

30 April 2026

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue, the Placing Agreement and the transactions contemplated thereunder, 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 30 April 2026 (the “**Circular**”), of which this letter forms a part of. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

With reference to the Letter from the Board, the Board proposes to conduct the Rights Issue on the basis of two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.15 per Rights Share, to raise gross proceeds of approximately HK\$343.3 million before expenses by way of Rights Issue of up to 2,288,567,396 Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and will not be available to Non-Qualifying Shareholders. There will be no excess application arrangements in relation to the Rights Issue.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

Listing Rules Implications

As the Rights Issue will increase the total issued share capital of the Company by more than 50% within the 12-month period immediately preceding the Latest Practicable Date, the Rights Issue is conditional on Independent Shareholders’ approval at the EGM in accordance with the requirements of Rule 7.19A of the Listing Rules.

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

As of the Latest Practicable Date, the Company does not have any controlling Shareholder as defined under the Listing Rules. However, Mr. Sang and Mr. Xian, both an executive Director, are interested in 284,172,240 and 71,040,560 Shares held by Zhongshen Hengtai and Zhongshen Chitai, respectively (representing approximately 24.83% and 6.21% of the total issued share capital of the Company as at the Latest Practicable Date, respectively). Accordingly, Mr. Sang, Mr. Xian and their associates are required to abstain from voting in favour of the proposed resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM. Save for the above, no Shareholders or Directors are required to abstain from voting in favour of the proposed resolution(s) approving the Rights Issue and the transactions contemplated thereunder.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own, and there is no cumulative theoretical dilution effect. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

Independent Board Committee

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Ms. Liu Zhihong, Mr. Zeng Qingli and Mr. Xie Huagang, has been established to provide recommendations to the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Rights Issue. Accordingly, we are independent from the Company pursuant to the requirement under Rule 13.84 of the Listing Rules and therefore we are qualified to give independent advice in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, among other things, (i) the annual reports of the Company for the years ended 31 December 2024 and 2025 (the “**2024 Annual Report**” and “**2025 Annual Report**”, respectively); (ii) the Announcement; (iii) the information and facts contained or referred to in the Circular; (iv) the information supplied by the Group; (v) the opinions expressed by and the representations of the Directors and the management of the Group; and (vi) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date.

Shareholders will be informed by the Group and us as soon as possible if there is any material change to the information disclosed in this Circular during the period from the Latest Practicable Date up to the date of the EGM, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Shareholders accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

1. Background of the Group

The Group is principally engaged in the provision of construction services in the PRC.

Set out below is a summary of the audited financial information of the Group for the three years ended 31 December 2025 (“FY2023”, “FY2024” and “FY2025”, respectively) as extracted from the 2024 Annual Report and the 2025 Annual Report:

(i) Financial performance

	FY2023	FY2024	FY2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	1,530,919	750,556	425,318
Cost of revenue	(1,441,773)	(709,215)	(409,163)
Gross profit	89,146	41,341	16,155
Administrative expenses	(41,210)	(40,030)	(42,413)
(Impairment losses)/reversal of impairment losses on financial assets and contract assets	(146)	1,221	(9,621)
Other income, gains/(losses) — net	11	(217)	691
Finance costs — net	(1,265)	(2,276)	(2,674)
Profit/(loss) before income tax	46,536	39	(37,862)
Income tax (expense)/credit	(14,722)	1,905	1,378
Profit/(loss) attributable to the Shareholders	31,814	1,944	(36,484)

FY2024 compared to FY2023

Total revenue of the Group decreased by approximately 51.0% from approximately RMB1,530.9 million for FY2023 to approximately RMB750.6 million for FY2024, primarily attributable to the decrease in number of revenue generating construction projects in 2024 as compared to that in 2023.

As a result of (a) the decrease in total revenue; and (b) the decrease in gross profit margin of construction engineering projects from approximately 6.2% for FY2023 to approximately 5.0% for FY2024 mainly due to the relatively lower profit margin on projects that the Group acted as subcontractors and the increase in raw material costs for certain projects, the Group's gross profit decreased by approximately 53.6% from approximately RMB89.1 million for FY2023 to approximately RMB41.3 million for FY2024.

The Group's profit attributable to the Shareholders recorded a significant decrease of approximately 93.9% from approximately RMB31.8 million for FY2023 to approximately RMB1.9 million for FY2024, primarily attributable to (a) the decrease in revenue and gross profit as aforementioned; and (b) the increase in net finance costs by approximately RMB1.0 million mainly due to the increase in interest expense on bank borrowings.

FY2025 compared to FY2024

Total revenue of the Group decreased by approximately 43.3% from approximately RMB750.6 million for FY2024 to approximately RMB425.3 million for FY2025, primarily attributable to the decrease in number of construction projects in 2025 as compared to that in 2024.

As a result of (a) the decrease in total revenue; and (b) the decrease in gross profit margin of municipal and public construction projects from approximately 5.8% for FY2024 to approximately 1.2% for FY2025 mainly due to the revenue adjustments on certain projects following final settlement, additional raw material costs incurred on a project and the commencement of certain new projects during FY2025, the Group's gross profit decreased by approximately 60.9% from approximately RMB41.3 million for FY2024 to approximately RMB16.2 million for FY2025.

The Group recorded a change from profit attributable to the Shareholders of approximately RMB1.9 million for FY2024 to loss attributable to the Shareholders of approximately RMB36.5 million for FY2025, primarily attributable to (a) the decrease in revenue and gross profit as aforementioned; and (b) the increase in impairment losses on financial assets and contract assets by approximately RMB10.8 million.

