the Company and the Shareholders as a whole after having considered the following factors:

(i) as disclosed in "4. Indebtedness Statement" of "Appendix I — Financial Information of the Group" of the Circular, as at the close of business on 28 February 2026, the Group's indebtedness comprising of unsecured/secured lease liabilities, bank borrowings, other borrowings, bonds, amount due to a director, interest payable and other payable amounted to approximately HK$1,498.1 million. Please refer to the relevant section in the Circular for details;

(ii) the Group is in financial difficulties given its heavy indebtedness and loss making business operations. The Group recorded indebtedness of approximately HK$1,498.1 million as at 28 February 2026; and net losses for three consecutive years of FY2023, FY2024 and FY2025 and 6M/2025. As at 30 September 2025, it recorded net current liabilities and net liabilities of approximately HK$1,232.7 million and approximately HK$1,154.2 million, respectively; and a bank balances and cash of approximately HK$13.0 million only;

(iii) the Group experienced difficulties in seeking external financial resources to sustain its operation environment and expenses as mentioned in the paragraphs (b), (c) and (d) under "Incidents led to the Proposed Restructuring of the section headed "(1) Background to the entering into the Term Sheet and the Debt Restructuring" above in this letter. In light of the Terminated Placing and the Terminated Rights Issue, the Directors believe that should the Company raise fund from the equity market, terms would not be better than that of the Terminated Placing and the Terminated Rights Issue in order to enhance the attractiveness of the Shares to potential subscriber(s)/underwriter(s). Further, we understand from the Directors that the

Company did not receive any indication from banks on terms that could be offered during their discussions on new funding requests. New funding requests had been turned down by the banks without going into further details. Based on previous failed experiences in obtaining new funding through debt and its current financial position, interest rate/finance cost of funding from banks or debt financing (if available) may be significantly higher than the market level. Given the above, we concurred with the Directors' view that there is no alternative funding available to the Company;

(iv) upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full; and thus, save the Company from being placed into insolvent liquidation, such that it can avoid the risk of listing status being removed from the Stock Exchange should the Company fail to repay the outstanding debts within time given by the High Court; and

(v) we concurred with the view of the management of the Company that the Proposed Restructuring is the only viable restructuring proposal currently available to the Company on the following basis: (i) the Investor was willing to provide immediate funding in form of Investor Bonds and Investor Loan from the Escrowed Consideration to the Group as rescue funding. We have reviewed the bond instruments issued by the Company to the Investor on 1 November 2022 for convertible bond with due date extended further to 31 December 2024 in principal amount of HK$20 million that was used by the Group on expenses related to the Proposed Restructuring; and on 8 December 2022 for convertible bond with due date extended further to 31 December 2024 in principal amount of HK$5 million used as deposit for the CB Subscription. We have also reviewed the loan agreement and the side letter dated 22 February 2023 (as amended on 1 March 2023), the loan agreement and the side letter dated 31 May 2023; and the loan agreement and the side letter dated 4 October 2024; and noted that the Investor agreed to provide loans out of the subscription consideration and following the entering into a deed of termination and release with the Investor dated 30 January 2026, amount of the Investor Loan had been adjusted to HK$25 million; (ii) the Group has imminent funding needs in view of its net liabilities position, large amount of Claims and loss-making business operation; (iii) the Investor's experience in theme parks management and financial background as mentioned under the paragraphs headed "(5) The Share Subscription and the CB Subscription — (a) Background of the Investor" below in this letter, which are expected to bring synergies to the business development of the Group; (iv) as confirmed by the management of the Group, apart from the Proposed Restructuring, the Company currently is not in discussion with any potential investor for restructuring proposal. If the Proposed Restructuring does not proceed, it is highly unlikely that another restructuring proposal, if any, could be concluded in near term; and (v) the Creditors' Scheme was approved in the creditors' meeting held on 27 June 2023 by the requisite majorities of the Creditors and on 19 March 2024, such approval has become valid after the Creditors' Scheme having been sanctioned by the High Court.

The Term Sheet

On 12 December 2022, the Company and the Investor have entered into the Term Sheet to set out the in-principle understanding of the Company and the Investor with regard to the Proposed Restructuring which involves the basis and proposal for the implementations of transactions to be contemplated thereunder which include, among other things, the Debt Restructuring by way of the Creditors' Scheme, the Subscriptions, the Capital Reorganisation and Change in Board Lot Size.

Pursuant to the Term Sheet, the Company shall proceed with the Debt Restructuring by way of the Creditors' Scheme and the Subscriptions. The Subscriptions will ultimately result in a change in control of the Company, and the Investor has applied for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance.

To facilitate the above, the Company shall implement (i) the Capital Reorganisation which involves the Share Consolidation, the Capital Reduction and the Increase in Authorised Share Capital; and (ii) the Change in Board Lot Size. The Term Sheet is legally-binding, the signing of which implies that the Company and the Investor have conditionally agreed, and are obligated, to complete all the transactions contemplated thereunder, subject to the fulfilment of their respective conditions precedent.

Based on the analysis set out in the sections headed "(3) The Capital Reorganisation and Change in Board Lot Size", "(4) The Debt Restructuring by way of the Creditors' Scheme" and "(5) The Share Subscription and the CB Subscription" below in this letter, we consider that the terms of the Term Sheet are fair and reasonable.

(2) Information on the Group

The Company is an investment holding company and the Group is principally engaged in the trading of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in the PRC, Hong Kong and Japan.

As stated in the Letter from the Board, prior to the entering into of the Term Sheet, the Group's operations, performance and development plans across its theme park and animation derivative products businesses have been severely and persistently impacted by the global outbreak of COVID-19 in late 2019. The prolonged pandemic-related restrictions — including widespread lockdowns, border closures, travel bans, social distancing measures, and sharp declines in domestic and international visitor numbers — particularly during the peak years of 2020 to 2022, resulted in extended periods of park closures (affecting both self-operated parks in locations such as Tokyo, Qingdao, and Shanghai, as well as licensed parks such as in Guangzhou), significantly reduced footfall, cancellation or deferral of major events, seasonal attractions, offline anime showcases, exhibitions, and promotional activities, and a material contraction in revenue from ticket sales, merchandise, food & beverage, licensing, multimedia animation entertainment, and related animation derivative product trading.

Financial performance

The following table sets out selective information of the consolidated statements of profit or loss and other comprehensive income of the Group for the three years ended 31 March 2023, 2024 and 2025 ("**FY2023**", "**FY2024**" and "**FY2025**", respectively) and the six months ended 30 September 2024 ("**6M/2024**") and 30 September 2025 ("**6M/2025**") as extracted from the annual reports of the Company for the years ended 31 March 2023 (the "**Annual Report 2023**") and 31 March 2024 (the "**Annual Report 2024**"); and the results announcements of the Company for the year ended 31 March 2025 (the "**Annual Results Announcement 2025**") and the six months ended 30 September 2025 (the "**Interim Results Announcement 2025**"):

	FY2023 (Audited) HK$'000	FY2024 (Audited) HK$'000	FY2025 (Audited) HK$'000	6M/2024 (Unaudited) HK$'000	6M/2025 (Unaudited) HK$'000
Revenue *(Note 1)*	360,302	364,028	366,959	192,622	164,947
Cost of sales and services	(340,362)	(308,652)	(277,816)	(151,418)	(127,508)
Gross profit	19,940	55,376	89,143	41,204	37,439
Other income	16,429	586	1,023	288	341
Other gains and losses *(Note 2)*	2,957	(12,959)	45,893	42,762	41
Selling, marketing and/or distribution expenses	(69,198)	(22,050)	(21,832)	(12,968)	(19,743)
Administrative expenses	(155,748)	(73,031)	(70,627)	(32,376)	(28,678)
Research and development expenses *(Note 3)*	(262,570)	(14,907)	(8,155)	(4,693)	(5,254)
Share of (loss)/profit of a joint venture	(87,743)	—	—	(10)	—
Share of (loss)/profit of associates	(97,943)	138	(10)	—	—
Finance costs	(80,663)	(93,994)	(97,099)	(45,763)	(52,252)
Impairment loss on property, plant and equipment	—	(5,418)	—	—	—
Impairment loss on right-of-use assets	—	(8,099)	—	—	—
Impairment loss on intangible assets	(58,801)	—	—	—	—
Investment loss on investment in an associate	—	—	(2,731)	—	—
Reversal of/(provision for) impairment loss under expected credit loss model, net of reversal *(Note 4)*	(283,743)	(11,876)	24,009	15,052	2,419
(Loss)/profit before taxation	(1,057,083)	(186,234)	(40,386)	3,496	(65,687)
Income tax (expenses)/credit	23,937	15,923	(526)	(179)	(196)
(Loss)/profit for the period/year	(1,033,146)	(170,311)	(40,912)	3,317	(65,883)
(Loss) attributable to owners of the Company	(1,033,575)	(170,679)	(33,043)	(1,887)	(66,245)

Notes:

1. The following table sets out breakdown of the Group's total revenue by business segment for the period/year as indicated:

	FY2023 (Audited) HK$'000	FY2024 (Audited) HK$'000	FY2025 (Audited) HK$'000	6M/2024 (Unaudited) HK$'000	6M/2025 (Unaudited) HK$'000
Sales of animation derivative products	172,376	147,977	147,229	81,912	69,274
Establishment and operation of indoor theme parks	187,926	216,048	219,087	110,710	95,570
Multimedia animation entertainment	—	3	643	—	103
Total revenue	360,302	364,028	366,959	192,622	164,947

2. Details of "Other gains and losses" are set out in the following table:

	FY2023	FY2024	FY2025	6M/2024	6M/2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other gains and losses					
— Net exchange (loss)/gain	632	234	(9)	21	45
— Gain on lease modification	3,058	—	—	—	—
— Gain on waiver of lease payable	—	—	18,451	46,372	—
— Net gain/(loss) on a put option to a non-controlling interest	969	(4,149)	3,894	—	—
— Gain from changes in fair value of financial assets mandatorily measured at FVPL	—	—	—	—	—
— (Loss)/gain on disposal of property, plant and equipment or fixed assets	(1,708)	(11,616)	(2,860)	(3,281)	(4)
— Loss on extinguishment of financial liability	—	—	—	—	—
— Loss arising from acquisition of an associate	—	—	—	—	—
— Gain on settlement of a legal case	—	1,377	—	—	—
— Gain on derecognition of right-of-use assets and lease liabilities	—	—	29,461	—	—
— Loss on disposal of an associate	—	—	2,926	—	—
— Gain on financial asset at fair value through profit or loss	1	—	—	—	—
— Other (loss)/gain	5	1,195	(118)	(350)	—
Total	2,957	(12,959)	45,893	42,762	41

3. As mentioned in the Annual Report 2023 and Annual Report 2024, the significant amount of the research and development expenses for FY2023 were due to the Group's strategy for FY2023 to develop the online business including the Meta JOYPOLIS, virtual theme park, big data platform, online social media, Pop Toy platform and to upgrade the operating and gaming system of CA SEGA JOYPOLIS. The Group believed that these developments of new business can significantly increase the revenue of all the business segments of the Group.

Management of the Group further explained that upgrading entertainment amenities of the theme parks can effectively attract more sales of admission tickets and ticket holders and increase customer loyalties to the Group. Customers' desire to visit the Group's theme parks plays an important role in its business. Therefore, it is necessary for the Group to improve its theme parks to cope with the ever-evolving technologies (i.e. 5G, internet-of-things, cloud computing, datafication, blockchain, artificial intelligence etc.) and to maintain competitive by bringing unique experience to existing customers and attract potential customers and investors. In this regard, the Group formulated development of a few projects (the "**New Projects**") to fulfill the abovementioned goals, identified and appointed various related service providers. Having considered that upon completion of New Projects, the Group may enrich its entertainment services scope, improve its business performance and attract more potential investors to diversify its revenue streams, the Directors consider that it is justifiable to conduct such research and development activities.

As advised by the Company, New Projects were launched in the year 2021 and year 2022 respectively, which had been postponed due to financial difficulties encountered by the Group. The Group currently plans to apply the New Projects' service outcomes to a large-scale AI-related indoor theme park project in Zhuhai currently under negotiation with potential investors, expecting to be finalised in the third quarter of 2026. Once finalised, the Group will continue and complete the relevant service projects to accommodate to the project in Zhuhai at that time.

Research and development expenses reduced from approximately HK$262.6 million for FY2023 to approximately HK$14.9 million for FY2024 and further reduced to approximately HK$8.2 million for FY2025. We noted that the further reduction of research and development expenses for FY2025 was mainly because of the absence of research cost for a theme park development project (which was approximately HK$4.4 million for FY2024) and the significant decrease in other research and development cost by approximately HK$3.4 million under the operation of indoor theme parks. The research and development expenses increased by HK$0.6 million from HK$4.7 million for 6M/2024 to HK$5.3 million for 6M/2025. The research and development expenses remained steady since the Group continued to invest on its research and development in theme park amusement.

4. For FY2023, "impairment loss under expected credit loss model, net of reversal" comprised of impairment losses of trade receivables of approximately HK$115.6 million and other receivables and deposits of approximately HK$167.6 million and financial asset at fair value through other comprehensive income of approximately HK$0.6 million. For FY2024, "impairment losses under expected credit loss model, net of reversal" comprised of impairment losses of trade receivables of approximately HK$13.8 million, reversal of impairment losses of other receivables and deposits of approximately HK$2.0 million and impairment on financial asset at fair value through other comprehensive income of approximately HK$29,000. For FY2025, "provision for impairment losses under expected credit loss model, net of reversal" amounted to approximately HK$24.0 million comprised of provision for impairment losses of trade receivables of approximately HK$7.6 million, reversal of impairment losses of other receivables and deposits of approximately HK$31.8 million as a result of settlement arrangements with debtors and impairment on financial asset at fair value through other comprehensive income of approximately HK$112,000.

Impacts of COVID-19 on the Group

Please refer to the paragraphs under " 6. Reasons for and the purposes of the Proposed Restructuring" in the Letter from the Board for impacts of the COVID-19 on the Group's establishment and operation of indoor theme parks business, trading of animation derivative products and multimedia animation entertainment businesses.

Please also refer to the tables under " 6. Reasons for and the purposes of the Proposed Restructuring — 6.1 How the Group's Businesses were affected at the material time" in the Letter from the Board for details of: (i) prepayments in relation to the Parks Constructions; (ii) receivables in relation to provision of PPSP Services; (iii) receivables in relation to the disposals of the Group's intangible assets and PPE; (iv) impairment losses arise from the VR and Games Investment; and (v) breakdown of the Group's expenses in 2022 to 2023.

We note from the Letter of the Board the following impacts of Covid-19 on the Group:

(a) Theme park construction prepayment and impairment

In light of the stagnated construction progress, the Group has requested for refund of the prepayments it paid to establish theme parks. The Park Constructors attempted to cash out the purchased construction materials as partial repayment to the Group, but it was difficult for them to sell the said materials in the open market and return sufficient advance repayment to the Group due to the ongoing impact of the Covid-19 at the material time and the Group has not received any refund from these park constructors, which led to the Group's impairment in its other receivables in the aggregate amount of approximately HK$298.13 million up to 31 March 2023 and further accelerated the deterioration of the Group's financial position. Please refer to "6. Reasons for and the purposes of the Proposed Restructuring — 6.1 How the Group's Businesses were affected at the material time — 1. The Theme-Park Business — The effect of the Covid-19 on the Group's theme park business" in the Letter from the Board for details of the reasons for such substantial impairment and the reasons for the Group's entering into such prepayments.

(b) Disposals of intangible assets and PPE

During 2019 to 2020, the Group entered into agreements to dispose some of its production equipment and intangible assets to cope with its development strategies. The Group was given to understand that the businesses and cashflows of the purchasers of the Group's intangible assets were affected and they could not pay their considerations to the Group due to Covid-19. They could not generate any economic returns as a result of decreased pedestrian traffic and temporary closing down of their themed e-Sports stores in the PRC as the VR Industry and e-Sports entertainment, including the equipment and games, would require the players to experience physically. Consequently, the purchasers could not continue to devote resources to develop the assets they purchased from the Group as they intended when they agreed to purchase the relevant assets from the Group. Similarly, the businesses and cashflows of the purchasers of the Group's PPE were affected as a result of the decrease in orders and demand for theme park merchandises following the downturn of the theme park industry and the temporary closing down of the theme parks in the PRC. The Group could not receive the relevant full amount of the consideration of its disposal of assets and recognized total cumulative impairment amounts on proceeds in relation to the disposed intangible assets and PPE in the amount of approximately HK$176.53 million and approximately HK$121.85 million respectively as at 31 March 2023. Please refer to "6. Reasons for and the purposes of the Proposed Restructuring — 6.1 How the Group's Businesses were affected at the material time — 3. The Animation and Multimedia Business —The Group's animation and multimedia business plan prior to the Covid-19 — the Group's impairment losses in relation to the disposals of the Group's intangible assets and PPE" in the Letter from the Board for details of the reasons for such substantial impairment and the reasons for the Group's making such disposals.

