華安證券(香港)
HUAAN SECURITIES (HONG KONG)

6 November 2026

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF TWO WHOLLY-OWNED SUBSIDIARIES

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 Sale and Purchase 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 6 November 2026 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 27 August 2026, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser (an associate of Mr. Ng who is a connected person of the Company), pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital in the Target Companies (i.e. the Sale Shares), at the Consideration of HK$16,000,000 in accordance with and subject to the terms and conditions of the Sale and Purchase Agreement.

The transactions contemplated under the Sale and Purchase Agreement (when aggregated with the Disposal Agreements) constitutes a discloseable and connected transaction for the Company and is therefore subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P., all being independent non-executive Directors, has been formed to consider the terms of the Disposal. We, Huaan Securities (Hong Kong) Corporate Finance Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, Huaan Securities (Hong Kong) Corporate Finance Limited did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment and the transactions listed above, no arrangement exists whereby we have received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not been appointed as an independent financial adviser for the Company. Accordingly, we consider that we are eligible to give independent advice in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Directors and the management of the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) the valuation report prepared by Graval Consulting Limited; and (v) 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 material 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 date hereof 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 such information and representations provided to us by the Directors and the management of the Group. The Directors have confirmed that no material facts have been withheld or omitted from the information provided, opinion expressed, representations made to us or referred to in the Circular and that all information provided, opinion expressed or representations made, to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the Circular. 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 up to the date of the EGM. 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 the 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 any member of the Group or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Information of the Group

The Group is principally engaged in trading (trading of footwear products and sales of branded ball products), property investment and development, agriculture as well as forestry businesses. Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2025 as extracted from the Company's annual report for the year ended 31 December 2025 (the "**2025 AR**") and the six months ended 30 June 2026 and 30 June 2025 extracted from the Company's interim report for the six months ended 30 June 2026 (the "**2026 IR**").

	For the six months ended 30 June 2026	**For the six months ended 30 June 2025**	**For the year ended 31 December 2025**	**For the year ended 31 December 2024**
	Approximately HK$'000 (unaudited)	*Approximately HK$'000 (unaudited)*	*Approximately HK$'000 (audited)*	*Approximately HK$'000 (audited)*
Revenue	380,844	891,682	2,178,718	3,231,529
— Trading and manufacturing	277,508	789,096	1,974,209	3,007,310
— Property investment and development	103,316	102,529	203,590	223,328
— Agriculture and forestry	20	57	919	891
Gross profit/(loss)	(154,652)	62,610	159,683	475,843
Profit/(loss) for the year/period	(441,412)	(89,996)	(1,463,820)	12,177

The revenue of the Group of approximately HK$2,179 million for the year ended 31 December 2025 ("**FY2025**") decreased by approximately HK$1,053 million or 32.6% when compared to that of the previous year ("**FY2024**"). The trading and manufacturing segment, in particular revenue from the OEM toys production segment decreased by approximately HK$1,104 million or 40.5% to HK$1,621 million for FY2025 compared to that of FY2024, as a result of a sharp decline in demand for a specific toy product from a major customer for 2025 season due to tariffs and sourcing diversification. The Group recorded loss after tax of approximately HK$1,464 million for FY2025 as compared to the profit after tax of approximately HK$12 million in FY2024. Such a reversal in financial results was attributed to (i) losses from operating result of the trading and manufacturing business driven by the decline

of consumer demand for toy products; (ii) an increase in net fair value loss on investment properties of approximately HK$1,081 million attributable to continued pressure on valuation of office and retail premises situated in Hong Kong and Mainland China for FY2025.

The revenue of the Group amounted to approximately HK$380.8 million for the six months ended 30 June 2026 ("**6M2026**") which represented a period-to-period decrease of approximately HK$510.8 million or 57.3%. The trading and manufacturing segment recorded a period-to-period decrease of approximately HK$511.6 million or 64.8%, to HK$277.5 million for 6M2026 in particular from the decrease in OEM toy production business by approximately 83.4% to HK$103.7 million for 6M2026. The Group recorded loss after tax of approximately HK$441.4 million for 6M2026 as compared to the loss after tax of approximately HK$90.0 million in the same period of the previous year. Such increase in losses was attributable to (i) the losses from operating result of trading and manufacturing business result from (a) the decrease in revenue from OEM production business, (b) the provision of inventory write-downs of approximately HK$205.6 million, (c) the credit losses on trade receivables of approximately HK$108.8 million, and (d) the write-off of property, plant and equipment of approximately HK$31.7 million resulted from the cancellation of customers' orders and the cessation of production operation at the Group's production plants, certain inventories and items of property, plant and equipment became obsolete; (ii) the increase in the net fair value loss on investment properties of approximately HK$199.9 million.