(ii) *Financial position*

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Non-current assets, including:	63,403	70,844	68,548
— Property, plant and equipment	42,441	48,423	45,329
— Deferred income tax assets	<u>10,333</u>	<u>10,028</u>	<u>12,433</u>
Current assets, including:	1,619,313	1,577,284	1,559,871
— Contract assets	1,209,485	1,016,678	990,227
— Trade receivables	157,270	240,360	205,536
— Deposits, other receivables and prepayments	80,318	198,128	264,961
— Restricted bank deposits	24,738	24,864	33,183
— Cash and cash equivalents	<u>147,140</u>	<u>96,653</u>	<u>58,620</u>
Total assets	<u>1,682,716</u>	<u>1,648,128</u>	<u>1,628,419</u>
Current liabilities, including:	1,283,921	1,148,763	1,072,541
— Trade and other payables	1,248,869	1,104,475	944,682
— Bank borrowings	<u>2,989</u>	<u>33,008</u>	<u>69,596</u>
Non-current liabilities	<u>26,371</u>	<u>23,389</u>	<u>46</u>
Total liabilities	<u>1,310,292</u>	<u>1,172,152</u>	<u>1,072,587</u>
Equity attributable to the Shareholders	<u>372,424</u>	<u>475,976</u>	<u>555,832</u>

As at 31 December 2025, total assets of the Group amounted to approximately RMB1,628.4 million, which mainly consisted of (a) contract assets of approximately RMB990.2 million, which primarily relate to the Group's right to consideration for work completed and not billed; (b) trade receivables of approximately RMB205.5 million; (c) deposits, other receivables and prepayments of approximately RMB265.0 million; (d) restricted bank deposits of approximately RMB33.2 million; and (e) cash and cash equivalents of approximately RMB58.6 million.

As at 31 December 2025, total liabilities of the Group amounted to approximately RMB1,072.6 million, which mainly consisted of (a) trade and other payables of approximately RMB944.7 million; (b) contract liabilities of approximately RMB57.9 million; and (c) bank borrowings of approximately RMB69.6 million.

As at 31 December 2025, the Group recorded equity attributable to the Shareholders of approximately RMB555.8 million.

2. Reasons for the Rights Issue and use of proceeds

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue are expected to be approximately HK\$343.3 million and the net proceeds of the Rights Issue after deducting related expenses are expected to be approximately HK\$341.3 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$225.3 million or 66.0% of the net proceeds for the capital needs and cash flow of certain projects that have been awarded to the Group recently. The Group expects to fully utilised the net proceeds in this regard by the end of 2027;
- (ii) approximately HK\$68.2 million or 20.0% of the net proceeds for settlement of debts including trade and other payables and accruals. The Group expects to fully utilised the net proceeds in this regard by the end of 2026; and
- (iii) approximately HK\$47.8 million or 14.0% of the net proceeds for general working capital of the Group including staff cost, rental expenses, legal and professional fees and other operating expenses. The Group expects to fully utilised the net proceeds in this regard by the end of 2027.

In the event that there is an under-subscription of the Rights Issue and the Placing (as the case may be), the net proceeds of the Rights Issue and the Placing (as the case may be) will be allocated and utilised in proportion to the above uses.

We have discussed with the management of the Group to understand the proposed use of the net proceeds and obtained and reviewed the breakdown regarding the proposed use of the net proceeds from the Rights Issue. Based on our review, we noted that the majority of the net proceeds from the Rights Issue would be applied for the capital needs and cash flow of certain projects that have been awarded to the Group recently. As advised by the management of the Group, as at the Latest Practicable Date, the Group has 146 ongoing contracts, of which five major projects would require external capital funding from the Rights Issue to support their cash flows within the next six months. In this regard, we have obtained and reviewed the duly signed contracts of these five major projects and noted that these five major projects have contract sum of approximately RMB504.1 million in aggregate with expected or actual commencement date range from October 2025 to June 2026. In these construction engineering and municipal and public construction projects, the Group is generally responsible for the overall coordination and management of a construction project, which cover workplan formulation, labour recruitment, leasing of equipment and machinery, procurement of construction raw materials and quality and construction progress control. Accordingly, the Group needs to pay material costs, labour costs, subcontracting charges, installation fees and other costs including utility expenses, other miscellaneous production costs and transportation costs. As a large amount of costs needs to be paid at the commencement of the projects to ensure effective project execution which is under

normal business operation and the industry norm and the advance payments (if any) are not sufficient to cover the upfront costs to be incurred at the early stage, we concur with the Directors that the Rights Issue represents an opportunity for the Company to raise additional funding for the business operations of the Group without any interest burden and strengthen the Group's financial position.

As stated in the section headed "1. Background of the Group" above, the financial performance of the Group has been deteriorated during the past three years as a result of the decrease in number of construction projects over the years. Accordingly, the Group's total revenue has decreased from approximately RMB1,530.9 million for FY2023 to approximately RMB425.3 million and the Group recorded a change from profit attributable to the Shareholders of approximately RMB31.8 million for FY2023 to loss attributable to the Shareholders of approximately RMB36.5 million for FY2025. As a result of the dynamic nature of the Group's underlying business and the Group's loss-making performance, the Group recorded net cash used in operating activities of approximately RMB152.9 million and RMB164.2 million for FY2024 and FY2025, respectively. As at 31 December 2025, the Group had trade and other payables of approximately RMB944.7 million as current liabilities. On the other hand, the Group only had cash balance (including restricted bank deposits and cash and cash equivalents) of approximately RMB91.8 million, which were insufficient to cover the Group's payment obligations on trade and other payables. Having considered the prevailing market condition and low level of cash on hand available to the Group, the Group encountered pressures on liquidity and is in need for fund raising to relieve its liquidity pressure. Further, the Group must maintain sufficient cash reserves for essential expenditures to support ongoing operations and meet compliance obligations. As discussed in the section headed "1. Background of the Group" above, the Group has incurred administrative expenses of approximately RMB40 million for each of the three years ended 31 December 2025. As such, we concur with the Directors that the total net proceeds of approximately HK\$47.8 million will support and facilitate the Group's daily operations and cover the Group's essential expenditures including staff cost, rental expenses, legal and professional fees and other operating expenses. In this regard, the Rights Issue could provide sufficient funds at no borrowing costs for the Group to satisfy its funding needs in payment obligations on trade and other payables and the conduction of the Group's ordinary business.