(c) PPSP services and Impairment loss on trade receivables

The Covid-19 disrupted the construction industry in the PRC and the constructions of the two projects. As part of the Group's theme park business, the Group had entered into contracts with two PRC real estate developers, BVL and MEL in 2020 to perform the provision of pre-project start package services (the "**PPSP Services**") for two real estate development projects in Beijing and Zhuhai, which were in a state of suspension. The sum of trade receivables from the two projects were past due for an extended of time and as a result, as at the financial year ended 31 March 2023, after deducting the partial payment received by the Group of HK$13.0 million, the Group recognized a total cumulative impairment loss on these trade receivables through provision of PPSP Services in the amount of approximately HK$156.0 million. Please refer to "6. Reasons for and the purposes of the Proposed Restructuring — 6.1 How the Group's Businesses were affected at the material time — 2.The Group's PPSP Services under the theme park business — the Group's impairment losses in relation to its trade receivables through the provision of PPSP Services" in the Letter from the Board for details of the reasons for such substantial impairment and the reasons for such trade receivables; and

(d) VR and games investment and impairment loss on other receivables

The Group entered into agreements with the Lechuang Group to, among others, (i) to invest capital into a company that was expected to be set up and operated by the Lechuang Group that develops VR related products in the PRC; and (ii) to engage members of the Lechuang Group to develop and produce, including but not limited to, a 9-dimensional experiential game that could be applied into the facilities of the Group's theme parks. Upon completion of the VR and Games Investment, it was expected that the VR related technologies and games developed under the VR and Games Investment, featuring unique and innovative technologies, could bring enjoyable experience to the theme parks' customers and improve the attractiveness of and sales to the theme parks of the Group. After being affected by the Covid-19, the Lechuang Group, other than providing the Group the games and software that had already been completed it said that it would return the remaining investment to the Group. However, the Lechuang Group was unable to return the investment of the Group as agreed. The investment in the Lechuang Group has not been retrieved and the payment for the game and system development has not been recovered its value, over an extended period of time, and as a result, as at the financial year ended 31 March 2023, the Group recognized a total cumulative impairment loss on its other receivables in relation to the VR and Games Investment in the amount of HK$25.11 million. Please refer to "6. Reasons for and the purposes of the Proposed Restructuring — 6.1 How the Group's Businesses were affected at the material time — 4. Other developments of the Group in relation to the VR and Games Investment — the Group's impairment losses due to the failure of refund of investment and delivery of products in relation to the VR and Games Investment" in the Letter from the Board for details of the reasons for such substantial impairment and the reasons for the Group's entering into such investments.

Recovery actions taken by the Group

We also understand from the Letter from the Board that the Group has taken the following actions in attempt to recover receivables:

(a) Negotiations with park constructors

The Group is currently in advanced discussions with an investor regarding the establishment of an AI-themed park with a sizable investment that require Construction Services. Although the terms and details of the project have not yet been finalized, the Group intends to sub-contract various components of the park to the Park Constructors, except for Wealth Gather, which is performing Construction Services to the Group's Joypolis project in Xinhui. The Group will continue to negotiate with these Park Constructors on the solutions and time to resume and complete their Construction Services to the Group and/or transferred such services on to other theme park projects of the Group to make use of the unused prepayments effectively into the development of the Group.

(b) Settlement agreements with purchasers of assets

In respect of the Group's receivables in relation to the disposals of its intangible assets and PPE, over the years, the Group has been monitoring the status of the purchasers of production equipment and intangible assets and actively negotiating with each of them to reach for solutions for the recovery of the considerations to the Group. Recently, the Directors agreed to revise the repayment terms and extend their repayment period to settle the remaining amount of the respective consideration to the Group and the Group entered into settlement agreements with purchasers of its intangible assets and PPE;

(c) Legal actions for PPSP services receivables

In respect of past due amount relating to the provision of PPSP Services to BVL and MEL, the Company had appointed legal advisers and issued legal letters to each of BVL and MEL on 30 January 2023, followed by the issuance of statutory demands to them in mid March 2026. The Company had previously discussed with BVL and MEL various alternative settlement solutions, including potential collaborations and repayment arrangements; however, the Group was not satisfied with the proposed offers and is negotiating and awaiting their further proposals. The top priority of the Company is still on completing the Proposed Restructuring as quickly as possible to help resolve its immediate financial difficulties, and is expected that upon Completion, or when its business improves to an extent that it is considered to be more sustainable, the Company will take actions more strictly towards these counterparties to recover its receivables.

(d) Negotiations with Lechuang Group

In respect of Lechuang Group's failure in fulfilling its obligations for VR and games investment of the Group, the Group will continue to negotiate with Lechuang Group, in particular on, the arrangement of the refunding of the investment in the amount of RMB4.5 million to the Group and the schedule for the completion of the development of the games and software for the Group. The Group will take further actions against the Lechuang Group (if and as necessary) as it deems appropriate to protect the Company's interest.

Our assessment

Although the Group has taken actions to recover receivables from the relevant parties and the Covid-19 is an exceptional circumstance which impacts has gradually diminished, having considered that:

(i) the Group has imminent needs for additional funding to relieve its liquidity pressure; while the likelihood for recovery of these receivables is unpredictable and negotiations for repayments and payment schedules are time consuming;

(ii) if the Company fails to repay the outstanding debts, the Company will have to repay Mr. Lam the full amount of the Assigned Debt and the abovementioned Creditors may file a new winding-up petitions against the Company that lead to greater risk that the Company would be placed into insolvent liquidation and thus, the Shares are expected to be suspended from trading and listing status of the Company will be removed from the Stock Exchange;

(iii) if the Company is unable to raise additional general working capital in near term, it may have difficulties in continuing its theme park projects and the Park Constructors may not be able to resume Construction Services and/or transfer such services on to the Group's other theme park projects. As a result, the Group may not be able to benefit from the use of the unused prepayment for business development;

(iv) the settlement agreements entered between the Group and purchasers of its intangible assets and PPE contain instalment repayment term ending in April 2029 or five years from the date of the relevant settlement agreement, which cannot provide immediate funding to ease the Group's cashflow position;

(v) as mentioned in the Letter from the Board, the Company had previously discussed with BVL and MEL various alternative settlement solutions, including potential collaborations and repayment arrangements; however, the Group was not satisfied with the proposed offers and is negotiating and awaiting their further proposals. The top priority of the Company is still on completing the Proposed Restructuring as quickly as possible to help resolving its immediate financial difficulties; and

(vi) as mentioned in the Letter from the Board, the Company reached a consensus with the Lechuang Group that the members of the Lechuang Group should continue to develop another 10 VR games, including creating background story, content and music for the Group by 2027 by making use of the Group's IPs. The Company will continue to monitor and have ongoing negotiations with the Lechuang Group on possible solutions to recover the investment made by the Group and the receivables and compensations for the Group while also urging the Lechuang Group to complete its services owed to the Group in developing applicable games and software for the Group's theme parks.

we concur with the Directors' view that the recovery of substantial amount of the above-mentioned receivables will take many years and may not be successful, therefore, the Proposed Restructuring is an appropriate action to enable the Group to obtain immediate funding to support its working capital requirements.

FY2024 compared to FY2023

According to the Annual Report 2024, the Group's revenue increased by approximately HK$3.7 million or approximately 1.0% from approximately HK$360.3 million for FY2023 to approximately HK$364.0 million for FY2024. The increase was primarily due to the increase in the revenue from establishment and operation of indoor theme parks of HK$28.1 million.

The Group gross profit increased significantly by approximately HK$35.4 million or approximately 177.7% from approximately HK$19.9 million for FY2023 to approximately HK$55.4 million for FY2024. The Group's gross profit margin improved from approximately 5.5% for FY2023 to approximately 15.2% for FY2024. The significant increase in gross profit and gross profit margin was mainly due to the decrease in cost of sales and services recognised in theme park segment for FY2024. Administrative expenses decreased from approximately HK$155.7 million for FY2023 to approximately HK$73.0 million for FY2024. Based on the internal record provided by the Company, administrative expenses for FY2024 mainly comprise of professional fees of approximately HK$14.0 million, directors fees of approximately HK$3.7 million, salaries of approximately HK$26.0 million, MPF and social insurance of approximately HK$6.2 million.

As advised by the Company, higher administrative expenses while gross profit was relatively thin for FY2023 mainly due to substantial amount of amortization of administrative expenses and professional fees incurred during FY2023.

The loss attributable to owners of the Company decreased by approximately HK$862.9 million or approximately 83.5% from approximately HK$1,033.6 million for FY2023 to approximately HK$170.7 million for FY2024. The reasons included (i) a decrease in an impairment loss of approximately HK$45.3 million on property, plant and equipment, right-of-use assets and intangible assets; (ii) a decrease in an impairment loss of approximately HK$271.9 million on certain other receivables and trade receivable which have been significantly past due; (iii) a decrease in selling, marketing and distribution expenses of approximately HK$41.7 million; (iv) a decrease in research and development expenses of approximately HK$247.7 million; and (v) a decrease in the share of loss of a joint venture and of associates of approximately HK$185.8 million; and (vi) a decrease in administrative expenses of approximately HK$82.7 million.

FY2024 compared to FY2025

According to the Annual Results Announcement 2025, the Group's revenue increased by approximately HK$2.9 million or approximately 0.8% from approximately HK$364.0 million for FY2024 to approximately HK$367.0 million for FY2025. The increase was due to the increase in revenue from establishment and operation of indoor theme parks by approximately 3.0 million primarily due to increase in sales of theme park machineries; and the increase in revenue from multimedia animation entertainment (included income from licencing of animation characters, income for ticket sales for VR Game Centre, trading of VR gaming machines and event activities) by approximately HK$0.5 million, which were partly offset by the decrease in revenue from sales of animation derivative products by approximately HK$0.7 million.

The Group's gross profit margin improved from approximately 15.2% for FY2024 to approximately 24.3% for FY2025. The significant increase in gross profit and gross profit margin was mainly due to the decrease in cost of sales and services recognized in theme park segment for FY2025 as a result of significant drop in depreciation expenses on theme park assets.

Administrative expenses decreased by approximately 3.3% from approximately HK$73.0 million for FY2024 to approximately HK$70.6 million for FY2025. Based on the Annual Results Announcement 2025, administrative expenses for FY2025 mainly comprise of legal and professional fees of approximately HK$14.6 million and staff costs of approximately HK$27.5 million.

The loss attributable to owners of the Company decreased by approximately HK$137.6 million or approximately 80.6% from approximately HK$170.7 million for FY2024 to approximately HK$33.0 million for FY2025. The reasons included (i) an increase in gross profit of approximately HK$33.8 million; (ii) a decrease in an impairment loss of approximately HK$13.5 million on property, plant and equipment and right-of-use assets; (iii) reversal of impairment loss of approximately HK$31.8 million on certain other receivables which have been significantly past due but partially settled during FY2025; and (iv) an increase in other gain or loss of approximately HK$58.9 million mainly arising from derecognition of right-of-use assets and lease liabilities.

6M/2024 compared to 6M/2025

According the Interim Results Announcement 2025, the Group's revenue decreased by approximately HK$27.7 million or approximately 14.4% from approximately HK$192.6 million for 6M/2024 to approximately HK$164.9 million for 6M/2025. The decrease was primarily due to the decrease in sales of animation derivative products by approximately HK$12.6 million and the decease in establishment and operation of indoor theme parks by approximately HK$15.1 million.

The Group's gross profit margin improved slightly from approximately 21.4% for 6M/24 to approximately 22.7% for 6M/25. The decrease in the gross profit was mainly due to the decrease in cost of service of theme park business due to the decrease in depreciation and amortisation expenses.

Administrative expenses decreased by approximately 11.4% from approximately HK$32.4 million for 6M/24 to approximately HK$28.7 million for 6M/25. Based on the internal record provided by the Company, administrative expenses for FY2025 mainly due to the decrease in professional fees by approximately HK$6.1 million, which was partly offset by the increase in service fees by approximately HK$0.9 million and the increase in depreciation by approximately HK$2.2 million.

The loss attributable to owners of the Company increased significantly by approximately HK$64.3 million or approximately 34.8 times from approximately HK$1.9 million for 6M/24 to approximately HK$66.2 million for 6M/25. The increase was primarily due to: (i) the decrease in other gains in amount of approximately HK$42.7 million mainly from the absent of one-time gain from the waiver of lease payable; (ii) the decrease in reversal of impairment loss under expected credit loss model, net of provision, in the amount of approximately HK$12.6 million; (iii) the increase in finance costs in amount of approximately HK$6.5 million; and (iv) the decrease in gross profit in the amount of approximately HK$3.8 million from the establishment and operation of indoor theme parks during the period under review.

Financial position

The following table sets out the consolidated statement of financial position of the Group as at 31 March 2023, 31 March 2024 and 31 March and 30 September 2025 as extracted from the Annual Report 2023, the Annual Report 2024, the Annual Results Announcement 2025 and the Interim Results Announcement 2025:

	As at 31 March			As at 30 September
	2023	2024	2025	2025
	(Audited)	(Audited)	(Audited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	562,497	407,934	427,775	413,017
Total liabilities	1,447,359	1,453,279	1,516,405	1,567,261
Net current (liabilities)	(1,002,057)	(1,123,635)	(1,180,242)	(1,232,729)
Net (liabilities)	(884,862)	(1,045,345)	(1,088,630)	(1,154,244)

Comparison between 31 March 2023 and 31 March 2024

The Group's total assets decreased by approximately 27.5% (or approximately HK$154.6 million) from approximately HK$562.5 million as at 31 March 2023 to approximately HK$407.9 million as at 31 March 2024 mainly due to:

(i) the decrease in property, plant and equipment by approximately 47.2% (or approximately HK$56.1 million) from approximately HK$118.9 million as at 31 March 2023 to approximately HK$62.7 million as at 31 March 2024. The decrease was mainly due to the decrease in cost by approximately HK$95.4 million which was partly offset by the decrease in depreciation and impairment by approximately HK$39.2 million. The decrease in cost was mainly because of the disposals of leasehold improvements of approximately HK$60.4 million and exchange adjustments of approximately HK$37.0 million arisen from year-end balances translation as advised by the management of the Group;

(ii) the decrease in right-of-use assets by approximately 34.3% (or approximately HK$43.1 million) from approximately HK$125.8 million as at 31 March 2023 to approximately HK$82.7 million as at 31 March 2024. The decrease was mainly due to the decrease in cost by approximately HK$24.1 million and the increase in accumulated depreciation and impairment by approximately HK$19.1 million. The decrease in cost was mainly because of the effect of foreign currency exchange difference of approximately HK$19.1 million and the transfer to property, plant and equipment of approximately HK$5.0 million;

(iii) the decrease in trade receivables by approximately 22.8% (or approximately HK$12.3 million) from approximately HK$53.9 million as at 31 March 2023 to approximately HK$41.6 million as at 31 March 2024. The decrease was mainly due to the increase in accumulated impairment losses by approximately HK$13.8 million;

(iv) the decrease in other receivables, deposits and prepayments by approximately 11.4% (or approximately HK$7.3 million) from approximately HK$63.8 million as at 31 March 2023 to approximately HK$56.5 million as at 31 March 2024. As advised by the management of the Group, the decrease was mainly due to (i) exchange difference arisen from year-end balances translation, and (ii) the fact that the Joypolis in Shanghai had gradually ceased running operations since April 2024 before its disposal in September 2024; and

(v) the decrease in bank balances and cash by approximately 67.7% (or approximately HK$24.5 million) from approximately HK$36.2 million as at 31 March 2023 to approximately HK$11.7 million as at 31 March 2024. The Company advised that relatively high bank balances and cash as at 31 March 2023 was due to acquisition of Investor Loan towards year end. Expenditures for daily operations and debt restructuring, including directors' emoluments and staff salaries, office rent, professional fee, interest and tax paid, had driven bank balances and cash to lower level as at 31 March 2024.