Set out below is a summary of the consolidated statement of financial position of the Group as at 31 December 2024 and 31 December 2025 as extracted from the 2025 AR and as at 30 June 2026 as extracted from the 2026 IR.

	As at 30 June 2026	**As at 31 December 2025**	**As at 31 December 2024**
	Approximately HK$'000 (unaudited)	*Approximately HK$'000 (audited)*	*Approximately HK$'000 (audited)*
Total assets	10,941,430	11,547,102	12,965,968
Total liabilities	6,206,773	6,601,471	6,848,506
Net assets	4,734,657	4,945,631	6,117,462

The total assets of the Group were approximately HK$12,966.0 million and HK$11,547.1 million as at 31 December 2024 and 31 December 2025 respectively. The decrease in total assets was mainly as a result of the decrease in value in investment properties from approximately HK$9,192.8 million as at 31 December 2024 to HK$8,254.4 million as at 31 December 2025. Other current assets of the Group mainly comprised inventories and prepayments, deposits and other receivables which remained relatively stable as at 31 December 2024 and 31 December 2025.

The total liabilities of the Group were approximately HK$6,848.5 million and HK$6,601.5 million respectively as at 31 December 2024 and 31 December 2025, with the major liabilities of the Group comprised total interest-bearing bank borrowings which amounted to

approximately HK$3,671.4 million and HK$3,224.5 million as at 31 December 2024 and 31 December 2025 respectively. The total liabilities of the Group remained stable as at 31 December 2025 and as at 31 December 2024, while the gearing ratio of the Group as at 31 December 2024 and 31 December 2025 remained stable at approximately 60% and 65% respectively.

The total assets of the Group were approximately HK$10,941.4 million as at 30 June 2026. The decrease in total assets is mainly as a result of the decrease in inventory and trade receivable of approximately HK$276.6 million and HK$178.9 million compared to that as at 31 December 2025. The total liabilities of the Group were approximately HK$6,206.8 million as at 30 June 2026 with the major liabilities of the Group comprised total interest-bearing bank borrowings which amounted to approximately HK$3,060.7 million. The total liabilities of the Group remained stable as at 30 June 2026 while the gearing ratio of the Group amounted to approximately 65% as at 30 June 2026.

2. Information of the Target Group

The Target Company 1 is an investment holding company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company and the Target Company 2 is an investment holding company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. The Target Subsidiary, incorporated in the PRC, is the sole subsidiary of the Target Company 2 which holds 100% of the paid-up capital of the Target Subsidiary. The main business of the Target Subsidiary, being the provision of toys manufacturing services in Shenzhen, the PRC, has been suspended since May 2026 resulting from the change of business strategy from toys OEM manufacturing to trading-based model. Consequently, the Target Subsidiary has ceased operations but the Target Company 2 remains the lessee of the Land.

Details of the Property held by the Target Group are set out in the paragraph headed "(ii) Book value and appraised value of the Property" below and the valuation report (the "**Valuation Report**") prepared by Graval Consulting Limited, an independent valuer (the "**Valuer**") as set out in Appendix II to the Circular.

With reference to the Letter from the Board, set out below is the summary of the unaudited financial information of the Target Group for the two years ended 31 December 2025:

	For the year ended 31 December 2025 *Approximately HK$'000 (unaudited)*	**For the year ended 31 December 2024** *Approximately HK$'000 (unaudited)*
Revenue	4,622	7,628
Loss before taxation and extraordinary items	(8,662)	(8,323)
Loss after taxation and extraordinary items	(8,663)	(8,321)

As advised by the Company, the Target Group recorded revenue of approximately HK$7.6 million and HK$4.6 million for the years ended 31 December 2024 and 2025 respectively, which represented subcontracting fee income generated from the toy manufacturing business. The Target Group recorded losses after taxation and extraordinary items of approximately HK$8.3 million and HK$8.7 million, mainly attributable to labour costs and factory overheads, which totalled approximately HK$8.6 million and HK$7.4 million for the years ended 31 December 2024 and 2025 respectively. For the six months ended 30 June 2026, the Target Group recorded insignificant revenue and a loss after taxation and extraordinary items of approximately HK$10.1 million, primarily due to the provision for long service payments of approximately HK$5.6 million and labour costs of approximately HK$2.6 million. The principal business of the Target subsidiary, being the provision of toys manufacturing services in Shenzhen, the PRC, has been suspended since May 2026 resulting from the change of business strategy from toy OEM manufacturing to trading-based model. Consequently, the Target Subsidiary has become a company without having operations but remains the lessee of the Land.