The proposed allocation of the net proceeds from the Rights Issue reflects the Group's strategic focus on fulfilling its existing contractual obligations and pursuing new business opportunities in the Chinese construction sector. The investments in ongoing projects, as well as the settlement of liabilities and replenishment of working capital, demonstrate a disciplined and forward-looking approach to capital utilisation. Given the specificity and clarity of the plans, we are of the view that the proposed use of proceeds as reasonable and necessary to support the Group's operational and financial needs.

Fund-raising alternatives

As disclosed in the Letter from the Board, the Board has considered various fund-raising alternatives before resolving to the Rights Issue including debt financing and equity financing alternatives such as open offer and placing of new shares.

The Board is of the view that debt financing such as bank borrowings, if available, would increase the gearing ratio and ongoing interest expenses of the Group which may in turn affect the profitability of the Group. Hence, the Board does not consider it to be beneficial to the Company. In this respect, we have discussed with the management of the Group and were advised that given the loss-making performance of the Company, it would be difficult or more costly to obtain sufficient further facilities from the banks for the Group's funding needs for future operation. Given that (i) the funds raised through the Rights Issue would not be interest-bearing while the Group had bank borrowings with an effective interest rate of 2.7% to 3.0% per annum as at 31 December 2025; (ii) the Group's net finance costs have increased significantly from approximately RMB1.3 million for FY2023 to approximately RMB2.7 million for FY2025 so that debt financing would incur further interest burden on the Group and negatively affect the financial performance and gearing of the Group; and (iii) new borrowings, if there were a lender, may require the provision of security and collaterals and creditors will rank before the Shareholders, which would not be beneficial to the Shareholders as a whole, we agree that debt financing is not beneficial to the Company and the Rights Issue would allow the Company to strengthen its capital base and liquidity without incurring interest costs as it would through bank borrowing.

With respect to equity financing alternatives, the Board considers that placing of new Shares would be a sub-optimal fundraising means as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. As such, we consider that the Rights Issue is more favourable to the Shareholders as they have the flexibility of being able to sell their entitled nil-paid rights when they do not wish to take up the entitlements under the Rights Issue.

The Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing the overall working capital to fulfill the development plan of the Group without further increase the financial burden to the Group. The Rights Issue also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full.

Taking into account (i) the unsatisfactory financial performance and the liquidity level of the Group; (ii) the funding requirement of the Group to relieve its liquidity pressure; (iii) that the Rights Issue will strengthen the capital base of the Group for further development of its

existing businesses; and (iv) that the Rights Issue offers all Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables them to maintain their proportionate interests in the Company and continue to participate in the future development of the Company, we concur with the management of the Group that the Rights Issue is the most appropriate means of financing over the alternative fund-raising methods and is in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Rights Issue

For details of the terms of the Rights Issue, please refer to the section headed “Proposed Rights Issue” in the Letter from the Board. Set out below are the principal terms of the Rights Issue:

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.15 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	1,144,283,698 Shares
Maximum number of Rights Shares	:	Up to 2,288,567,396 Rights Shares (assuming there is no change in the issued share capital of the Company on or before the Record Date)
Maximum aggregate nominal value of the Right Shares	:	HK\$22,885,673.96 (assuming there is no change in the issued share capital of the Company on or before the Record Date)
Maximum total number of Shares in issue upon completion of the Rights Issue	:	3,432,851,094 Shares (assuming there is no change in the issued share capital of the Company on or before the Record Date and no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)

Gross proceeds from the Rights Issue	:	Up to approximately HK\$343.3 million before expenses (assuming there is no change in the issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)
Net proceeds from the Rights Issue	:	Up to approximately HK\$341.3 million (assuming there is no change in the issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)
Net Subscription Price per Rights Share	:	Approximately HK\$0.149 (assuming there is no change in the issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

Assuming there is no change in the issued capital of the Company on or before the Record Date, 2,288,567,396 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) approximately 200% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 66.7% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon Completion (assuming the Rights Issue is fully subscribed).

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue, which confer any right to subscribe for, convert or exchange into Shares.