The Group's total liabilities increased slightly by approximately 0.41% (or approximately HK$5.9 million) from approximately HK$1,447.4 million as at 31 March 2023 to approximately HK$1,453.3 million as at 31 March 2024 mainly due to the increase in other payables and accruals by approximately 39.7% (or approximately HK$79.4 million) from approximately HK$199.9 million as at 31 March 2023 to approximately HK$279.3 million as at 31 March 2024.

The abovementioned increase in other payables and accruals was partly offset by among others,

(i) the decrease in lease liabilities by approximately 27.7% (or approximately HK$39.7 million) from approximately HK$143.5 million as at 31 March 2023 to approximately HK$103.8 million as at 31 March 2024;

(ii) the decrease in tax payable by approximately 39.5% (or approximately HK$16.9 million) from approximately HK$42.8 million as at 31 March 2023 to approximately HK$25.9 million as at 31 March 2024; and

(iii) the decrease in contract liabilities by approximately 17.2% (or approximately HK$10.0 million) from approximately HK$58.2 million as at 31 March 2023 to approximately HK$48.2 million as at 31 March 2024.

Comparison between 31 March 2024 and 31 March 2025

The Group's total assets increased by approximately HK$19.9 million, or approximately 4.9% from approximately HK$407.9 million as at 31 March 2024 to approximately HK$427.8 million as at 31 March 2025 mainly due to:

(i) the increase in right-of-use assets by approximately 43.1% (or approximately HK$35.7 million) to approximately HK$118.4 million as at 31 March 2025. As advised by the management of the Group, the increase in right-of-use assets was mainly due to the renewal of a tenancy agreement with the term of 12 years and monthly rent of JPY17,400,000 (around HK$840,000) of Joypolis in Tokyo during the year; and a discount applied for the tenancy period; and

(ii) the increase in trade receivables by approximately 38.6% (or approximately HK$16.1 million) to approximately HK$57.7 million as at 31 March 2025. As advised by the management of the Group, the increase in trade receivables was mainly due to the increase in bulk sales of theme park tickets in March 2025. As at 31 March 2025, included in the Group's trade receivables are debtors with aggregate gross amount of approximately HK$233.7 million (before provision for impairment, which amounted to approximately HK$225.7 million as at 31 March 2024) which were past due for more than 365 days and/or with history of default. The Directors consider credit risk has increased significantly on these trade receivables and considered the receivables as credit-impaired, The abovementioned increases in right-of-use assets and trade receivables was partly offset by among others:

(i) the decrease in property, plant and equipment by approximately 32.4% (or approximately HK$20.3 million) to approximately HK$42.4 million as at 31 March 2025 mainly due to the depreciation of the property, plant and equipment as advised by the management of the Group;

(ii) the absence of interest in associates as at 31 March 2025, which was approximately HK$5.7 million as at 31 March 2024. As advised by the management of the Group, the loss of disposal of an associate amounted to approximately HK$ 2.9 million and impairment in valuation of an associate amounted to approximately HK$2.8 million as at 31 March 2024; and

(iii) the decrease in other receivables, deposits and prepayments by approximately 12.5% (or approximately HK$7.1 million) to approximately HK$49.5 million as at 31 March 2025 mainly due to the decrease in rental deposit by approximately HK$4.0 million to approximately HK$0.7 million as at 31 March 2025 mainly due to the termination of lease of Shanghai theme park and takeover of lease of Hong Kong office by the Investor as advised by the management of the Group; and the decrease in prepayments by approximately HK$2.6 million to approximately HK$47.5 million as at 31 March 2025 mainly due to the decrease in prepayment for business operation as at year end date as advised by the management of the Group.

The Group's total liabilities increased by approximately HK$63.1 million, or approximately 4.3% from approximately HK$1,453.3 million as at 31 March 2024 to approximately HK$1,516.4 million as at 31 March 2025, mainly due to (i) the increase in other payables and accruals by approximately 21.1% (or approximately HK$58.8 million) to approximately HK$338.2 million as at 31 March 2025 mainly due to the increase in accrued interest payable as advised by the management of the Group; and (ii) the increase in lease liabilities by approximately 5.4% (or approximately HK$5.6 million) to approximately HK$109.4 million as at 31 March 2025 mainly due to the renewal of a tenancy agreement during the year as advised by the management of the Group.

Comparison between 31 March 2025 and 30 September 2025

The Group's total assets decreased by approximately HK$14.8 million, or approximately 3.5% from approximately HK$427.8 million as at 31 March 2025 to approximately HK$413.0 million as at 30 September 2025 mainly due to (i) the decrease in property, plant and equipment by approximately 9.7% (or approximately HK$4.1 million) to approximately HK$38.3 million as at

30 September 2025 mainly due to the depreciation of the property, plant and equipment as advised by the management of the Group; (ii) the decrease in right-of-use assets by approximately 4.2% (or approximately HK$5.0 million) to approximately HK$113.4 million as at 30 September 2025 mainly due to the depreciation of the right-of-use assets as advised by the management of the Group; and (iii) the decrease in trade receivables by approximately 8.7% (or approximately HK$5.0 million) to approximately HK$52.6 million as at 30 September 2025 mainly due to the increase in trade receivable from sales of animation derivatives as advised by the management of the Group.

The Group's total liabilities increased by approximately HK$50.8 million, or approximately 3.4% from approximately HK$1,516.4 million as at 31 March 2025 to approximately HK$1,567.2 million as at 30 September 2025 mainly due to (i) the increase in bank borrowings and other borrowings by approximately 6.8% (or approximately HK$14.3 million); and (ii) the increase in other payables and accruals by approximately 12.7% (or approximately HK$42.9 million) to approximately HK$381.1 million mainly due to the increase in accrued interest as advised by the management of the Group which was partly offset by the decrease in lease liabilities by approximately 4.5% (or approximately HK$4.9 million).

Disclaimer of opinion

Auditors mentioned in the Annual Results Announcement 2025 that the existence of material uncertainties may cast significant doubt on the Group's ability to continue as a going concern given the following conditions:

— the Group recorded a net loss of HK$40,912,000 for FY2025, and, as at 31 March 2025, the Group recorded net current liabilities position of HK$1,180,242,000 and net liabilities position of HK$1,088,630,000. The Group's total bank and other borrowings, bonds payable and guaranteed notes amounted to HK$958,235,000, out of which HK$909,320,000 were due for repayment or would be due for repayment within the next twelve months, while its cash and cash equivalents amounted to HK$11,384,000 only as at 31 March 2025; and

— as at 31 March 2025, the Group has defaulted on repayment of certain bonds payable, a guaranteed note and other borrowings of approximately HK$712,655,000, HK$25,000,000 and HK$78,977,000 respectively which were included as part of current liabilities as at 31 March 2025. Furthermore, the Group has received several demand letters and statutory demands from bondholders in relation to the repayment of the overdue principals and interest. We noted from "D. Notes to the unaudited pro forma financial information of the Group" in Appendix II of the Circular, that the gain on Debt

Restructuring and Special Deals will reconcile with the Group's bond payable of approximately HK$722,094,000, guaranteed note of approximately HK$17,318,000 and other borrowings of approximately HK$65,250,000.

The Directors have prepared a cash flow forecast covering a period of 12 months from the date of approval of the consolidated financial statements which takes into account of the plans and measures being taken by the Group to improve the Group's liquidity and financial position. Auditors are of the view that the validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the successful eventual outcome of the abovementioned plans and measures for future actions, as follows (the "**Uncertainties**"):

(i) successfully completing the debt restructuring of the Group's bonds payables and amounts owed to the creditors;

(ii) successfully dismissing the statutory demands;

(iii) successfully obtaining additional new sources of financing as and when needed;

(iv) successfully implementing measures to collect outstanding sales proceeds and control costs and expenses effectively; and

(v) successfully maintaining relationship with the Group's other existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings and other debts with principal and interest payments are in default.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

In our assessment and analysis, we considered various factors including the disclaimer of opinion in the Annual Results Announcement 2025. We are of the view that the Proposed Restructuring (including the Creditors' Scheme and the Subscriptions) is essential to address the Significant Uncertainties raised by the auditors above. If the Proposed Restructuring fails to proceed as planned, the Group will continue facing heavy indebtedness owed to the Creditors and liquidity problems, and will be unable to address (i) and (ii) of the Significant Uncertainties. In addition, the Group will be unable to repay its outstanding debts, exposing the Company to greater risk of insolvent liquidation, and if the statutory demands will not be dismissed, trading in Shares is expected to be suspended and the Company's listing status will be removed from the Stock Exchange. If the Significant Certainties cannot be addressed, the auditors may make accounting adjustments as they deem appropriate, which may result in a significant deterioration of the Group's financial position.

(3) The Capital Reorganisation and Change in Board Lot Size

The Board has proposed the Capital Reorganisation which will involve:

(i) the Share Consolidation — every ten (10) issued Existing Shares of par value HK$0.10 each in the share capital of the Company will be consolidated into one (1) issued Consolidated Share of par value HK$1.00 each;

(ii) the Capital Reduction — the share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK$0.99 on each of the then issued new Consolidated Shares such that the par value of each issued new Consolidated Share will be reduced from HK$1.00 to HK$0.01.

According to the audited consolidated financial statements of the Company for FY2024, the accumulated loss of the Company was approximately HK$1,479,067,000. The credit arising from the Capital Reduction in the amount of approximately HK$117,022,158 will be fully applied to set off part of the consolidated accumulated loss of the Company; and

(iii) the Increase in Authorised Share Capital — the authorised share capital of the Company will be increased from HK$500,000,000 divided into 5,000,000,000 Existing Shares of par value HK$0.1 each to HK$10,000,000,000 divided into 1,000,000,000,000 New Shares of par value HK$0.01 each.

Effects of the Capital Reorganisation

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, before and after the Capital Reorganisation becoming effective (assuming no Shares are issued or repurchased from the Latest Practicable Date until the effective date of the Capital Reorganisation):

	As at the Latest Practicable Date	Capital Reorganisation having become effective
Par value per Share	HK$0.10 per Existing Share	HK$0.01 per New Share
Amount of authorised share capital	HK$500,000,000	HK$10,000,000,000
Number of authorised Shares	5,000,000,000 Existing Shares	1,000,000,000,000 New Shares
Number of issued Shares	1,182,042,000	118,204,200
Paid up share capital	HK$118,204,200	HK$1,182,042

Conditions precedent of the Capital Reorganisation

Completion of the Capital Reorganisation is conditional upon:

(i) the special resolutions in relation to the Capital Reorganisation having been passed by the Shareholders in the EGM;

(ii) the Cayman Court granting an order confirming the Capital Reduction;

(iii) compliance with any conditions which the Cayman Court may impose in relation to the Capital Reduction;

(iv) registration by the Registrar of Companies in the Cayman Islands of the order of the Cayman Court confirming the Capital Reduction and a minute approved by the Cayman Court containing the particulars required under the Companies Act (as revised) of the Cayman Islands with respect to the Capital Reduction;

(v) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the New Shares resulting from the Capital Reorganisation; and

(vi) compliance with the relevant legal procedures and requirements under the laws of the Cayman Islands and the Listing Rules, and the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

The Capital Reorganisation shall be completed prior to, and for the purpose of effectuating, the Debt Restructuring and the Subscriptions. The Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Change in Board Lot Size

As at the Latest Practicable Date, the Shares are traded in board lots of 1,000 Existing Shares. Conditional upon the Capital Reorganisation having become effective, the Board also proposes to change the board lot size for trading on the Stock Exchange from 1,000 Existing Shares to 8,000 New Shares.

Based on the closing price of HK$0.09 per Existing Share (equivalent to the theoretical closing price of HK$0.90 per New Share) as quoted on the Stock Exchange on the Last Trading Day, the value of each existing board lot of 1,000 Existing Shares is HK$90 and the theoretical value for each new board lot of 8,000 New Shares, assuming the Capital Reorganisation has become effective, would be HK$7,200.

Based on the closing price of HK$0.05 per Existing Share (equivalent to the theoretical closing price of HK$0.50 per New Share) as quoted on the Stock Exchange on the Last Trading Day, the value of each existing board lot of 1,000 Existing Shares is HK$50 and the theoretical value for each new board lot of 8,000 New Shares, assuming the Capital Reorganisation has become effective, would be HK$4,000.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders. The Change in Board Lot Size is not subject to Shareholders' approval at the EGM.

Reasons for the Capital Reorganisation and Change in Board Lot Size

It is mentioned in the Letter from the Board that other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position (save for the credit arising from the Capital Reduction which will be fully applied to set off part of the consolidated accumulated loss of the Company) of the Company. The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

It is also mentioned in the Letter from the Board that the Directors are of the opinion that the proposed Capital Reorganisation will reduce the consolidated accumulated losses of the Company and give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future. The Increase in Authorised Share Capital will accommodate future expansion and growth of the Group and to provide the Company with greater flexibility to raise funds by allotting and issuing new Shares in the future as and when necessary. The Capital Reduction will reduce the par value of the issued Consolidated Shares from HK$1.00 per Consolidated Share to HK$0.01 per New Share. Under the laws of the Cayman Islands, a company may not issue shares at a discount to the par value of such shares. Accordingly, the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future.

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK$0.01 or HK$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, pursuant to the requirements set out in "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, the expected board lot value per board lot should be greater than HK$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the Shares had been traded below HK$0.10 on average and the Shares were trading at under HK$2,000 per board lot over the past six months (based on the closing price per Share as quoted on the Stock Exchange), the Board proposes to implement the Share Consolidation and the Change in Board Lot Size in order to comply with the trading requirements of the Listing Rules. The Share Consolidation will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares and the trading price of the Shares per board lot.

Having considered the reasons above, we concur with the Directors' view that terms of the Capital Reorganisation are fair and reasonable; and the Capital Reorganisation and Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

(4) The Debt Restructuring by way of the Creditors' Scheme

Based on the available books and records of the Company, the estimated total amount of Claims against the Company as at 31 March 2023 was approximately HK$1,105.6 million.

As mentioned in the Letter from the Board, under the Creditors' Scheme and subject to the terms thereof, a Cash Consideration of HK$160,000,000 will be distributed by the Company to and an aggregate of 59,000,000 Scheme Shares (at the issue price of HK$0.1772 per New Share) will be issued and allotted under the Specific Mandate by the Company to the SchemeCo under the Creditors' Scheme for holding for the benefits of the Creditors prior to distributing to the Creditors with Admitted Claims. There will be no cash inflow for the Company in respect of the issue of the Scheme Shares. In addition to the Cash Consideration and Scheme Shares, any sums successfully recovered from the Scheme Receivables, after deducting any costs, expenses, and taxes that may be incurred in connection with the Company's recovery actions, will also be included as part of the Scheme Assets for the benefits of the Creditors. The Scheme Receivables, if recovered, will be distributed according to the same term as the other Scheme Assets as set out in the sub-section headed "Distribution of Scheme Assets upon the Creditors' Scheme becomes effective" under "4. The debt restructuring by the Creditors' Scheme — 4.4 Distribution of Scheme Assets upon the Creditors' Scheme becomes effective" in the Letter from the Board. It should be noted that the likelihood for the recovery of the Scheme Receivables in full amount before the termination of the Creditors' Scheme may be relatively low given that the debtors of the Scheme Receivables have not been responsive to the Company's demands and the potential time required for any legal actions taken against these debtors. If the Scheme Administrators are satisfied that all dividend has been distributed (which may take around twelve months or more upon the Effective Date, subject to the recovery progress of the Scheme Receivables), they shall give a notice to terminate the Creditors' Scheme, upon which the Scheme Receivables which are unrecovered would be written off in the Creditors' Scheme and no longer be considered as part of the Scheme Assets.

The following table sets out amount of each Scheme Receivable as illustrated in "4. The Debt Restructuring by way of the Creditors' Scheme — 4.3 The Scheme Assets and Scheme Receivables — Details and breakdowns of the Scheme Receivables" in the Letter from the Board:

	Name of Debtors	Amount *(HK$'000)*	Status (extracted from notes 2, 3 and 4 of the relevant section in the Letter from the Board)
1.	Shenzhen Happy Animation Co., Ltd.* (深圳市歡樂動漫有限公司), beneficially owned by Wang Ruoming	7,500.00	A legal demand letter was issued by the Company to this debtor on 26 July 2023 requesting for a recovery of HK$7.5 million (equivalent to the RMB6.0 million) to the Group. The Group had filed a lawsuit to 深圳前海合作區人民法院, court in Futian, Shenzhen, and demanded for a compensation for an amount of RMB6.0 million from this debtor. However, the Company is uncertain as to whether it will be able to recover this receivable as the repayment method and timing have not been agreed or determined and as at the Latest Practicable Date, the Company did not receive any return so far.