4. Assessment of the Subscription Price

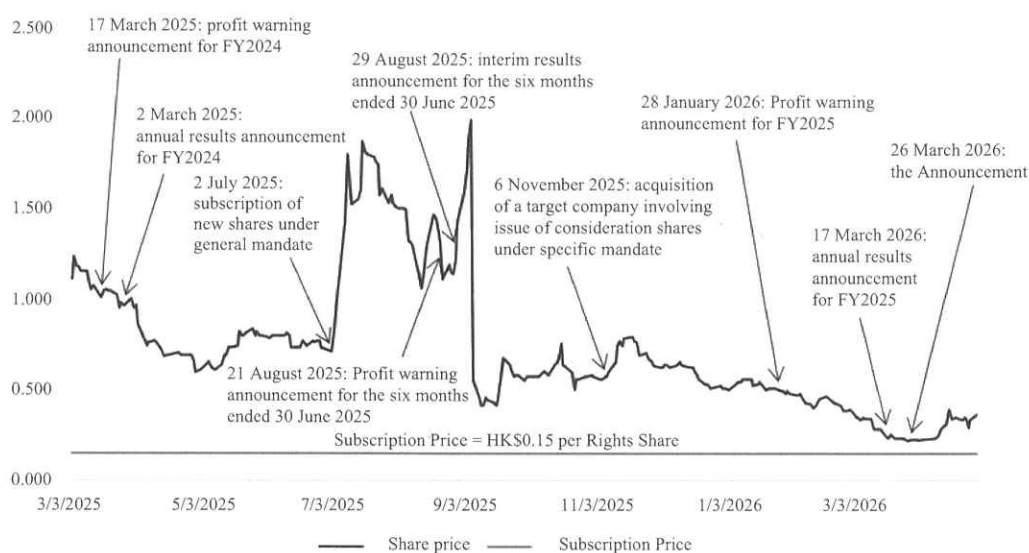
The Subscription Price of HK\$0.15 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares. The Subscription Price was arrived at after an arm's length negotiation, based on, among other things, the prevailing market price of the Shares, the Group's financial conditions and the reasons for and benefits of the Rights Issue as discussed in the section headed "Reasons for and benefits of the Rights Issue and the use of proceeds" in the Letter from the Board.

The Subscription Price of HK\$0.15 per Rights Share represents:

- (i) a discount of approximately 58.33% to the closing price of HK\$0.36 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 31.51% to the closing price of HK\$0.219 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 33.98% to the average closing price of HK\$0.227 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 36.95% to the average closing price of HK\$0.238 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 13.29% to the theoretical ex-rights price of approximately HK\$0.173 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.219 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.28B of the Listing Rules) of approximately 23.45%, represented by a discount of the theoretical diluted price of approximately HK\$0.177 per Share to the benchmarked price of approximately HK\$0.231 per Share (as defined under Rule 7.27B of the Listing Rules); and
- (vii) a discount of approximately 72.22% to the consolidated net asset value per Share as at 31 December 2025 of approximately RMB0.49 or equivalent to approximately HK\$0.54 (based on the audited consolidated net asset value attributable to the owners of the Company as at 31 December 2025 of approximately RMB555.8 million as disclosed in the 2025 Annual Report and 1,144,283,698 Shares in issue as at the Latest Practicable Date).

(i) *Comparison with historical closing prices of the Shares*

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the movement of the closing prices of the Shares as quoted on the Stock Exchange from 3 March 2025 to the Last Trading Day (i.e. 26 March 2026) (the “**Review Period**”), being approximately one year preceding the Last Trading Day, and up to the Latest Practicable Date. We consider the Review Period is adequate to reflect the general market sentiment and illustrates the general trend and level of movement of the daily closing price of the Shares.



Source: the website of the Stock Exchange

As shown above, the closing prices of the Shares were above the Subscription Price at all of the time during the Review Period, ranging from the lowest of HK\$0.219 on the Last Trading Day to the highest of HK\$1.99 on 4 September 2025. In other words, the Subscription Price of HK\$0.15 per Rights Share represents discounts of approximately 31.51% to 92.46% to the closing prices of the Shares during the Review Period.

The closing prices of the Shares generally exhibited a downward trend from HK\$1.11 on 3 March 2025 to HK\$0.71 on 2 July 2025. Following the Company’s publication of the announcement in relation to the subscription of new shares under general mandate on 2 July 2025, the closing prices of the Shares surged to HK\$1.80 on 9 July 2025 and then fluctuated between HK\$1.06 and HK\$1.87 during the period from 10 July 2025 to 12 August 2025. The closing prices of the Shares then increased sharply and reached the highest of HK\$1.99 on 4 September 2025. Thereafter, it dropped sharply to HK\$0.55 on 5 September 2025. From then on, the closing prices of the Shares generally exhibited a downward trend and hit the lowest of HK\$0.219 on the Last Trading Day. Based on our review of the Company’s announcements published on the website of the Stock Exchange, in the second half of 2025, we noted that (a) on 2 July 2025, the Company announced the entering into of six separate subscription

agreements with subscribers in respect of the subscription of an aggregate of 123,552,000 subscription shares and such subscription of new shares was completed on 17 July 2025; (b) the Company published the profit warning announcement, interim results announcement and interim report for the six months ended 30 June 2025 on 21 August 2025, 29 August 2025 and 12 September 2025, respectively; and (c) on 6 November 2025, the Company announced the acquisition of a target company involving issue of consideration shares under specific mandate. The target company is principally engaged in supervision construction management specialising in engineering construction supervision with multiple qualifications in supervision. We have made enquiries with the Directors and were advised that, save for the publication of announcements of the Company as described above, the Directors were not aware of any specific reasons that may have an impact on the fluctuations in the closing prices of the Shares in the second half of 2025.

As at the Latest Practicable Date, the closing price of the Shares closed at HK\$0.36, to which the Subscription Price represents a discount of approximately 58.33%.

As discussed in the sub-section headed “(iii) Comparison with recent rights issue transactions” below, we note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant share in order to increase the attractiveness and encouraging shareholders to participate in the rights issue so as to meet the company’s need for additional funding.

(ii) *Historical trading liquidity of the Shares*

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of Shares in issue and held by the public during the Review Period and up to the Latest Practicable Date:

	Number of trading days (Note 1)	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue (Note 2)	Approximate percentage of average daily trading volume to total number of Shares held by the public (Note 3)
2025				
March	21	1,020,762	0.1652%	0.3888%
April	19	909,684	0.1473%	0.3465%
May	20	641,600	0.1039%	0.2444%
June	21	111,048	0.0180%	0.0423%
July	22	3,017,000	0.4070%	0.7814%
August	21	981,143	0.1324%	0.2541%
September	22	22,695,464	3.0615%	5.8781%
October	20	8,399,600	1.1331%	2.1755%
November	20	9,535,400	1.2863%	2.4697%
December	21	3,239,429	0.4370%	0.8390%
2026				
January	21	2,224,952	0.1944%	0.5763%
February	17	1,374,118	0.1201%	0.3559%
March	22	8,628,727	0.7541%	2.2348%
From 1 April to the Latest Practicable Date	16	2,701,250	0.2361%	0.6996%

Source: the website of the Stock Exchange

Notes:

1. Number of trading days of the Shares represents number of trading days during the month or period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day (if applicable).
2. Based on the total number of the Shares in issue at the end of each month or period as disclosed in the monthly returns of the Company.
3. Based on the number of Shares held by public Shareholders as calculated by deducting the Shares held by Zhongshen Hengtai, Zhongshen Chitai, Huajian Investment, Huajian Advisory and Huajian Technology Limited.

As illustrated in the table above, the trading of the Shares was generally inactive during the Review Period and up to the Latest Practicable Date. The average daily trading volume for the respective month or period during the Review Period and up to the Latest Practicable Date

ranged from approximately 111,048 Shares in June 2025 to approximately 22,695,464 Shares in September 2025, representing approximately 0.0180% to 3.0615% of the total number of the Shares in issue and approximately 0.0423% to 5.8781% of the total number of the Shares held by the public, respectively.

The trading volume of the Shares was notably high in September 2025 as compared to other months/periods during the Review Period and up to the Latest Practicable Date. We have reviewed Company's announcements published on the website of the Stock Exchange and discussed with the Directors in this regard. As advised by the Directors, the Directors were not aware of any specific reasons that may have an impact on the exceptionally high trading volume of the Shares in September 2025.

The above statistics revealed that the trading liquidity of the Shares has not been high recently in the open market. On this basis and considering the financial position and performance of the Group, we are of the view that the Company is unlikely to be able to raise notable amount of funds via equity financing without a notable discount. As such, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing historical closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholdings in the Company.

(iii) Comparison with recent rights issue transactions

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have reviewed the rights issue transactions with compensatory arrangement only and no excess application which were initially announced by the companies listed on the Stock Exchange during the period from 2 January 2026 and up to the Last Trading Day (being approximately three months preceding the Last Trading Day). We have identified an exhaustive list of 14 rights issue transactions (the "**Comparable Transactions**"). We consider that the aforesaid review period is adequate and appropriate to capture the recent market practice in relation to rights issue transactions under the prevailing market conditions, and provide a sufficient sample for comparison with the Rights Issue.

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

The details of the Comparable Transactions are set out below:

Date of announcement	Company name (stock code)	Gross proceeds from the rights issue (HK\$ million)	Basis of entitlement	Premium/ (discount) of the subscription price over/to the average closing price for the five previous consecutive trading days up to and including the last trading day prior to the last trading day %	Premium/ (discount) of the subscription price over/to the theoretical price net asset value %	Premium/ (discount) of the subscription price over/to the consolidated value %	Maximum dilution %	Theoretical dilution effect %	Excess application (Y/N)	Underwriting/ placing commission, as the case may be %	
24 March 2026	Alco Holdings Limited (328.HK)	126.0	4 for 1	(20.30)	(24.20)	(4.80)	Net liabilities	80.00	21.00	N	1.5
20 March 2026	WT Group Holdings Limited (8422.HK)	24.0	2 for 1	(9.91)	(10.39)	(3.57)	(64.79)	66.67	6.58	N	3.0
19 March 2026	i.century Holding Limited (8507.HK)	40.0	1 for 1	(47.37)	(45.05)	31.03	89.99	50.00	23.68	N	HK\$400,000
9 March 2026	Hang Pin Living Technology Company Limited (1682.HK)	66.8	1 for 1	(27.97)	(27.72)	(16.26)	(22.73)	50.00	13.98	N	1.0
6 March 2026	Kingland Group Holdings Limited (1751.HK)	152.9	1 for 3	0.00	(2.30)	(3.10)	2,157.10 (Note 3)	25.00	1.00	N	3.0
5 March 2026	Madison Holdings Group Limited (8057.HK)	45.4	3 for 2	(40.00)	(39.10)	(21.10)	(79.83)	60.00	24.00	N	2.0

Date of announcement	Company name (stock code)	Gross proceeds from the rights issue (HK\$ million)	Basis of entitlement	Premium/ (discount) of the subscription price over/to the closing price on the last trading day %	Premium/ (discount) of the subscription price over/to the theoretical price ex-rights trading day prior to the last trading day %	Premium/ (discount) of the subscription price over/to the consolidated net asset value %	Maximum dilution %	Theoretical dilution effect %	Excess application (Y/N)	Underwriting/ placing commission, as the case may be %
16 February 2026	Xinming China Holdings Limited (2699.HK)	106.0	6 for 1	(20.00)	(20.00)	Net liabilities	85.71	17.14	N	2.0
16 February 2026	Mindteli Technology Limited (8611.HK)	280.8	1 for 1	(43.60)	(25.50)	3,900.00 (Note 3)	50.00	21.70	N	2.0
11 February 2026	NIU Holdings Limited (8619.HK)	30.9	2 for 1	(33.50)	(21.10)	(92.70)	66.67	24.00	N	a non-refundable fee of HK\$15,000 and the placing commission of HK\$85,000 or 1.0% of the gross placing proceeds, whichever is higher
6 February 2026	WLS Holdings Limited (8021.HK)	86.2	1 for 1	(41.20)	(25.00)	(77.10)	50.00	21.60	N	2.5
27 January 2026	Pacific Legend Group Limited (8547.HK)	29.6	1 for 2	26.58	16.28	4.09	33.33	4.60	N	2.0