	Name of Debtors	Amount *(HK$'000)*	Status (extracted from notes 2, 3 and 4 of the relevant section in the Letter from the Board)
2.	GZLC and GZCA	5,358.60	A legal demand letter was issued by the Company to these debtors in November 2022 requesting for a recovery of RMB4.5 million to the Group. The Group had filed a lawsuit and had provided evidence to 廣州市南沙區人民法院, court in Nansha, Guangzhou, for their review and demanded for a compensation for an amount of RMB4.5 million from these debtors. Currently, the lawsuit has been withdrawn after GZLC offered alternative settlement arrangements to the Group and the Group and GZLC have resumed negotiations. Pursuant to the negotiations, the Lechuang Group has agreed to continue developing games for incorporation into the Group's theme parks in accordance with the Group's specifications. While the Lechuang Group is completing the ongoing game development, the Group is also reviewing and assessing the alternative proposals from the Lechuang Group, including a potential share swap arrangement with its members in lieu of a refund of the Group's previous investment. In light of the above, the Group is not expected to receive, and has not received as at the Latest Practicable Date, any cash returns from these debtors that can be included into the Scheme Assets.

	Name of Debtors	Amount (HK$'000)	Status (extracted from notes 2, 3 and 4 of the relevant section in the Letter from the Board)
3.	ACCP Global Lau Wang Chi Barry Well Link Securities Limited, beneficially owned by Hui Chor Tak	215,000.00	ACCP Global has received winding-up order from the High Court on 24 April 2023, so Lau Wing Chi Barry and Well Link Securities Limited shall have to bear the legal consequences of the case to indemnify the Group the damages resulted from the ACCP Subscription. Upon taking legal advice, the Company is of the view that this litigation is a meritorious case and the Company is expected to be awarded by the High Court to recover to such sums (whether fully or partially). A hearing of the case took place on 15th July 2024 and the proceedings against ACCP Global will continue pending the leave to be granted by the High Court. As at the last hearing, no decision has been made and the next hearing scheduled to be held on 27 August 2026. The Company will continue its action against ACCP Global, Lau Wang Chi Barry and Well Link Securities Limited.
	Total:	227,858.60	

None of the debtors or their respective ultimate beneficial owners in respect of the Scheme Receivables are related to the Company and its connected persons. The Company, after considering of the above mentioned debtors' latest business relationships with the Group and their latest business operations after the Covid-19, is no longer interested in involving into any further collaborations with these debtors. The Scheme Receivables are included as one of the Scheme Assets so that, upon successful recovery (if any) may increase the attractiveness of the Creditors' Scheme. Nonetheless, it is mentioned in the Letter from the Board that the likelihood for the recovery of the Scheme Receivables in full amount before the termination of the Creditors' Scheme may be relatively low given that the debtors of the Scheme Receivables have not been responsive to the Company's demands and the potential time required for any legal actions taken against these debtors. The Company advised that no funds have been recovered from the Scheme Receivables as at the Latest Practicable Date.

Creditors, Shareholders and potential investors of the Company should be reminded that the Company may or may not be able to recover any amount from the Scheme Receivables before the termination of the Creditors' Scheme (which will be decided by the Scheme

Administrator) given the uncertainties involved in recovering them. For avoidance of doubt, should the Company not able to recover the Scheme Receivables from its recovery actions, there would not be any impact to the Creditors' Scheme.

The distribution of the Scheme Assets which comprise the Cash Consideration, the Scheme Shares and the Scheme Receivables, will be conducted in accordance with the terms of the Creditors' Scheme. The Issue Price is the same as the Share Subscription Price and the CB Conversion Price, and as mentioned in the Letter from the Board, the Share Subscription Price was arrived at after arm's length negotiations between the Company and the Investor with reference to (i) the net liabilities position and the net loss of the Group; (ii) that the Group has received winding-up petitions and statutory demands and is in desperate need of fundraising and debt restructuring; (iii) the prevailing market conditions; (iv) that the Group has already exhausted and attempted other means of fundraising and that the Subscriptions represent the only viable option available to the Group; (v) the amount of funds required to be raised by the Company for the Debt Restructuring; (vi) the acceptability of the Creditors towards the terms of the Creditors' Scheme, such as, the value of the Scheme Assets which is affected by the Share Subscription Price and the issue price of the Scheme Shares; and (vii) that an issue price with large discount is not uncommon among companies involving creditors' scheme and/or debt restructuring. Please refer to the paragraphs headed "Evaluation of the Share Subscription Price" and "Evaluation of the CB Conversion Price" under "(5) The Share Subscription and the CB Subscription — (d) The Share Subscription Price and the CB Conversion Price" below in this letter for assessment on the fairness and reasonableness of the Share Subscription Price and the CB Conversion Price.

On 27 June 2023, the Creditors' Scheme was approved in the creditors' meeting by the requisite majorities of the Creditors and on 19 March 2024, such approval has become valid after the Creditors' Scheme having been sanctioned by the High Court. There is no fixed timetable for the Creditors' Scheme to become effective after the High Court's sanction. Its effectiveness is conditional solely upon the satisfaction of the conditions precedent stipulated in the Creditors' Scheme.

Upon the Creditors' Scheme becomes effective, the Scheme Administrators will, among other things, despatch the claim form to the Creditors to call proof and perform adjudication on the claims received in order to verify and determine the amount of the Admitted Claims. As soon as practicable after the adjudication of claims, including the amount of the Admitted Claims, the Scheme Administrators will:

(a) declare and pay the first interim cash dividend to all Scheme Creditors with Admitted Claims on a pro rata basis in respect of the amount of their Admitted Claims to distribute the Cash Consideration, subject to the reservation of any Unadmitted Claims and Scheme Costs;

(b) send the form of election to the Scheme Creditors with Admitted Claims to elect either (i) the cash option; or (ii) the equity option (but not both) in respect of their entitlement of the Scheme Shares for the portion of the Admitted Claims that are not satisfied by the Cash Consideration.

As advised by the Company, cash option and equity option are available with an aim to enhance the attractiveness of the Scheme as, for example, (i) the Scheme Creditors will be able to retain certain interest in the Company if they think that background of the Investor will benefit the Group in business development and will bring better return to its shareholders after the Debt Restructuring; or (ii) the Scheme Creditors may choose to instruct the Scheme Administrator selling their respective Scheme Shares for cash, if they wish to do so.

For details of the arrangement on the distribution of the Scheme Assets to the Scheme Creditors who opt for equity option and the Scheme Creditors who opt for cash option, please refer to " "4. The Debt Restructuring by way of the Creditors' Scheme — 4.4 Distribution of Scheme Assets upon the Creditors' Scheme becomes effective" in the Letter from the Board.

According to the Creditors' Scheme, the Scheme Assets will be dealt with by the Scheme Administrators in the following order of priority:

(i) firstly, to pay preferential claims (the Company did not have any preferential claims as at the Latest Practicable Date);

(ii) secondly, to pay the Scheme Costs; and

(iii) thirdly, to pay dividend in respect of the Scheme Creditors with Admitted Claims.

The proportion of the dividend payable will be of an amount to be determined and distributed from time to time by the Scheme Administrators under the Creditors' Scheme, having regard to:

(i) the amount of Scheme Assets available;

(ii) the amount of Admitted Claims; and

(iii) any sum to be retained out of the Scheme Assets for the Scheme Costs as may be determined by the Scheme Administrators under the Creditors' Scheme.

According to the terms of the Creditors' Scheme, the Scheme Administrators will be empowered to declare interim dividend(s) from time to time. Unadmitted Claims will not be entitled to any dividend.

Based on the Company's records as at 31 March 2023 for the preparation of the Creditors' Scheme, each of the Subsidiary Creditors has a Claim against the Company as a result of the assignment of the trade receivables of the Subsidiary Creditors to the Company. We noted from the Letter from the Board the differences between collecting funds by Subsidiary Creditors and collecting fund by the Company on behalf of Subsidiary Creditors are that:

(i) it would be more efficient for the Company to centralise its resources to pursue further legal actions and/or conduct further negotiations with these counterparties in order to recover such sums;

(ii) the management of the Group would be able to allocate and distribute its financial resource optimally during an exceptionally difficult period for the Group, among other things, to settle imminent expenses of members of the Group so as to maintain the operation of the Group's theme park business as a whole;

(iii) it can avoid duplicate procedures and the extra time incurred for the transfer the proceeds from the receivables (in case of recovery) to the Company from the Subsidiary Creditors;

(iv) the Company would be able to conduct negotiations with the debtors more effectively given its listed status; and

(v) given the material amount of and the low likelihood of recovery of the trade receivables, it would be more efficient and beneficial to the Company to negotiate directly with the counterparties to look for alternative repayment options, such as (a) immediate partial repayment; (b) restarting the respective construction and/or renovation projects; (c) reduction of outstanding principal amount; (d) additional collateral/guarantee; (e) revising the repayment schedule; and (f) increasing interest rates or other matters favorable to the Company.

The indebtedness amount owed by the Company to the Subsidiary Creditors were resulted from (i) the assignment of the Subsidiary Creditors' trade receivables, which arise from the refund of prepayments in relation to the theme park constructions and disposals of intangible assets and PPEs of the Group and PPSP Services for other third parties (including the provision of authorization of IP-rights) by the Subsidiary Creditors, to the Company; and (ii) that the Company collected certain payments on behalf of the Subsidiary Creditors which were generated from operation of the Subsidiary Creditors. For avoidance of doubt, although the liabilities of the Group to the Subsidiary Creditors will be discharged upon the Creditors' Scheme becoming effective, the Company remains entitled to pursue the counterparties to recover the receivable sums owed to the Group. Regardless of the results above, the Subsidiary Creditors, who became creditors of the

Group as a result of assigning their trade receivables to the Group to facilitate the Company's recovery actions, have indicated that they will not lodge any notice of claim for dividend purposes and will not receive any dividend from the Creditors' Scheme (including the Scheme Assets and Scheme Receivables, if any); such portion of the Scheme Assets will instead be distributed to the other Scheme Creditors.

As mentioned in the Letter from the Board, as at the Latest Practicable Date, none of the Scheme Creditors are connected persons of the Company; and as confirmed by the Company, as at the Latest Practicable Date, none of the Scheme Creditors are connected persons of Mr. Chong Heung Chung Jason. Should the issuance of the Scheme Shares to the Creditors constitutes connected transaction under Chapter 14A of the Listing Rules, the Company will comply with the relevant requirements thereof, including but not limited to, obtaining the approval of the independent Shareholders at a general meeting of the Company. Pursuant to the terms of the Creditors' Scheme, the Scheme Assets are payable to the Scheme Administrator, and upon which the Creditors' Scheme will become effective. The subsequent distribution of Scheme Assets by the Scheme Administrator to the Creditors will be handled by the Scheme Administrator independently and accordingly, even if the resolution(s) in relation to the above matters were being voted down by the independent Shareholders, the Debt Restructuring will not be affected and the Scheme Administrator will have to distribute Cash Consideration (as if such Creditor(s) elected the cash option) to such Creditor(s). The Company will provide an update on the Creditors' Scheme by way of announcement(s) as and when appropriate.

Conditions of the Creditors' Scheme

Completion of the Creditors' Scheme is conditional upon:

(a) the High Court sanctions the Creditors' Scheme and a copy of the order of the High Court sanctioning of the Creditors' Scheme is delivered to the Registrar of Companies in Hong Kong for registration;

(b) the Capital Reorganisation having become effective;

(c) the completion of the Subscriptions having taken place;

(d) all consents and approvals required for the transfer of the Scheme Shares to the SchemeCo have been obtained; and

(e) resolutions in relation to the issue of the Scheme Shares under the Specific Mandate having been duly passed by the Independent Shareholders in the general meeting, and the Board having been granted the Specific Mandate in accordance with the Listing Rules.

None of the conditions set out above can be waived. As at the Latest Practicable Date, save for condition (a) above, all the other conditions precedent to the Creditors' Scheme have not been fulfilled.

The Creditors' Scheme shall become effective on the date, being the latest of (a) the date of delivery of an official copy of the order of the High Court sanctioning the Creditors' Scheme to the Registrar of Companies in Hong Kong for registration; (b) the date of the completion of the transfer of the Cash Consideration to the SchemeCo; and (c) the date of the completion of the transfer of the Scheme Shares to the SchemeCo. Upon the Creditors' Scheme having become effective, the Company shall be able to utilise the proceeds from the Subscriptions for the purpose of, among other things, settlement of Cash Consideration for the Creditors' Scheme. As at the Latest Practicable Date, the Creditors' Scheme had not come into effect.

Having considered that:

(i) upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance. We considered that upon completion of the Debt Restructuring, financial position of the Group can be largely alleviated following the discharge and release of debts and liabilities; and the Group will be in a better position to obtain new financing for business development and daily operations. Besides, it will enable the Group to fulfil certain going concern assumptions on the completion of Debt Restructuring; and avoid the risk of listing status being removed from the Stock Exchange should the Company fail to repay the outstanding debts within time given by the High Court;

(ii) the Issue Price is the same as the Share Subscription Price and the CB Conversion Price, which are considered as fair and reasonable as demonstrated in the paragraphs headed "Evaluation of the Share Subscription Price" and "Evaluation of the CB Conversion Price" under "(5) The Share Subscription and the CB Subscription — (d) The Share

Subscription Price and the CB Conversion Price" below in this letter. The alignment of the Issue Price to the Share Subscription Price and the CB Conversion Price provides equitable treatment to the Creditors and the Investor; and

(iii) the dilution of the shareholding interests of the existing public Shareholders is considered not unreasonable as set out in the section headed "(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares" below in this letter. The dilution impact is acceptable in the view of the restructuring and financing needs of the Group. Given the net loss and net liabilities position and high gearing ratio of the Group, it may face difficulties in seeking new funds from equity market or bank borrowings; and the auditors' disclaimer of opinion will remain,

we concur with the Directors' view that the Debt Restructuring by way of the Creditors' Scheme is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

(5) The Share Subscription and the CB Subscription

(a) Background of the Investor

As mentioned in the Letter from the Board, the Investor is a company incorporated under the laws of Japan and is principally engaged in (i) real estate related businesses including but not limited to, urban development, properties construction, brokering, real estate valuation and properties management; and (ii) financial related services including but not limited to, trading of securities, asset management and selling of financial products. The Investor is a diversified conglomerate established for over 25 years with over 20 subsidiaries covering a wide range of business activities in Japan, including but not limited to, real estate development, urban development and hotels and theme parks management.

Based on financial information of the Investor for FY2024 and a company profile of the Investor provided by the management of the Group, we understand that the Investor possesses group capital of JPY380 million (equivalent to approximately HK$19.7 million based on exchange rate of JPY1=HK$0.051713) and net assets of JPY782 million (equivalent to approximately HK$40.4 million based on exchange rate of JPY1=HK$0.051713) as at 31 March 2024. The Investor began operating the fund business from 2007. Its accumulated investors have approached to 48,990 since 2007 and have raised fund of US$1,628.89 million from 2007 to 2022. Based on the company website of the Investor (www.kyosei-bank.co.jp), it operates theme park business using real estate assets, notably the Ise Ninja Kingdom in Japan.

The Investor is beneficially wholly-owned by Mr. Kenichi, who is also the president and representative director of the Investor. To the best knowledge of the Company, the Investor and the parties acting in concert with it are Independent Third Parties.

As at the Latest Practicable Date, the directors of the Investor are Mr. Kenichi, Dr. Hiroshi Kaneko, Mr. Takahiro Haga and Mr. Kuniaki Yanase.

Having considered that (i) the Investor has provided immediate funding of Investor Bonds with total principal amount of HK$25 million and the Investors Loan of HK$25 million to the Group as rescue funding; and (ii) the Investor's financial strength and industry knowledge and experience in theme park operation in Japan as discussed above will bring business synergies to the Group' theme park business in Japan; and provide resources and/or working capital to support the Group's operation when needed, we concur with the Directors that the Investor becoming a Shareholder is in the interests of the Group and its Shareholders as a whole.