Date of announcement	Company name (stock code)	Gross proceeds from the rights issue (HK\$ million)	Basis of entitlement	Premium/ (discount) of the subscription price over/to the closing price for the five previous consecutive trading days up to and including/ prior to the last trading day	Premium/ (discount) of the subscription price over/to the theoretical price net asset value	Premium/ (discount) of the subscription price over/to the consolidated net asset value	Maximum dilution	Theoretical dilution effect	Excess application (Y/N)	Underwriting/ placing commission, as the case may be
			%	%	%	%	%	%		%
				Premium/ (discount) of the subscription price over/to the closing price on the last trading day	Premium/ (discount) of the subscription price over/to the theoretical price net asset value	Premium/ (discount) of the subscription price over/to the consolidated net asset value	Maximum dilution	Theoretical dilution effect	Excess application (Y/N)	Underwriting/ placing commission, as the case may be
			%	%	%	%	%	%		%
15 January 2026	Shanghai International Shanghai Growth Investment Limited (770.HK)	US\$0.55	3 for 8	(60.00)	(52.19)	47.44	27.27	16.33	N	1.0
14 January 2026	Anchorstone Holdings Limited (1592.HK)	121.6	4 for 1	(42.86)	(8.57)	Net liabilities	80.00	24.00	N	1.25
14 January 2026	Jutal Offshore Oil Services Limited (3303.HK)	56.9	1 for 6	(69.23)	(66.10)	(85.13)	14.29	9.92	N	1.0
			Maximum	26.58	31.03	89.99	85.71	24.00		3.0
			Minimum	(69.23)	(66.10)	(92.70)	14.29	1.00		1.0
			Average	(30.37)	(14.53)	(31.20)	52.78	16.40		1.8
			Median	(36.75)	(12.42)	(64.79)	50.00	19.07		2.0
	The Company	343.3	2 for 1	(31.51)	(13.29)	(72.22)	66.67	23.45	N	0.5

Source: the website of the Stock Exchange

Notes:

1. The maximum dilution is calculated by the number of rights shares divided by the total number of issued shares as enlarged by the issue of the rights shares.
2. The theoretical dilution effect is calculated in accordance with Rule 10.44A of the Rules Governing of the Listing of Securities on GEM or Rule 7.27B of the Listing Rules.
3. The premiums of the subscription price over the net asset value per share of Kingland Group Holdings Limited (stock code: 1751) and Mindtell Technology Ltd. (stock code: 8611) are exceptionally high and considered as outliers, they are therefore disregarded and excluded in the comparison.

As set out in the table above, we note that it is a common market practice that the pricing of a rights issue represents a discount to the prevailing closing share prices prior to the announcement of the rights issue and to the theoretical ex-rights price of the shares. We also note that:

- (a) the subscription prices over/to the share price on the last trading day of the Comparable Transactions ranged from a discount of approximately 69.23% to a premium of approximately 26.58%, with an average and a median discount of approximately 30.37% and 36.75%, respectively. The discount of approximately 31.51% as represented by the Subscription Price to the closing price of the Shares on the Last Trading Day is within the range of the Comparable Transactions and close to the average and median discounts of the Comparable Transactions;
- (b) the subscription prices over/to the average share price for the five previous consecutive trading days up to and including/prior to the last trading day of the Comparable Transactions ranged from a discount of approximately 69.35% to a premium of approximately 31.23%, with an average and a median discount of approximately 30.53% and 37.50%, respectively. The discount of approximately 33.98% as represented by the Subscription Price to the closing price of the Shares for the five previous consecutive trading days up to and including the Last Trading Day is within the range of the Comparable Transactions and close to the average and median discounts of the Comparable Transactions;
- (c) the subscription prices over/to the theoretical ex-rights price of the Comparable Transactions ranged from a discount of approximately 66.10% to a premium of approximately 31.03%, with an average and a median discount of approximately 14.53% and 12.42%, respectively. The discount of approximately 13.29% as represented by the Subscription Price to the theoretical ex-rights price is within the range of the Comparable Transactions and close to the average and median discounts of the Comparable Transactions;
- (d) the subscription prices over/to the consolidated net asset value of the Comparable Transactions ranged from a discount of approximately 92.70% to a premium of approximately 89.99%, with an average and a medium discount of approximately

31.20% and 64.79%, respectively. The discount of approximately 72.22% as represented by the Subscription Price to the consolidated net asset value per Share as at 31 December 2025 is within the range of the Comparable Transactions and higher than the average and median discounts of the Comparable Transactions; and

- (e) the theoretical dilution effect of the Comparable Transactions ranged from approximately 1.00% to approximately 24.00%, with an average and a medium dilution effect of approximately 16.40% and 19.07%, respectively. The theoretical dilution effect of the Rights Issue of approximately 23.45% is within the range of the Comparable Transactions.

Given that (a) as shown in the table above, it is a common market practice that the subscription price of a rights issue represents a discount to (1) the closing price on the last trading day; (2) the average share price for the five previous consecutive trading days up to and including/prior to the last trading day; (3) the theoretical ex-rights price based on the closing price on the last trading day; and (4) the consolidated net asset value attributable to the shareholders; (b) a higher discount of the Subscription Price could enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders to participate in the Rights Issue; (c) the interests of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares; (d) those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market; (e) the discounts of the Subscription Price to the closing price of the Shares on the Last Trading Day, the average closing price of the Shares for the five previous consecutive trading days up to and including the Last Trading Day, and the theoretical ex-rights are within the ranges of those of the Comparable Transactions and close to the average and median discounts of the Comparable Transactions; (f) the discount of the Subscription Price to the consolidated net asset value per Share as at 31 December 2025 is within the ranges of those of the Comparable Transactions; and (g) the theoretical dilution effect of the Rights Issue is within the range of the Comparable Transactions, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Although the Subscription Price represents a deep discount to the consolidated net asset value per Share as at 31 December 2025 and the level of discount is higher than the average and median of the Comparable Transactions, taking into account (a) the fundings needs of the Group as discussed above; (b) the interests of the Qualifying Shareholders will not be prejudiced by the level of discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares; (c) the discount of approximately 72.22% as represented by the Subscription Price to the consolidated net asset value per Share as at 31 December 2025 is within the range of the Comparable Transactions; (d) during the period six months prior to and including the Last Trading Day, the highest closing price per Share was HK\$0.79 on 17 and 18 November 2025 and showed a general downward trend to HK\$0.219 on the Last Trading Day, representing a

decrease of approximately 72.3%. Setting the Subscription Price at or close to the prevailing market level would attract sufficient subscriptions from existing Shareholders to raise the intended proceeds; and (e) the closing price per Share was trading below the consolidated net asset value per Share as at 31 December 2025 during the one month period immediately prior to the Last Trading Day (i.e. from 26 February 2026 to 25 March 2026) with a discount of approximately 27.78% to 58.15%, we consider a substantial discount of the Subscription Price to the consolidated net asset value per Share given to attract subscription by the Qualifying Shareholders is fair and reasonable.

Although the theoretical dilution effect of the Rights Issue is higher than the average and median of the Comparable Transactions, taking into account that (a) the theoretical dilution effect of the Rights Issue is within the range of the Comparable Transactions; (b) the size of funds to be raised reflects the reasonable amount of funds required to fund the Group's business operation and meet its working capital requirements, and is balanced against the potential dilution impact on the Qualifying Shareholders who do not take up the Rights Issue; (c) the dilution effect complies with the Listing Rules and the discount to the closing prices is expected to attract more Shareholders to participate in the Rights Issue to maintain their respective shareholding interests in the Company and contribute to the Group's future growth and development; (d) the potential dilution to the shareholding interests of the Shareholders only happens to the Qualifying Shareholders who decide not to accept their assured entitlements in full; and (e) the Qualifying Shareholders are in fact given the opportunity to trade the nil-paid Rights Shares if they decided not to take up their entitlements in whole or in part, we consider the theoretical dilution effect of the Rights Issue is justifiable.

5. Principal terms of the Placing Agreement

For details of the terms of the Placing Agreement, please refer to the section headed "The Placing Agreement" in the Letter from the Board. Set out below are the principal terms of the Placing Agreement:

Date	:	26 March 2026 (after trading hours)
Issuer	:	The Company
Placing Agent	:	Beta International Securities Limited

The Placing Agent is a licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owner(s) are not interested in any Shares and are Independent Third Parties.

Placing commission	:	Subject to completion of the Placing, the Company shall pay a placing commission of 0.5% of the amount (the “ Placing Commission ”) which is equal to the placing price multiplied by the total number of the Unsubscribed Rights Shares successfully placed by the Placing Agent.
Placing Price	:	Not less than HK\$0.15 per Unsubscribed Rights Share
Placing Period	:	A period commencing from the first (1st) Business Day immediately after the date of announcement of the number of Unsubscribed Rights Shares (which is expected to be Thursday, 18 June 2026) and ending on 4:00 p.m. on Thursday, 25 June 2026 (both days inclusive), or such other date as the Company and the Placing Agent may agree in writing.
Placees	:	The placees shall be institutional, professional and other investors. The Placing Agent shall ensure that the placees (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties and not acting in concert with the Placing Agent and its concert parties. For the avoidance of doubt, no placee will become a substantial Shareholder.
Ranking of the placed Unsubscribed Rights Shares	:	The placed Unsubscribed Rights Shares (when allotted, issued and fully-paid, if any) shall rank <i>pari passu</i> in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.
Conditions of the Placing Agreement	:	The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled: <ul style="list-style-type: none"> (i) the Rights Issue having become unconditional; (ii) the Company’s warranties, representation and undertakings contained in the Placing Agreement remaining true and accurate and not misleading in all material respects at all times prior to the date of completion of the Placing; (iii) the Listing Committee granting the listing of, and permission to deal in, the Unsubscribed Rights Shares and such approval and permission not subsequently revoked prior to the completion of the Placing;

- (iv) none of the Placees becoming a substantial shareholder of the Company as a result of the Placing;
- (v) the Company obtaining all necessary consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the Placing Agreement, if applicable; and
- (vi) the passing of all necessary resolutions at the EGM to consider and approve, among others, the Rights Issue and the transactions contemplated thereunder.

Save for condition (ii) above which can be waived by the Placing Agent, none of the above conditions can be waived. In the event that the above conditions precedent have not been satisfied or waived by the Placing Agent on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties under the Placing Agreement shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination).

With reference to the sub-section headed “4. Assessment of the Subscription Price — (iii) Comparison with recent rights issue transactions” above, there were 14 Comparable Transactions involving compensatory arrangements which we believe reflect the prevailing market trends under the current economic environment and thus fair and reasonable for the assessment of the Placing Commission under the Placing Agreement.