Intention of the Investor in relation to the Group

As mentioned in the Letter from the Board, it is the intention of the Investor to continue the existing businesses of the Group and has no intention to put forward any major changes to the businesses of the Group after the Completion. As at the Latest Practicable Date, the Investor has not entered and does not intend to enter into any agreement, arrangements, understanding (i) to acquire and/or develop any new business nor (ii) to dispose of or downsize the existing businesses and/or material operating assets, of the Group unless appropriate opportunities arise. The Investor will continue to review the operations of the Group from time to time in order to enhance a long-term growth potential for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. Subject to the result of the review, the Investor may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. Should such corporation actions materialize, further announcement(s) will be made in accordance with the Listing Rules.

Proposed changes to the Board composition

As at the Latest Practicable Date, the Board comprises two executive Directors and three independent non-executive Directors.

The Investor intends to nominate Dr. Hiroshi Kaneko as an executive Director upon Completion. Such appointment of Director nominated by the Investor will not take effect earlier than the posting of the Circular in compliance with Rule 26.4 of the Takeovers Code and any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

It is currently expected that, upon Completion Dr. Hiroshi Kaneko will primarily be responsible for overseeing the Group's overall business operations and the formulation of its business and strategic development. Mr. Chong Heung Chung Jason, having regard to his experience in the theme park and toy industries, will continue to assist in monitoring the Group's overall operations and Ms. Liu Moxiang will primarily focus on the implementation of strategies and the management of the Group's business in Japan.

Save for the Investor's intention regarding the Group as set out above, as at the Latest Practicable Date, the Investor (i) has not identified any potential candidate to be appointed as new director(s) to the Board; and (ii) has no intention to make material changes to the management and discontinue any employment of the employees of the Group or to dispose of or re-allocate the Group's assets which are not in the ordinary and usual course of business of the Group.

(b) Proceeds from the Subscriptions

According to the Letter from the Board, the gross proceeds from the Share Subscription and the CB Subscription are estimated to be approximately HK$94.06 million and approximately HK$160.94 million respectively. The aggregate net proceeds from the Subscriptions (after deducting related expenses) are estimated to be approximately HK$220 million. The Company intends to use net proceeds of approximately HK$160 million (i.e. approximately 72.7% of net proceeds) for distribution to the Scheme as Cash Consideration for the benefits of the Scheme Creditors, not more than HK$25 million (i.e. not more than approximately 11.4% of net proceeds) for settlement of professional fees and expenses in connection with the Proposed Restructuring and the residual of approximately HK$35 million (i.e. approximately 15.9% of net proceeds) for the working capital requirement of the Company.

The Investor is expected to settle the Subscription Consideration with its internal resources. As at the date of the Joint Announcement, the Investor has deposited the Escrowed Consideration in the amount of JPY3,520,000,000 (which is equivalent to approximately HK$211.2 million as at the date of the Subscription Agreements based on an exchange rate of JPY1 = HK$0.060) in a bank account which is currently being held in escrow for the purpose of settling the Subscription Consideration. The said deposit will be converted into Hong Kong dollars upon completion of the

Share Subscription and the Investor shall be entitled to refund of any surplus or be liable to pay the shortfall amount to make up the Subscription Consideration as a result of the currency conversion.

After adjusting for the effects of the Capital Reorganisation, the 530,800,000 Subscription Shares will represent approximately 81.79% of the issued Share capital upon completions of the Capital Reorganisation and the Share Subscription (assuming that no Convertible Bonds have been converted into CB Conversion Shares and there will be no other changes in the issued share capital of the Company from the Latest Practicable Date and up to the Completion).

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the New Shares in issue on the date of allotment and issue of the Subscription Shares.

Having considered that:

(i) the severe liquidity challenges facing by the Group and Company persisted. Prior to the entering into the Term Sheet as at 30 September 2022, the Group recorded net current liabilities and net liabilities in the amount of approximately HK$533.5 million and approximately HK$119.0 million, respectively. According to the Annual Results Announcement 2025, the Group recorded net loss of approximately HK$48.6 million for FY2025, and, as at 31 March 2025, the Group recorded net current liabilities of approximately HK$1,180.2 million and net liabilities of approximately HK$1,088.6 million. The Group's total bank and other borrowings, bonds payable and guaranteed notes amounted to approximately HK$958.2 million, out of which approximately HK$909.3 million were due for repayment or would be due for repayment within the next twelve months;

(ii) the Group likely has no sufficient financial resources to meet the indebtedness of the Creditors. The Group only had bank balances and cash of approximately HK$11.4 million and approximately HK$13.0 million as at 31 March 2025 and as at 30 September 2025, respectively;

(iii) as discussed in details under "(1) Background to the entering into the Term Sheet and the Debt Restructuring" above in this letter, the Group encountered difficulties in raising funds from the market or obtaining bank loans and thereafter it is not cost-effective nor feasible for the Group to obtain debt financing and/or carry out other forms of equity financing; and the Subscriptions are currently the only available means to the Group to fulfill its funding needs; and

(iv) the Share Subscription and the CB Subscription can reduce the Group's indebtedness serving as rescue funding from the Investor to the Group and facilitate the implementation of the Debt Restructuring by way of the Creditors' Scheme, which will discharge and release the debts and liabilities of the Company to the Creditors; and save the Group from possible insolvent liquidation. As mentioned in the Letter from the Board, Maxx Capital's petition was no longer valid as it entered into an agreement with Mr. Lam that resulted in the Assignment and a deed of mutual release with the Company to, among other matters, dismiss or discontinue all court actions against the Company. In the absence of the Debt Restructuring, should the Company fail to repay the outstanding debts within the time given by the High Court, the Company will have to repay Mr. Lam the full amount of the Assigned Debt and the abovementioned Creditors may file a new winding-up petitions against the Company that lead to greater risk that the Company would be placed into insolvent liquidation. Thereafter, the Shares are expected to be suspended from trading and the listing status of the Company is expected to be removed from the Stock Exchange,

we concur with the Directors' view that the Share Subscription and the CB Subscription are in the interest of the Company and the Shareholders as a whole.

(c) Principal terms of the Subscriptions

For the avoidance of doubt, completions of the Share Subscription and the CB Subscription are subject to the Capital Reorganisation having become effective. The Share Subscription Agreement and the CB Subscription Agreement are inter-conditional and the completions of the Share Subscription and the CB Subscription shall take place simultaneously.

The Share Subscription

The principal terms of the Share Subscription are summarised as below:

Date	:	26 January 2023
Subscriber	:	the Investor
Issuer	:	the Company
Subscription Consideration	:	HK$94,057,760
Price per Subscription Share	:	HK$0.1772

Number of Shares to be issued under the Share Subscription	:	530,800,000 Subscription Shares
The issued Share capital of the Company upon completion of the Capital Reorganisation and the Share Subscription	:	649,004,200 New Shares

For further details, please refer to the section headed "5. The Subscriptions — 5.1 The Share Subscription" in the Letter from the Board.

The CB Subscription

The principal terms of the CB Subscription are summarised as below:

Date	:	26 January 2023
Issuer	:	The Company
Subscriber	:	The Investor
Principal Amount	:	approximately HK$160.94 million
Initial CB Conversion Price	:	HK$0.1772, per CB Conversion Share, being the same as the Share Subscription Price. The CB Conversion Price shall from time to time be subject to adjustment upon occurrence of consolidation or sub-division of Shares in accordance with the provisions of the Convertible Bonds. The relevant adjustment shall be determined by the auditor. *(Note)*
Interest	:	Non-interest bearing and be freely transferable.

Maturity Date	:	The date falling on the 3rd anniversary of the date of issue of the Convertible Bonds; and if that is not a Business Day, the Business Day immediately after such date. Unless previously converted, the Convertible Bonds will be redeemed by the Company on the Maturity Date at its principal amount outstanding.
CB Conversion Shares	:	Based on the initial CB Conversion Price of HK$0.1772 per CB Conversion Share, a total of 908,251,918 CB Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, representing approximately 56.19% of sum of the enlarged Share capital upon completion of the Capital Reorganisation and the issue of the Subscription Shares, the Scheme Shares and the CB Conversion Shares upon full conversion of the Convertible Bonds.
Restrictions on conversion of the Convertible Bonds	:	The Bondholder(s) (which will be the Investor immediately upon completion of the CB Subscription, or any person(s) subject to the transfer of the Convertible Bonds, if any) shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds into ordinary New Shares if the issue of CB Conversion Shares following the exercise by the Bondholder(s) of the conversion rights attached to the Convertible Bonds would result in (i) the Company not meeting the requirement under the Listing Rules that not less than 25% (or such other percentage as may from time to time be specified in the Listing Rules) of the Shares shall be held by the public immediately after the conversion; or (ii) a mandatory general offer obligation will be triggered under the Takeovers Code.
Ranking of the CB Conversion Shares	:	The CB Conversion Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the New Shares in issue on the date of allotment and issue of the CB Conversion Shares.

Note: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the fraction:

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

where:

"A" is the nominal amount of one Share immediately after alteration; and

"B" is the nominal amount of one Share immediately before alteration.

For further details, please refer to the section headed "5. The Subscriptions — 5.3 The CB Subscription" in the Letter from the Board.

Adjustments to conversion price

In assessing the fairness and reasonableness of the adjustment terms of the Convertible Bonds with regard to the CB Conversion Price, we have compared such adjustment mechanism with the relevant adjustment mechanism of one sample selected from the CB Comparables (Whitewash and Restructuring) (as defined below), one sample selected from the CB Comparables (Whitewash) (as defined below) and one sample selected from the CB (Restructuring) (as defined below) and noted that the adjustment mechanism to the Conversion Price contains a formula for calculating Conversion Price adjustment in the event that an alternation to the nominal value of the Shares as a result of consolidation or subdivision. This formula is the same as that of the sample CB Comparables,i.e. Momentum Financial Holdings Limited (stock code: 1152), Sheng Yuan Holdings Limited (stock code: 851) and CIFI Holdings (Group) Limited (stock code: 884). Adjustment terms of the Convertible Bonds with regard to the CB Conversion Price is not uncommon upon occurrence of consolidation or sub-division.

(d) The Share Subscription Price and the CB Conversion Price

The Subscription Price, the CB Conversion Price and the Issue Price represent:

(i) a discount of approximately 65.25% to the closing price of HK$0.51 per New Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation which is equivalent to the closing price of the New Shares on the day prior to the suspension of trading of the Shares on 21 November 2024;

(ii) a discount of approximately 78.39% to the closing price of HK$0.820 per New Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(iii) a discount of approximately 77.63% to the average closing price of HK$0.792 per New Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(iv) a discount of approximately 78.02% to the average closing price of HK$0.806 per New Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(v) a discount of approximately 81.17% to the average closing price of HK$0.941 per New Share as quoted on the Stock Exchange for the last thirty trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(vi) a premium of approximately HK$9.033 per New Share over the audited consolidated net liabilities value attributable to Shareholders per Share as at 31 March 2025 of approximately HK$9.210 per New Share and adjusted for the effect of the Capital Reorganisation; and

(vii) a premium of approximately HK$9.588 per New Share over the unaudited consolidated net liabilities value attributable to Shareholders per Share as at 30 September 2023 of approximately HK$9.765 per New Share and adjusted for the effect of the Capital Reorganisation.

Evaluation of the Share Subscription Price

For the purpose of providing the Independent Shareholders with a general reference for companies listed on the main board of the Stock Exchange engaged in similar transaction as those of the Proposed Restructuring, we identified subscription of new shares under specific mandate relating to creditors' scheme or debt restructuring and involving whitewash waiver application which were (i) announced during the period between 1 April 2022 and the Latest Practicable Date by companies currently listed in Hong Kong, being a period of approximately 48 months; and (ii) completed as at the Latest Practicable Date. As only three comparable transactions (i.e. that of Fullsun International Holdings Group Co., Limited (stock code: 627), China Bozza Development Holdings Limited (stock code: 1069) and IDT International Limited (stock code: 167)) were identified, we extended our review period to approximately 60 months from 1 April 2021 to the Latest Practicable Date (the "**Review Period**"), to cover more comparable transactions.

We have identified an exhaustive list of six transactions which met the aforesaid criteria (the "**Comparable Transactions**"). We note that the restructuring proposal of the Comparable Transactions, the structure and terms thereof, including but not limited to, (i) business size, financial performance and financial position; (ii) the subscription price and amount and the use of proceeds; and (iii) the background of the transaction, are different from the Company. Nevertheless, we consider that the Comparable Transactions approved by the independent shareholders of the respective companies (the "**Share Subscription Comparables**") can provide a general reference to the Independent Shareholders in respect of the range of discount of subscription price to closing price on the last trading day prior to the date of the respective restructuring agreements.

Company name (stock code)	Date of announcement	Principal business as at the date of announcement	Discount of the issue price to closing price per share on the last trading day prior to the date of agreement	Discount of the issue price to average closing price per share for the last five trading days up to and including the last trading day prior to the date of agreement	Discount of the issue price to average closing price per share for the last ten trading days up to and including the last trading day prior to the date of agreement	Discount of the issued price to the latest published net assets value prior to the date of agreement	Maximum dilution of the public shareholders under restructuring proposal *(Note 1)*
			Approximate %	*Approximate %*	*Approximate %*	*Approximate %*	*Approximate %*
IDT International Limited (167)	1 November 2024	principally engaged in the design, development, manufacturing and sales of electronic products and smart wearable devices	(44.40)	(46.80)	(47.10)	N/A *(Note 4)*	(89.92)
China Bozza Development Holdings Limited (1069) *(Note 2)*	30 December 2022	principally engaged in forestry management, ginseng-related business and investment holding	(87.12)	(87.62)	(87.73)	(89.61)	(84.60)
Fullsun International Holdings Group Co., Limited (627) *(Note 3)*	13 September 2022	principally engaged in the development and sale of residential and commercial properties in the PRC including Hong Kong	(93.60)	(92.40)	(92.40)	25.9	(2.08)

Company name (stock code)	Date of announcement	Principal business as at the date of announcement	Discount of the issue price to closing price per share on the last trading day prior to the date of agreement	Discount of the issue price to average closing price per share for the last five trading days up to and including the last trading day prior to the date of agreement	Discount of the issue price to average closing price per share for the last ten trading days up to and including the last trading day prior to the date of agreement	Discount of the issued price to the latest published net assets value prior to the date of agreement	Maximum dilution of the public shareholders under restructuring proposal *(Note 1)*
			Approximate %	*Approximate %*	*Approximate %*	*Approximate %*	*Approximate %*
China Wood International Holding Co., Limited (1822)	10 March 2022	principally engaged in (i) sale and distribution of furniture wood, manufacturing and sales of antique style wood furniture and imported timber flooring processing businesses; and (ii) car rental business in the PRC	(32.30)	(29.50)	(31.30)	N/A *(Note 4)*	(86.84)
C&D Newin Paper & Pulp Corporation Limited (731) (formerly known as Samson Paper Holdings Limited)	22 November 2021	principally engaged in (i) paper manufacturing business; (ii) paper trading business including sale of paper and cardboard, office suppliers and consumables and supplies for paper manufacturing; (iii) FMCG business; (iv) PID business; and (v) other businesses including trading of consumable aeronautic parts and the provision of related services, and provision of logistic services and marine services	(96.68)	(96.61)	(96.71)	(99.34)	(91.93)
National United Resources Holdings Limited (254)	24 June 2021	principally engaged in bus transportation services, passenger operation and car rental services	(92.30)	(92.80)	(92.90)	N/A *(Note 4)*	(79.20)
Median			(89.71)	(90.01)	(90.07)	(89.61)	(88.38)
Average			(74.40)	(74.29)	(74.69)	(54.35)	(87.43)
Maximum			(96.68)	(96.61)	(96.71)	25.90	(92.08)

Company name (stock code)	Date of announcement	Principal business as at the date of announcement	Discount of the issue price to closing price per share on the last trading day prior to the date of agreement	Discount of the issue price to average closing price per share for the last five trading days up to and including the last trading day prior to the date of agreement	Discount of the issue price to average closing price per share for the last ten trading days up to and including the last trading day prior to the date of agreement	Discount of the issued price to the latest published net assets value prior to the date of agreement	Maximum dilution of the public shareholders under restructuring proposal *(Note 1)*
			Approximate %	*Approximate %*	*Approximate %*	*Approximate %*	*Approximate %*
Minimum			(32.30)	(29.50)	(31.30)	(99.34)	(79.20)
The Company			(78.39)	(77.63)	(78.02)	N/A *(Note 4)*	(88.05)

Notes:

1. Maximum dilution of the public shareholders of the Company is calculated on the basis of completion of the Subscriptions, the issue of the Scheme Shares and conversion of all Convertible Bonds.

2. Name of the company has been changed to "China Health Technology Group Holding Company Limited" with effect from 27 November 2023.

3. Name of the company has been changed to "Japan Kyosei Group Company Limited" with effect from 23 January 2024.

4. Relevant company recorded net liabilities in the latest published financial information prior to the date of agreement.

As shown in the above table, the discount of the subscription prices of the Comparable Transactions to closing prices of the shares of the Share Subscription Comparables on the last trading day prior to the date of the relevant restructuring agreements ranged from approximately 32.3% to approximately 96.7%, with a median of approximately 89.7% and an average of approximately 74.4%.

We consider that a heavily discounted Share Subscription Price under current circumstances is inevitable in view of:

(i) factors set out in the paragraphs under the section headed "(1) Background to the entering into the Term Sheet and the Debt Restructuring — The Proposed Restructuring" above in this letter including:

   (a) as at the close of business on 28 February 2026, the Group's indebtedness amounted to approximately HK$1,498.1 million;

   (b) the Group is in financial difficulties given its heavy indebtedness and loss making business operations;

   (c) the Group experienced difficulties in seeking external financial resources to sustain its operation environment and expenses; and based on previous failure experiences in obtaining new funding through debt and its current financial position, interest rate/finance cost of funding from banks or debt financing (if available) may be significantly higher than the market level;

   (d) the Proposed Restructuring is the only viable restructuring proposal currently available to the Company; and

(ii) the completion of the Creditors' Scheme is conditional upon the completion of the Subscriptions having taken place. A deep discounted Share Subscription Price is necessary to incentivise investor participation and facilitate the completion of the Creditors Scheme. The discount of the Share Subscription Price to closing price on the last trading day prior to the date of the Share Subscription Agreement of approximately 78.4% falls within the range of discounts of the Comparable Transactions and is below the median discount of the Comparable Transactions.

On the basis that:

(i) the Group is facing heavy indebtedness owed to the Creditors, insolvent financial position and liquidity challenges such that deep discount of the Share Subscription Price to the closing price per Share is inevitable to increase attractiveness of the Subscriptions to the Investor;

(ii) it is anticipated that Subscriptions will be able to provide additional working capital for the Group and facilitate the Creditors' Scheme, discharge and release the debts and liabilities of the Company owed to the Creditors, which would constitute approximately 96.33% of the total indebtedness of the Company as at 31 January 2026 upon the effective of the Creditors' Scheme as mentioned in the Letter from the Board, and improve its financial position upon Completion. As a result, certain uncertainties on the

Directors' plans and measures to improve the Group's liquidity and financial position to be raised by auditors in the Annual Results Announcement 2025 and discussed in the "Disclaimer of opinion" under the section headed "(2) Information on the Group" above in this letter can be addressed; and

(iii) the discount of the Share Subscription Price to the closing price per Share is below the median discount of the issue price to the closing price per share on the last trading day of the Share Subscription Comparables. Independent Shareholders should note that the industry, business size, financial performance and financial position of the Company are different from the subject companies of the Share Subscription Comparables. However, the Share Subscription Comparables can demonstrate the recent market practices of subscription of new shares under specific mandate relating to creditors' scheme or debt restructuring and involving whitewash waiver application conducted by companies listed on the main board of the Stock Exchange and thus they are fair and representative for our analysis,

we consider that the Share Subscription Price is fair and reasonable.

Taking into consideration that the dilution of the existing public Shareholders' interests in the Company after completion of the Capital Reorganisation and the issue of the Subscription Shares and the Scheme Shares is acceptable as set out in "(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares" below in this letter, we consider that terms of the Share Subscription Agreement are fair and reasonable.

Evaluation of the CB Conversion Price

We note that none of the Comparable Transactions involved proposed issuance of convertible bonds/notes.; and no direct comparables during the Review Period can be identified for the CB Subscription (i.e. companies listed on the main board of the Stock Exchange, which announced proposed issuance of convertible bonds/notes, whitewash waiver application and proposed restructuring at the same time (the "**CB Comparables (Whitewash and Restructuring)**"); and completed as at the Latest Practicable Date), except Momentum Financial Holdings Limited (stock code: 1152). In order to provide a more comprehensive and sufficient samples for assessing the CB Conversion Price, we compared the CB Conversion Price with companies currently listed on the main board of the Stock Exchange issued convertible bonds/shares with whitewash waiver application element or proposed restructuring element; and completed as at the Latest Practicable Date, in addition to Momentum Financial Holdings Limited (stock code: 1152). We identified an exhaustive list of (i) five transactions announced during the Review Period which involved both the whitewash waiver application; and the issuance of convertible bonds/conversion shares (the "**CB Comparables (Whitewash)**"); and (ii) 11 transactions announced during the Review Period which involved both the proposed restructuring; and the issuance of convertible bonds (the "**CB Comparables (Restructuring)**"). By analyzing three sets of comparables (being CB Comparables (Whitewash and Restructuring), CB Comparables (Whitewash) and CB Comparables (Restructuring)) together, our assessment incorporated a broader and more sufficient sample size, thereby enhancing the reliability of the analysis and provide Independent Shareholders with a fair and balanced comparison to evaluate the CB Conversion Price. The CB Comparables (Whitewash) are comparable as they required the grant of whitewash waiver from the SFC; and the CB Comparables (Restructuring) are comparable as they involved convertible bond issuances in the context of corporate restructuring, reflecting the distressed financial position and restructuring needs of the relevant companies.

CB Comparables (Whitewash and Restructuring)

Company name	Date of announcement	Size of convertible bonds/ conversion shares *(million)*	Duration *(years)*	Interest rate per annum *(%)*	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day *approximately %*	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day *approximately %*
Momentum Financial Holdings Limited (1152)	8 January 2025	HK$91.53	2.00	3.00	(73.33)	(71.26)

CB Comparables (Whitewash)

Company name	Date of announcement	Duration *(years)*	Interest rate per annum *(%)*	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day *approximately %*	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day *approximately %*
True Partner Capital Holding Limited (8657)	4 February 2026	2	3%	(77.78)	(76.47)
China Greenland Broad Greenstate Group Company Limited (1253)	27 September 2023	<0.5	N/A	(16.67)	(6.54)
Beijing Gas Blue Sky Holdings Limited (6828)	26 September 2022	3	Hong Kong Interbank Offered Rate (HKBOR) plus 1.8% per annum	12.38	5.92
Synergy Group Holdings International Limited (1539)	15 September 2021	< 0.5	N/A	(81.48)	(78.63)
Sheng Yuan Holdings Limited (851)	1 April 2021	2.00	1.00	0	1.33

CB Comparables (Restructuring)

Company name	Date of announcement		Duration *(years)*	Interest rate per annum *(%)*	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day *approximately %*	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day *approximately %*
Country Garden Holdings Company Limited (2007)	14 November 2025	convertible bond (A)	6.5	nil	504.65 *(Note 1)*	528.02 *(Note 1)*
		convertible bond (B)	9.5	nil	2,225.58 *(Note 1)*	2,315.46 *(Note 1)*
		convertible bond (C)	6.5	nil	147.19 *(Note 1)*	147.75 *(Note 1)*
CIFI Holdings (Group) Limited (884)	16 October 2025		4.00	nil	392.3 *(Note 2)*	517.2 *(Note 2)*
Sunac China Holdings Limited (1918)	18 August 2025	convertible bond 1	0.5	nil	341.56 *(Note 3)*	352.13 *(Note 3)*
		convertible bond 2	> 2.5	nil	150 *(Note 3)*	155.98 *(Note 3)*
Times China Holdings Limited (1233)	7 July 2025	convertible bond 1	1.5	nil	31.2 times *(Note 4)*	31.2 times *(Note 4)*
		convertible bond 2	1.5	nil	52 times *(Note 4)*	52 times *(Note 4)*

Company name	Date of announcement		Duration	Interest rate per annum	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day
			(years)	*(%)*	*approximately %*	*approximately %*
China Carbon Neutral Development Group Limited (1372)	30 May 2025		2.00	5.00	(83.53)	(80.14)
Guangdong-Hong Kong Greater Bay Area Holdings Limited (1396)	25 April 2025		1.00	nil	90.31	156.05
Shimao Group Holdings Limited (813)	13 December 2024	convertible bonds to creditors	1.00	nil	404.20	368.70
		convertible bonds to controlling shareholder	1.00	nil	404.20	368.70
Kaisa Group Holdings Ltd. (1638)	29 November 2024	Tranche A, Tranche B and Tranche C of the connectable bonds	from approx. 1.00 to 3.00	nil	2,481.50 *(Note 5)*	2,413.2 *(Note 5)*

Company name	Date of announcement		Duration *(years)*	Interest rate per annum *(%)*	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day *approximately %*	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day *approximately %*
		Tranche D, Tranche E, Tranche F, Tranche G and Tranche H of the convertible bonds	from appox. 4.00 to 8.00	nil	2,101.1 *(Note 5)*	2,042.9 *(Note 5)*
Sino-Ocean Group Holding Limited (3377)	29 October 2024	class A convertible bonds	2.00	nil	356.00 *(Note 6)*	383.00 *(Note 6)*
		class B convertible bonds	2.00	nil	1,672 *(Note 6)*	1,777 *(Note 6)*
		class C convertible bonds	2.00	nil	5,219 *(Note 6)*	5,536 *(Note 6)*
		class D convertible bonds	2.00	nil	3,381 *(Note 6)*	3,589 *(Note 6)*
Sunac China Holdings Limited (1918) *(Note 7)*	13 June 2023	(i)	5.00	nil	(12.66) *(Note 8)*	(14.89) *(Note 8)*
		(ii)	9.00	1.00	336.68 *(Note 9)*	325.53 *(Note 9)*

Company name	Date of announcement	Duration	Interest rate per annum	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day
		(years)	*(%)*	*approximately %*	*approximately %*
Rare Earth Magnesium Technology Group Holdings Limited (601)	18 January 2022	5.00	nil	0	1.69
The Company		**3.00**	**nil**	**(78.39)**	**(77.63)**

Notes:

1. Premium over the minimum conversion price of HK$2.60 per share, HK$10.00 per share and HK$1.10 per share for convertible bond (A), convertible bond (B) and convertible bond (C) respectively.

2. The initial conversion ordinary conversion price is HK$1.6 per share. If at any time after the restructuring effective date, the volume-weighted average price of the shares for 90 trading days exceeds the trigger conversion price of HK$5.0 per share, all convertible bonds that remains outstanding shall be automatically and mandatory converted into shares at the trigger conversion price.

3. Premium over the initial conversion price of HK$6.80 per share for convertible bond 1; and premium over the initial conversion price of HK$3.85 per share for convertible bond 2.

4. Premium over the conversion price of HK$6.00 per share for convertible bond 1; and premium over the conversion price of HK$10.00 per share for convertible bond 2.

5. Principal amount in aggregate of tranche A, tranche B, tranche C, tranche D, tranche E, tranche F, tranche G and tranche H based on the maximum number of conversion shares to be allotted and issued under the convertible bonds will be US$6,892,219,129.

6. Premium over the minimum conversion price of HK$1.46 per share, HK$5.67 per share, HK$17.02 per share and HK$11.14 per share for class A, class B, class C and class D convertible bonds respectively.

7. This Comparable Transaction contained (i) CB in principal amount of US$1,000 million with term of 9 years and interest at 1% per annum; and (ii) MCB in aggregate principal amount selected by scheme creditors subject to cap of US$1,750 million with term of 5 years and no interest bearing.

8. This is calculated based on the assumption of initial MCB Minimum Conversion Price (as defined in the relevant circular dated 13 June 2023) of HK$4 per share. Please refer to the relevant circular for details.

9. This is calculated based on the initial CB Conversion Price of HK$20 per share. Please refer to the relevant circular for details.

We noted that the CB Conversion Price is the same as the Share Subscription Price, which represents (i) the discount of approximately 78.39% to the closing price of HK$0.820 per New Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and (ii) the discount of approximately 77.63% to the average closing price of HK$0.792 per New Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation. The abovementioned discounts are relatively deep as compared with the premium/discount of the CB Comparables (Whitewash and Restructuring), the CB Comparables (Whitewash) (except Synergy Group Holdings International Limited) and the CB Comparables (Restructuring) (except China Carbon Neutral Development Group Limited).

We consider that the relatively deep discount of the CB Conversion Price to the closing price of the Shares as compared with the CB Comparables (Whitewash and Restructuring), the CB Comparables (Whitewash) and the CB Comparables (Restructuring) (together, the "**CB Comparables**") is inevitable in view of, in particular, substantial shareholding interest will be obtained by the Investor after the Completion and assuming all Convertible Bonds are converted, representing up to 89.04% of the issued Shares. This is higher than the maximum shareholding that would be obtained by the incoming shareholder(s) of Shimao Group Holdings Limited after full conversion of the convertible bonds. Among the CB Comparables (Whitewash and Restructuring) and the CB Comparables (Restructuring), incoming shareholders of Shimao Group Holdings Limited obtained the highest shareholding interests of approximately 81.3% upon full conversion of the convertible bonds or approximately 79.3% upon full conversion of both the convertible bonds and controlling shareholder convertible bonds. Given the Group suffered losses for consecutive years and recorded net liabilities position, a relatively deep discount to the CB Conversion Price is reasonable to encourage the Investor to hold higher percentage of shareholding stake in the Company.

As for the five CB Comparables (Whitewash), one of them (i.e. Synergy Group Holdings International Limited) had deeper discount than the discount of the CB Conversion Price to the closing price of the Shares. The other four (i.e. not counting Synergy Group Holdings International Limited) do not involve introduction of new shareholder(s) but would increase shareholding interests of the existing shareholder(s) after full conversion of the convertible bonds. Deeper discount is reasonable to attract new investor(s) for participation in business development of a company in financial difficulties.

Also, taking into consideration that (i) the term to maturity is within respective ranges of the CB Comparables (excluding the extreme cases of China Greenland Broad Greenstate Group Limited and Synergy Group Holdings International Limited which had term to maturity of less than half year); (ii) the Conversion Price adjustment mechanism contains a formula for calculating Conversion Price adjustment in the event that an alternation to the nominal value of the Shares as a result of consolidation or subdivision. This formula is the same as that of certain CB Comparables having disclosed conversion price adjustment mechanism in their respective circulars as discussed in "(5) The Share Subscription and the CB Subscription — (c) Principal terms of the Subscriptions — Adjustment to conversion price" above in this letter; (iii) the Convertible Bonds are non-interest bearing and this is favourable to the Company; and (iv) the dilution of the existing public Shareholders' interests in the Company after completion of the Capital Reorganisation and the issue of the Subscription Shares and the Scheme Shares is not unreasonable as set out in "(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares" below in this letter, we consider that terms of the CB Subscription Agreement (including the CB Conversion Price) are fair and reasonable.

(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares

As illustrated in the table under the section headed "8. Effect on the shareholding structures of the Company" in the Letter from the Board (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation having become effective; (iii) after the completion of the Subscriptions and assuming no Convertible Bonds are converted; (iv) after the completion of the Subscriptions and the issue of the Scheme Shares and assuming no Convertible Bonds are converted; and (v) after the Completion and assuming all Convertible Bonds are converted (for illustrative purposes only):

Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation having become effective		After the completion of the Subscriptions and assuming no Convertible Bonds are converted		After the completion of the Subscriptions and the issue of the Scheme Shares and assuming no Convertible Bonds are converted *(Note 9)*		After the Completion and assuming all Convertible Bonds are converted	
	Existing Shares	*%*	*New Shares*	*%*	*New Shares*	*%*	*New Shares*	*%*	*New Shares*	*%*
The Investor and its concert parties *(Note 1)*										
The Investor	—	—	—	—	530,800,000	81.79	530,800,000	74.97	1,439,051,918	89.04
Bright Rise and its concert parties										
Bright Rise Enterprises Limited *(Note 2)*	134,538,000	11.38	13,453,800	11.38	—	—	—	—	—	—
Fortress Strength Limited *(Note 3)*	28,735,000	2.43	2,873,500	2.43	—	—	—	—	—	—
Bonville Glory Limited *(Note 4)*	12,900,000	1.09	1,290,000	1.09	1,290,000	0.20	1,290,000	0.18	1,290,000	0.08
East Jumbo Development Limited *(Note 5)*	12,329,000	1.04	1,232,900	1.04	1,232,900	0.19	1,232,900	0.17	1,232,900	0.08
Mr. Shinichiro Ikeda *(Note 6)*	12,000,000	1.02	1,200,000	1.02	1,200,000	0.18	1,200,000	0.17	1,200,000	0.07
Dragon Year Group Limited *(Note 6)*	49,497,000	4.19	4,949,700	4.19	4,949,700	0.76	4,949,700	0.70	4,949,700	0.31
Sub-total	249,999,000	21.15	24,999,900	21.15	24,999,900	3.85	24,999,900	3.53	24,999,900	1.55
Public Shareholders										
The SchemeCo	—	—	—	—	—	—	59,000,000	8.33	59,000,000	3.65
Other public Shareholders	932,043,000	78.85	93,204,300	78.85	109,531,600	16.88	109,531,600	15.47	109,531,600	6.78
Public float *(Note 7)*	932,043,000	78.85	93,204,300	78.85	109,531,600	16.88	168,531,600	23.86	168,531,600	10.43
Total	1,182,042,000	100	118,204,200	100	649,004,200	100	708,004,200	100	1,616,256,118	100

Notes:

1. The figures are provided for illustrative purposes only. The terms of the Convertible Bonds will not permit conversion if immediately after such conversion, the public float of the Shares will fall below the minimum requirements of the Listing Rules from time to time.