As shown in the table above, we noted that the placing commission rates provided by the placing agents under the Comparable Transactions ranged from approximately 1.0% to 3.0% with an average and a median of approximately 1.8% and 2.0%, respectively. Given that (i) as disclosed in the Letter from the Board, the Placing Commission was determined after arm’s length negotiation between the Placing Agent and the Company with reference to the prevailing market rate for rights issues in the market, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions; and (ii) the Placing Commission of 0.5% falls within the relevant range of the Comparable Transactions and is lower than the average and the median of the Comparable Transactions, we consider that the Placing Commission to be fair and reasonable. As such, we are of the view that the terms of the Placing Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

6. Potential dilution effect on the shareholding interests of the Independent Shareholders

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

For illustrative purposes only, assuming there are no changes in the issued share capital of the Company on or before the Record Date, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming full acceptance by all Shareholders; (iii) immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders (other than those pursuant to the Irrevocable Undertakings) have taken up any entitlements of the Rights Shares and all the Unsubscribed Rights Shares are placed to the independent places; and (iv) immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders (other than those pursuant to the Irrevocable Undertakings) have taken up any entitlements of the Rights Shares and none of the Unsubscribed Rights Shares are placed to the independent places:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders		Immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders (other than those pursuant to the Irrevocable Undertakings) have taken up any entitlements of the Rights Shares and all the Unsubscribed Rights Shares are placed to the independent places		Immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders (other than those pursuant to the Irrevocable Undertakings) have taken up any entitlements of the Rights Shares and none of the Unsubscribed Rights Shares are placed to the independent places	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Zhongshen Hengtai (Note 1)	284,172,240	24.83	852,516,720	24.83	852,516,720	24.83	462,830,559	28.75
Zhongshen Chitai (Note 2)	71,040,560	6.21	213,121,680	6.21	213,121,680	6.21	115,703,568	7.18
Huajian Investment (Note 3)	270,502,674	23.64	811,508,022	23.64	811,508,022	23.64	440,566,973	27.35
Huajian Advisory (Note 4)	115,929,718	10.13	347,789,154	10.13	347,789,154	10.13	188,814,418	11.72
Huajian Technology Limited (Note 5)	16,539,306	1.45	49,617,918	1.45	16,539,306	0.48	16,539,306	1.03
Existing public Shareholders	386,099,200	33.74	1,158,297,600	33.74	386,099,200	11.25	386,099,200	23.97
The places	—	—	—	—	805,277,012	23.46	—	—
Total	1,144,283,698	100.00	3,432,851,094	100.00	3,432,851,094	100.00	1,610,554,024	100.00

Notes:

1. As at the Latest Practicable Date, Zhongshen Hengtai is 100% beneficially owned by Mr. Sang, the Chairman of the Company and an executive Director.
2. As at the Latest Practicable Date, Zhongshen Chitai is 100% beneficially owned by Mr. Xian, an executive Director.
3. As at the Latest Practicable Date, Huajian Investment is 100% beneficially owned by Mr. Wang Yan.
4. As at the Latest Practicable Date, Huajian Advisory is 100% beneficially owned by Mr. Sang Haifeng.
5. As at the Latest Practicable Date, Huajian Technology Limited is 100% beneficially owned by Mr. Wu Haibin.

As set out in the table under the sub-section headed “4. Assessment of the Subscription Price — (iii) Comparison with recent rights issue transactions” above, the maximum dilution of the Comparable Transactions ranged from approximately 14.29% to 85.71% with an average and a medium dilution of approximately 52.78% and 50.00%, respectively. For the Non-Qualifying Shareholders and those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of 66.67%, which is within the range of the Comparable Transactions. Taking into account that (i) the dilution magnitude of any rights issue depends solely on the extent of the basis of entitlement under such exercise, where the higher the offering ratio of rights shares to existing shares is, the greater the dilution on the existing shareholding would be; (ii) the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares; and (iii) the theoretical dilution effect of the Rights Issue is within the range of the Comparable Transactions and complies with the dilution limit under the Listing Rules, we consider the potential dilution effect of the Rights Issue to be acceptable.

In all cases of rights issue, the dilution on the shareholding of those qualifying shareholders who do not take up in full their provisional allotments under the rights issue is inevitable. In fact, the dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercise since the higher offering ratio of new shares to existing shares is, the greater the dilution on the shareholding would be.

Having considered (i) the dilution effect is not prejudicial as all the Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and the Independent Shareholders’ interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) the flexibility provided to the Qualifying Shareholders who choose not to subscribe, as they may dispose of their nil-paid Rights Shares in the open market; (iii) the inherent dilutive nature of rights issues in general if existing shareholders do not fully take up their entitlements; and (iv) the positive impact on the financial position of the Group as a result of the Rights Issue as detailed in the section headed “7.

Financial impact of the Rights Issue” below, we are of the view that the potential dilution effect of the Rights Issue, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is justifiable.

7. Financial impact of the Rights Issue

(i) Net tangible assets

According to the unaudited pro forma financial information of the Group (in Appendix II to the Circular, assuming that the Rights Issue had been completed and subscribed in full on 31 December 2025), the audited consolidated net tangible assets attributable to the Shareholders would have increased from approximately RMB550.9 million as at 31 December 2025 to the unaudited pro forma adjusted consolidated net tangible assets attributable to the Shareholders of approximately RMB857.1 million immediately after the completion of the Rights Issue.

(ii) Liquidity

As at 31 December 2025, the Group had restricted bank deposits and cash and cash equivalents of approximately RMB91.8 million, current assets of approximately RMB1,559.9 million and current liabilities of approximately RMB1,072.5 million. Upon completion of the Rights Issue, restricted bank deposits and cash and cash equivalents of the Group is expected to increase by the estimated net proceeds from the Right Issues of approximately HK\$341.3 million (equivalent to approximately RMB306.2 million). The current ratio of the Group will increase from approximately 1.45 times to approximately 1.74 times. As such, the liquidity position of the Group would be improved upon completion of the Rights Issue.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company upon completion of the Rights Issue.

OPINION AND RECOMMENDATION

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

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited



Danny Leung
Managing Director

Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.