   As at the Latest Practicable Date, none of the parties acting in concert with the Investor has any interest in the Shares, nor will have any interest in the Company under the arrangement of the Proposed Restructuring.

2. Bright Rise Enterprises Limited is a company incorporated in the British Virgin Islands directly wholly-owned by Mr. Chong Heung Chung Jason, the chairman of the Board and an executive Director of the Company as at the Latest Practicable Date. Mr. Chong Heung Chung Jason is expected to remain as the Director and a connected person of the Company upon Completion. As at the Latest Practicable Date, all the Shares held by Bright Rise

Enterprises Limited and Mr. Chong Heung Chung Jason have been pledged to lenders who are Independent Third Parties to secure the borrowings of the Company, Bright Rise Enterprises Limited and Mr. Chong Heung Chung Jason. The Investor and the Directors will ensure the continuous compliance by the Company with the 25% minimum public float requirement under Rule 8.08(1) of the Listing Rules before and after the Completion. Appropriate actions will be taken, including but not limited to, placing down of the Shares by the Investor to placee(s) who are Independent Third Parties not connected to the Company.

3. Ms. Lee Sui Fong Fiona, being the spouse of Mr. Chong Heung Chung Jason, is the sole beneficial owner of all issued shares of Fortress Strength Limited.

4. Mr. Ting Ka Fai Jeffrey is the sole beneficial owner of all issued shares of Bonville Glory Limited which is the registered and beneficial owner of 12,900,000 Shares.

5. Ms. Or Den Fung Bonnie is the sole beneficial owner of all issued shares of East Jumbo Development Limited which is the registered and beneficial owner of 12,329,000 Shares.

6. Mr. Shinichiro IKEDA has personal interest in the Company of 12,000,000 Shares and is the sole beneficial owner of all issued shares of Dragon Year Group Limited which is the registered and beneficial owner of 49,497,000 Shares.

7. With reference to the Company's announcement dated 25 September 2023, as a result of the termination deed dated 25 September 2023, the Shares that are holding by each of Bonville Glory Limited, East Jumbo Development Limited, Mr. Shinichiro Ikeda and Dragon Year Group Limited, with a total of (i) 86,726,000 Shares, representing approximately 7.34% of the issue share capital as at the Latest Practicable Date; and (ii) 8,672,600 New Shares, representing approximately 1.22% of the issued share capital after the completion of the Subscriptions and the issue of the Scheme Shares with no Convertible Bonds are converted, shall be counted into public float of the Company.

8. The aggregate public float for each of the scenarios but without taking into account the Shares, that are holding by the parties mentioned in note 7 above as illustrated in the table above.

9. Pursuant to the undertaking of the Company dated 10 April 2026, the Company shall not issue the Subscription Shares to the Investor at the time of Completion if the Company does not satisfy with the public float requirement under the Listing Rules.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more (on its own or when aggregated within a 12-month period), unless the Stock Exchange is satisfied that there are exceptional circumstances. We noted from the Letter from the Board, as at the Latest Practicable Date that the Stock Exchange has concluded that the Company has demonstrated that there are exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules.

We concur with the Directors that it is fair and reasonable to issue the Subscription Shares, the Scheme Shares, and the CB Conversion Shares that will result in a theoretical dilution effect of approximately 72.66% in light of:

(i) the Company's net loss and net liabilities position as well as high gearing ratio;

(ii) its failures in seeking new funds from equity market or bank borrowings to enhance financial position;

(iii) chance of being placed into insolvent liquidation whereby the Company may be suspended from trading and the listing status of the Company is expected to be removed from the Stock Exchange;

(iv) the Subscriptions and the issue of the Scheme Shares will provide an opportunity for the Group to discharge all the debts and liabilities of the Company owed to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the Execution of the Deed of Mutual Release" in the Letter from the Board);

(v) auditors' disclaimer of opinion included in the Annual Results Announcement 2025. It is expected that issue of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares can address auditors' certain uncertainties on the Directors' plans and measures, such as the debt restructuring of the Group's bonds payables and amounts owed to the creditors of the Group will be successfully completed; and the statutory demands will be successfully dismissed; and

(vi) the Group is unable to identify other funding alternatives and it is practically difficult to issue Subscription Shares and the Scheme Shares without a substantial discount given the financial position of the Group.

Rule 7.27B of the Listing Rules stipulated company in financial difficulties and the proposed issue forms part of the rescue proposal as an example of exceptional circumstances. Therefore, we consider that the Company's distressed financial position, inability to raise funds and imminent risk of liquidation and delisting under (i), (ii) and (iii) mentioned in the paragraph above and the Subscriptions and the issue of the Scheme Shares forms part of the rescue proposal, constitute exceptional circumstances under Rule 7.27B of the Listing Rules.

(7) Financial effect of the Subscriptions and the Debt Restructuring by way of the Creditors' Scheme

Net assets/(liabilities) and gearing

According to the interim results for 6M/2025 provided by the Company, the Group had net liabilities of approximately HK$1,154.2 million as at 30 September 2025. The gearing ratio of the Group, which was calculated as bank and other borrowings, lease liabilities, guaranteed note and bonds, divided by total assets, was approximately 260.9% as at 30 September 2025. The allotment and issue of the Subscription Shares and the Scheme Shares to settle the indebtedness due to the Creditors under the Creditors' Scheme would reduce the liabilities of the Company.

The Convertible Bonds, when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which will be subject to assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards.

Assuming the asset position of the Group has no material change as compared to the asset position of the Group as at 30 September 2025, according to "Appendix II — Unaudited Pro forma financial information of the Group", upon the Completion, the liabilities of the Group are expected to reduce from approximately HK$1,567.3 million to approximately HK$543.9 million as at 30 September 2025; and the gearing ratio of the Group is expected to reduce from approximately 260.9% to approximately 76.3% as at 30 September 2025 on pro forma basis as referred in Appendix II of the Circular, leading to an improvement to the financial position of the Group.

Working capital

As the indebtedness due to the Creditors would be mainly settled by the proceeds from the Subscriptions and the Scheme Shares, substantial future cash outflow from the Group would be avoided in repaying the claims in cash. Following the Completion, the indebtedness due to the Creditors would be settled and the liabilities of the Group is expected to decrease, which would improve the working capital of the Group. It is also mentioned in the Letter from the Board that of aggregate net proceeds from the Subscriptions of approximately HK$220 million, approximately HK$35 million will be utilised as working capital of the Company.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial performance and the financial position of the Group will be upon the Completion.

(8) The Whitewash Waiver

As mentioned in the Letter from the Board, as at the Latest Practicable Date, the Investor, its beneficial owner and parties acting in concert with any of them are not interested in any Shares. Immediately after the Capital Reorganisation becoming effective and immediately after the completion of the Share Subscription, the Investor will be interested in 530,800,000 New Shares, representing approximately 81.79% of the issued Share capital upon the Capital Reorganisation and as enlarged by the Subscription Shares (assuming that there will be no change in the issued Share capital from the Latest Practicable Date and up to completion of the Share Subscription other than as a result of the Capital Reorganisation and the issue of the Subscription Shares). As such, the Investor would be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Investor and the parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

In this regard, the Investor has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes (excluding those Shareholders who are interested in or involved in the Whitewash Waiver and the Special Deals) that are cast either in person or by proxy by the Independent Shareholders at the EGM by way of poll, and each of the Share Subscription, the CB Subscription, the Creditors' Scheme and the transactions contemplated thereunder would be subject to the approval by more than 50% of the Independent Shareholders in separate resolutions at the EGM by way of poll. As it is a condition precedent to Completion that the Whitewash Waiver is granted by the Executive, the Debt Restructuring, the Share Subscription, the CB Subscription and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is granted but subsequently invalidated by the Executive or not approved by the Independent Shareholders at the EGM.

Completion of the Share Subscription is conditional upon the Whitewash Waiver having been granted by the SFC and relevant resolution(s) having been duly passed by the Independent Shareholders. The Share Subscription Agreement and the CB Subscription Agreement are inter-conditional and the completions of the Share Subscription and the CB Subscription shall take place simultaneously.

Having considered that:

(i) the Share Subscription and the CB Subscription are in the interests of the Company and the Shareholders as a whole. The Group is facing severe financial distress, including persistent losses, substantial net liabilities, heavy indebtedness and significant borrowings due for repayment. With limited cash resources and unsuccessful attempts to raise funds through the equity market or bank borrowings, the Share Subscription and CB Subscription represent the viable means of securing rescue financing. These measures will provide additional working capital, reduce indebtedness through the Creditors' Scheme and relieve the Company from its obligations to the Creditors, thereby safeguarding it from possible insolvent liquidation;

(ii) the introduction of the Investor as a new controlling shareholder of the Company who has industry knowledge and experience in theme parks management; and financial strength as described in the paragraphs headed "(5) The Share Subscription and the CB Subscription — (a) Background of the Investor" above in this letter, will bring synergies to the business development of the Group; and

(iii) dilution effect of the Subscriptions is not unreasonable as set out in "(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares" above in this letter,

we are of the view that the grant of the Whitewash Waiver is in the interests of the Company and the Independent Shareholders as a whole, and is fair and reasonable as far as the Independent Shareholders are concerned.

(9) The Scheme's Special Deals

As mentioned in the Letter from the Board, based on the records currently available to the Company, Shareholders who are also eligible to be Scheme Creditors under the Scheme Document are China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping. Please refer to "Introduction — The Scheme's Special Deals" above in this letter for their respective shareholding in the Company as at the Latest Practicable Date. As at the Latest Practicable Date, save for Mr. Lam, there is no other Shareholders who are also the creditors of the Company having a Claim and have been considered not eligible as the Creditors.

As advised by the Company, as at the Latest Practicable Date, save for China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping, none of the Creditors and their ultimate beneficial owners are Shareholders.

As the proposed settlement of the indebtedness due to the Creditors who are Shareholders under the Creditors' Scheme is not extended to all the other Shareholders, the implementation of the Creditors' Scheme constitutes the Special Deals under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Creditors Scheme are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which the Creditors and their associates and parties acting in concert with any of them and those who are interested in or involved in the Scheme's Special Deals will abstain from voting on the relevant resolutions. An application will be made by the Company to the Executive for the consent to the Scheme's Special Deals under Rule 25 of the Takeovers Code.

Given that (i) upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance; (ii) the settlement to the Creditors under the Creditors' Scheme will be made in accordance with the terms of the Creditors' Scheme which apply equally to all Creditors; (iii) terms of the Debt Restructuring by way of the Creditors' Scheme are fair and reasonable and is in the interests of the Company and the Shareholders as a whole as discussed in the paragraphs headed "(4) The Debt Restructuring by way of the Creditors' Scheme" above in this letter; and (iv) the Share Subscription and the CB Subscription are in the interests of the Company and Shareholders as a whole as elaborated in the paragraphs under the section headed "(5) The Share Subscription and the CB Subscription" and the section headed "(8) The Whitewash Waiver" above in this letter. The approval of the Scheme's Special Deals is one of the conditions precedent for the Share Subscription and the CB Subscription, we consider that the terms of the Scheme's Special Deals are fair and reasonable, the issue of Scheme Shares to Creditors who are Shareholders under the Creditors' Scheme are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and the issue of Scheme Shares to Creditors who are Shareholders under the Creditors' Scheme is in the interests of the Company and the Shareholders as a whole.

(10) Mr. Lam's Special Deal

As mentioned in the Letter from the Board, the Company and Mr. Lam entered into the Deed of Settlement on 9 September 2024 for the purpose of, among other matters, settle the Assigned Debt (which amounted to approximately HK$39.17 million as at 30 June 2024) and as advised by the Management Company of the Company, such amount arrived to approximately HK$55.4 million as at 31 January 2026. Pursuant to the Deed of Settlement, the Company has agreed to pay Mr. Lam, Mr. Lam's Settlement Sum, being an amount equivalent to the Assigned Debt multiplied by the rate of recovery to the Creditors, on a date within a reasonable period after the Scheme Administrator completing the distribution of the assets of the Creditors' Scheme after it taking effect. In exchange, Mr. Lam will fully discharge the Assigned Debt and to not take any legal action against the Company or other relevant persons and companies arising out of or in connection with the Assigned Debt.

In the event of any non-compliance by the Company to settle Mr. Lam's Settlement Sum, Mr. Lam shall be entitled to seek immediate recovery of Mr. Lam's Settlement Sum from the Company. As mentioned in the Letter from the Board, it is intended to settle Mr. Lam's Settlement Sum with its internal resources generated from its operations. As advised by the management of the Group, the rate of recovery to the Creditors as at 31 January 2026 is estimated to be around 30.15% and the recovery amount of the Assigned Debt as at 31 January 2026 is estimated to be around HK$16.6 million, being the Mr. Lam's Settlement Sum expected. Based on (i) the Company's estimation on the recovery amount of Assigned Debt as at 31 January 2026; (ii) the management accounts for the eleven months ended 28 February 2026, being the most recent consolidated accounts available by the Company, that bank balances and cash of the Group amounted to HK$17.4 million as at 28 February 2026, which will be sufficient to settle Mr. Lam's Settlement Sum; (iii) the financial situation of the Group has shown stability. Revenue of the Group increased slightly from approximately HK$364.0 million for FY2024 to approximately HK$367.9 million for FY2025 where net loss of the Group narrowed from approximately HK$170.3 million for FY2024 to approximately HK$40.9 million for FY2025. Despite revenue decreased from approximately HK$192.6 million for 6M/2024 to approximately HK$164.9 million for 6M/2025; and the Group turned from a net profit of approximately HK$3.3 million for 6M/2024 to a net loss of approximately HK$65.9 million for 6M/2025, the Group maintained bank balances and cash at approximately HK$13.0 million as at 30 September 2025, which further increased to approximately HK$17.4 million as at 28 February 2026 according to the management accounts for the eleven months ended 28 February 2026; and (iv) the Group's business operation will be supported by the working capital of approximately HK$35 million raised from the Subscriptions, we are of the view that the Group is expected to have sufficient internal resources to settle Mr. Lam's Settlement Sum.

Since Mr. Lam is the ultimate beneficial owner of the Assigned Shares, representing approximately 1.69% of the issued share capital of the Company as at the Latest Practicable Date, and the proposed settlement under the Deed of Settlement to Mr. Lam is not extended to all the other Shareholders, it constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code and requires (i) consent by the Executive; (ii) an independent financial adviser to public state in its opinion that the terms of the Deed of Settlement are fair and reasonable; and (iii) approval by Independent Shareholders at the EGM, in which Mr. Lam and parties acting in concert with him and those who are interested in or involved in Mr. Lam's Special Deal, will abstain from voting on the relevant resolutions.

Having taken into consideration of the following factors:

(i) pursuant to the Deed of Settlement, Mr. Lam will fully discharge the Assigned Debt and not to take any legal action against the Company or other relevant persons and companies arising out of or in connection with the Assigned Debt in exchange of the Company to settle Mr. Lam's Settlement Sum;

(ii) repayment of Mr. Lam's Settlement Sum by the Company will not prejudice interests of its creditors under the Creditors' Scheme. Scheme Assets will be for the benefits of the Scheme Creditors, which comprise Cash Consideration from the Subscriptions, Scheme Shares and Scheme Receivables. Scheme Assets will not be applied to settle Mr. Lam's Settlement Sum. The Company intends to settle Mr. Lam's Settlement Sum with its internal resources generated from operations. Moreover, the arrangement under the Deed of Settlement is not more favorable than the settlement proposed under the Creditors' Scheme. Mr. Lam's Settlement Sum will not be paid by the Company before the distribution of the assets of the Creditors' Scheme; and the recovery rate will be the same as to the Creditors. Mr. Lam will take the same haircut as the Creditors.

    We noted that while Scheme Creditors will receive cash and Scheme Shares; and Mr. Lam's recovery will be in cash only. However, in light of (a) the economic value of Mr. Lam's Settlement Sum remains aligned with the Scheme Creditors' recovery rate and does not confer any preferential treatment. The cash settlement mechanism reflects the practical resolution of the Assigned Debt but does not result in Mr. Lam receiving a higher recovery than the Scheme Creditors; and (b) the Company has demonstrated that it will have sufficient internal resources, supported by working capital raised from the Subscriptions, to meet obligation to repay Mr. Lam's Settlement Sum without disadvantaging the Scheme Creditors, the settlement arrangement with Mr. Lam is not more favourable to Mr. Lam;

(iii) as mentioned in the Letter from the Board, Mr. Lam is a major supplier of the Group and as advised by the management of the Company that based on the Company's internal financial records, the Group's purchases from whom amounted to approximately HK$141.3 million, approximately HK$138.7 million and approximately HK$136.4 million, representing approximately 97.3%, approximately 94.7% and approximately 85.4% of the total purchases of the Group for FY2023, FY2024 and FY2025 respectively. The Directors are of the view that it is essential to maintain stable and long-term relationship between the Group and Mr. Lam. If the Company fails to settle Mr. Lam's Settlement Sum in accordance with the Deed of Settlement, Mr. Lam would be entitled to pursue recovery of the outstanding amount. Given that Mr. Lam is the Group's major supplier, any such action could disrupt the Group's supply chain and damage its long-term business relationship with Mr. Lam. Repayment of Mr. Lam's Settlement Sum is therefore critical to avoid litigation risk and safeguard the Group's operations;

(iv) the Company is obliged to settle the Assigned Debt to Mr. Lam as a result of the Assignment. If Mr. Lam's Special Deal is not approved by the Independent Shareholders, the Company will be obliged to settle the full amount of Assigned Debt, rather than the reduced amount of Assigned Debt at recovery rate (i.e. Mr. Lam's Settlement Sum); and

(v) the Creditors' Scheme has been sanctioned by the High Court on 19 March 2024. If taking the process of including Mr. Lam in the Creditors' Scheme, it will be time-consuming, costly and onerous. As such, it may not be in the interests of the Company to amend the terms therein to include Mr. Lam into the Creditors' Scheme,

we concurred with the Directors' view that the terms of the Deed of Settlement were on arm's length basis, and on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned.

Parties to abstain from voting at the EGM

Votes by following persons shall abstain from voting on the resolutions to approve the Proposed Restructuring, the Whitewash Waiver, the Scheme's Special Deals and the transactions contemplated thereunder will not be counted for Takeovers Code purposes:

(i) the Investor and Mr. Kenichi as its ultimate beneficial owners and their respective associates;

(ii) any parties acting in concert with the Investor and its ultimate beneficial owners; and

(iii) the Shareholders who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and the Special Deals.

Accordingly, the following parties will abstain from voting on the resolutions to approve the Proposed Restructuring, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder at the EGM:

(i) Mr. Chong Heung Chung Jason (who is involved in the negotiations in relation to the Proposed Restructuring) and its concert parties (as disclosed in the announcement of the Company dated 25 September 2023, although the following parties have entered into a termination deed to terminate the concert party deed dated 25 November 2014, these parties remain as a group of parties acting in concert within the meaning of the

Takeovers Code, as the Company has not yet obtained confirmation from the Executive that it can be accepted that they are no longer acting in concert pursuant to note 3 to the definition of "acting in concert" of the Takeovers Code), namely

(a) Bright Rise Enterprise Limited, the ultimately beneficial owner of which is Mr. Chong Heung Chung Jason;

(b) Fortress Strength Limited, the ultimately beneficial owner of which is Ms. Lee Sui Fong Fiona, the spouse of Mr. Chong Heung Chung Jason;

(c) Bonville Glory Limited, the ultimately beneficial owner of which is Mr. Ting Ka Fai Jeffrey;

(d) East Jumbo Development Limited, the ultimately beneficial owner of which is Ms. Or Den Fung Bonnie;

(e) Mr. Shinichiro Ikeda;

(f) Dragon Year Group Limited, the ultimately beneficial owner of which is Mr. Shinichiro Ikeda;

(ii) China Sun Group Holding Limited (who is involved in the Scheme's Special Deals), the ultimately beneficial owner of which is Ms. Wang Xiuhua;

(iii) Ms. Chow Wai Man Grace (who is involved in the Scheme's Special Deals);

(iv) Mr. Wong Yu Man James (who is involved in the Scheme's Special Deals);

(v) Ms. Wong Lau Chui Chui (who is involved in the Scheme's Special Deals);

(vi) Mr. Ho Chi Ping (who is involved in the Scheme's Special Deals); and

(vii) Mr. Lam and parties acting in concert with him (who is involved in Mr. Lam's Special Deal).

RECOMMENDATION

Having taken into account the above principal factors and reasons, including:

For Capital Reorganisation and Change in Board Lot size

— other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position (save for the credit arising from the Capital Reduction which will be fully applied to set off part of the consolidated accumulated loss of the Company) of the Company;

— the Increase in Authorised Share Capital will accommodate future expansion and growth of the Group and to provide the Company with greater flexibility to raise funds by allotting and issuing new Shares in the future as and when necessary; and the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future; and

— the Shares had been traded below HK$0.10 on average and the Shares were trading at under HK$2,000 per board lot over the past six months (based on the closing price per Share as quoted on the Stock Exchange). The implementation of the Share Consolidation and the Change in Board Lot Size is to comply with the trading requirements of the Listing Rules.

For the Debt Restructuring by way of the Creditors' Scheme

— as at the close of business on 28 February 2026, the Group's indebtedness amounted to approximately HK$1,498.1 million. The Group failed to secure external financing as mentioned in the paragraphs headed "(1) Background to the entering into the Term Sheet and the Debt Restructuring — Incidents led to the Proposed Restructuring — (b) Adverse share price and financing challenges and (c) Termination of fund raising activities" above in this letter. As such, there is no alternative funding available to the Company. Apart from the Proposed Restructuring (with comprises among others, the Debt Restructuring by way of the Creditors' Scheme), the Company is not in discussion with any other potential investor; and the Proposed Restructuring is the only viable restructuring proposal currently available to the Company as discussed in paragraph (v) under the section headed "(1) Background to the entering into the Term Sheet and the Debt Restructuring - The Proposed Restructuring" above in this letter;

— should the Company fail to repay the outstanding debts, there will be a great chance that the Company will be placed into insolvent liquidation. Thereafter, the Shares are expected to be suspended from trading and the listing status of the Company is expected to be removed from the Stock Exchange;

— reasons and benefits of the entering into the Term Sheet and the Debt Restructuring, in particular, that all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance with the proceeds from the Subscriptions; and residual amount of the net proceeds from the Subscriptions will be utilised as working capital of the Company to facilitate its business operation; and

— terms of the Debt Restructuring by way of the Creditors' Scheme are fair and reasonable and is in the interests of the Company and the Shareholders as a whole as discussed in the paragraphs headed "(4) The Debt Restructuring by way of the Creditors' Scheme" above in this letter, having considered among others, (a) the Issue Price is the same as the Share Subscription Price and the CB Conversion Price, which are considered as fair and reasonable as demonstrated in the paragraphs headed "Evaluation of the Share Subscription Price" and "Evaluation of the CB Conversion Price" under "(5) The Share Subscription and the CB Subscription — (d) The Share Subscription Price and the CB Conversion Price" above in this letter; and (b) the dilution impact is acceptable in the view of the restructuring and financing needs of the Group.

For the Subscriptions and the Subscription Agreements

— the Proposed Restructuring will enable the Group to settle outstanding indebtedness in a formal and orderly manner with funds from the Subscriptions; and thus, alleviate the liquidity pressure and reduce the gearing level of the Group;

— should the Group fail to achieve successful outcomes from the Directors' plans and measures on improving the Group's liquidity and financial position, it might not be able to continue to operate as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. It is expected that issue of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares can address auditors' certain uncertainties on the Directors' plans and measures;

— the Subscriptions will introduce the Investor to enrich the shareholders base of the Company. The Investor has experience in theme parks management and financial background as mentioned under the paragraphs headed "(5) The Share Subscription and the CB Subscription — (a) Background of the Investor" above in this letter, therefore it is expected that the introduction of the Investor will bring synergies to the business development of the Group. When assessing the Term Sheet, the Directors considered the financial condition of the Group and the Investor provided immediate funding of Investor Bonds with total principal amount of HK$25 million and Investor Loan in the amount of HK$25 million subsequently provided to the Group on 22 February 2023 as rescue funding;

— the terms of the Subscriptions (including the Share Subscription Price and the CB Subscription Price) are fair and reasonable so far as the Independent Shareholders are concerned as discussed under the section headed "(5) The Share Subscription Price and the CB Subscription" above in this letter having considered among others, (a) the dilution of the existing public Shareholders' interests in the Company after completion of the Capital Reorganisation and the issue of the Subscription Shares and the Scheme Shares is acceptable as set out in "(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares" above in this letter; (b) the Group is facing heavy indebtedness owed to the Creditors, insolvent financial position and liquidity challenges such that deep discount of the Share Subscription Price and the CB Conversion Price to the closing price per Share is inevitable to increase attractiveness of the Subscriptions to the Investor; (c) it is anticipated that Subscriptions will be able to provide additional working capital for the Group and facilitate the Creditors' Scheme, discharge and release the debts and liabilities of the Company to the Creditors. In addition to the above, for the Share Subscription, the discount of the Share Subscription Price to the closing price per Share is below the median discount of the issue price to the closing price per share on the last trading day of the Share Subscription Comparables. For the CB Subscription, the term to maturity is within respective ranges of the CB Comparables (except two with term to maturity of less than half year), the formula for Conversion Price adjustment is not uncommon; and Convertible Bonds are non-interest bearing and this is favourable to the Company;

— the level of dilution to the shareholding interests of the public Shareholders as a result of the Proposed Restructuring is slightly below the median of dilution to the shareholding interests of the public shareholders of the Comparable Transactions as illustrated in the table under "Evaluation of the Share Subscription Price" under "(5) The Share Subscription and the CB Subscription — (d) The Share Subscription Price and the CB Conversion Price" in this letter; and is not unreasonable; and

— the positive financial effects as illustrated in the "unaudited pro forma financial information of the Group" in Appendix II to the Circular. The unaudited pro forma financial information has been prepared by the reporting accountants as if the Proposed Restructuring involving among others, the Debt Restructuring by way of the Creditors' Scheme and the issue of Subscription Shares has been completed on 30 September 2025 to illustrate the effect of the consolidated statement of assets and liabilities of the Group as at 30 September 2025 and has been completed on 1 April 2025 to illustrate the effect of the consolidated statement of profit or loss and other comprehensive income of the Group for FY2025. According to the unaudited pro forma financial information, the bank balances and cash of the Group as at 30 September 2025 would increase from approximately HK$13.0 million to approximately HK$70.9 million; and net liabilities of the Group as at 30 September 2025 would reduce from approximately HK$1,154.2 million to approximately HK$73.0 million. The Group would record gain on Debt Restructuring and Special Deals of approximately HK$948.0 million; and it will turn from a net loss of approximately HK$40.9 million for FY2025 to a net profit of approximately HK$896.9 million for FY2025.

For the Scheme's Special Deals

— the Scheme's Special Deals are solely for the purpose of repayment of indebtedness due to the Creditors who are also the Shareholders and forms part of the Debt Restructuring; and

— the terms of the Scheme's Special Deals are fair and reasonable so far as the Independent Shareholders are concerned as discussed under the section headed "(9) The Scheme's Special Deals" above in this letter having considered among others, (a) all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement) will be discharged and released in full; (b) the settlement to the Creditors under the Creditors' Scheme will be made in accordance with the terms of the Creditors' Scheme which apply equally to all Creditors; (c) terms of the

Debt Restructuring by way of the Creditors' Scheme are fair and reasonable is in the interests of the Company and the Shareholders as a whole as discussed above; and (d) the approval of the Scheme's Special Deals is one of the conditions precedent for the Share Subscription and the CB Subscription, which are in the interest of the Company and the Shareholders as a whole.

For Mr. Lam's Special Deal

— entering into the Deed of Settlement between the Company and Mr. Lam and Mr. Lam's Special Deal are new developments after the Creditors' Scheme having been approved in the creditors meeting by the requisite majority of the Creditors on 27 June 2024; and on 19 March 2024, such approval has become valid after the Creditors' Scheme having been sanctioned by the High Court. It will not be time and cost effective if the Company opts for amending the terms of the Creditors' Scheme to include Mr. Lam into the Creditor's Scheme and go through the entire approval and sanctioning procedures again; and

— the terms of Mr. Lam's Special Deal are fair and reasonable so far as the Independent Shareholders are concerned as discussed under the section headed "(10) Mr. Lam's Special Deals" above in this letter having considered among others, (a) pursuant to the Deed of Settlement, Mr. Lam will fully discharge the Assigned Debt; (b) the Company intends to settle Mr. Lam's Settlement Sum with its internal resources generated from operations and will not be paid by the Company before the distribution of the assets of the Creditors' Scheme. Mr. Lam will take the same haircut as the Creditors; and (c) Mr. Lam is a major supplier of the Group and the Directors are of the view that it is essential to maintain stable and long-term relationship between the Group and Mr. Lam.

For Whitewash Waiver

— the Subscriptions are in the interest of the Company and the Shareholders as a whole in view of the Group's persistent losses, substantial net liabilities, heavy indebtedness and significant borrowings due for repayment; and the Subscriptions represent the viable means of securing rescue financing. These measures will provide additional working capital, reduce indebtedness through the Creditors' Scheme and relieve the Company from its obligations to the Creditors, thereby safeguarding it from possible insolvent liquidation; and

— dilution effect of the Subscriptions is not unreasonable as set out in "(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares" above in this letter,

we consider that the terms of the Term Sheet in relation to the Proposed Restructuring (comprising of the Capital Reorganisation, the Change in Board Lot Size, the Debt Restructuring by way of the Creditors' Scheme and the Subscriptions), the Subscription Agreements, the Scheme's Special Deals and the grant of the Whitewash Waiver; and the terms of Mr. Lam's Special Deal are fair and reasonable so far as the Independent Shareholders are concerned.

Having taken into consideration the principal and reasons discussed above, we are of the opinion that, despite Proposed Restructuring and the transactions contemplated thereunder, the Whitewash Waiver, the Special Deals and Mr. Lam's Special Deal are not in the ordinary and usual course of business of the Group, (i) the terms of the Debt Restructuring and the Subscriptions are on normal commercial terms and (ii) the term of the Proposed Restructuring, the Whitewash Waiver and the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolution(s) in relation to the Capital Reorganisation, the Change in Board Lot Size, the Debt Restructuring by way of the Creditors' Scheme, the Subscriptions, the Whitewash Waiver, the Scheme Special Deals and Mr. Lam's Special Deal to be proposed at the EGM.

The Independent Shareholders should note that Completion is subject to the fulfilment of the conditions precedent to the Subscriptions and the Creditors' Scheme as set out in the Circular, including but not limited to, the listing of, and permission to deal in the Subscription Shares, CB Conversion Shares and Scheme Shares having been granted by the Stock Exchange. In the event that the listing of, and permission to deal in the Subscription Shares, CB Conversion Shares and/or Scheme Shares is not granted, the Subscription Agreements and the Proposed Restructuring will not become unconditional and the Subscriptions and the Proposed Restructuring will not proceed.

Yours faithfully,
For and on behalf of
SBI China Capital Hong Kong Securities Limited

Ringo Kwan
Managing Director

Evelyn Fan
Executive Director

Mr. Ringo Kwan and Ms. Evelyn Fan have been responsible officers of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) since 2005 and 2012, respectively. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.