The adjusted unaudited total net asset value of the Target Group as at 30 June 2026 was approximately HK$3,028,000. Details of the adjustments are set out in paragraph headed "Assessment of the Consideration" below.

3. Reasons for and benefits of the Disposal

The Group is principally engaged in manufacturing of toys, trading of footwear products, property investment and development, agriculture as well as forestry businesses.

With reference to the Letter from the Board, the Group was adversely impacted by (i) the dampened demand for non-essential consumer goods under macroeconomic and geopolitical reasons, (ii) a sharp decline in demand for a specific toy product from a major customer for the 2025 season, resulting in a significant decrease in revenue of OEM toys production of approximately 41% for the year ended 31 December 2025.

As analyzed in the paragraph headed "Information on the Group" above, the Group recorded loss after tax of approximately HK$1,463.8 million for FY2025 as a result of the decrease of revenue by approximately HK$1,053 million or 33% in particular a decrease in revenue from the OEM toys production segment as a result of a sharp decline in demand for a specific toy product from a major customer for 2025 season due to tariffs and sourcing diversification. With reference to the Letter of the Board, the continuation of losses would materially harm the interest of the Group if operations were not suspended or closed. The Group is undertaking a strategic restructuring of its toy business, shifting from OEM manufacturing operations to a trading-based model. Consequently, the main business of the Target subsidiary, being the provision of toys manufacturing services in Shenzhen, the PRC, has been suspended since May 2026 resulting from the change of business strategy. As a result, the Target Subsidiary has ceased operations but the Target Company 2 remains the lessee of the Land.

With reference to the Letter from the board, due to historical issue, the Target Company 2 has not been able to obtain the ownership titles of any of the Buildings. Further details of the defect in ownership titles of the Buildings are set out in the Letter from the Board. Due to the

defect in the ownership titles of the Buildings, their relatively deteriorated conditions, and the prevailing weak demand condition for production plants erected on leasehold lands, we have consulted with the Company and have been given to understand from the Board that despite the Company approaching some agencies and utilizing its own internal sources, the Company was unable to identify any prospective buyers willing to pay the Consideration, save for the Purchaser. In light of the Group's strategic restructuring of its toy business, it is not considered in the best interest of the Group to allocate resources towards initiating defensive actions to retain the occupancy of the Property.

Having considered that (i) the Target Subsidiary has suspended its operation since May 2026 due to the Group's strategic restructuring of its toy business, resulting in the Target Subsidiary becoming a company without having operation but the Target Company 2 remains the lessee of the Land, (ii) there is limited interest from independent third-party buyers due to the defect in the ownership titles and condition of the Property, and (iii) the net proceeds from the Disposal are intended to be used for working capital of the Group, we are of the view that the Disposal is in line with the overall strategy of the Group.

The Disposal is expected to optimize resource allocation, reduce operating costs, and enhance the Group's overall operational efficiency and is in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Sale and Purchase Agreement

Details of the principal terms and conditions of the Sale and Purchase Agreement are set out in the Letter of the Board.

Assessment of the Consideration

Pursuant to the Sale and purchase Agreement, the Consideration for the Sale Shares is HK$16,000,000. The Consideration shall be satisfied by the Purchaser in cash to the Vendor (or to such other subsidiary(ies) of the Company as the Vendor may direct in writing) upon Completion or on such other later date(s) as may be mutually agreed in writing between the Purchaser and the Vendor. If the Consideration is not settled upon Completion and the Purchaser and the Vendor agree in writing that the Consideration shall be paid on a later date or in instalments after Completion, the Company will make further announcement(s) as and when appropriate in compliance with the Listing Rules.

With reference to the Letter from the Board, the Consideration was determined after arm's length negotiation between the Vendor and the Purchaser, having taken into account of, among other things:

(a) the adjusted unaudited net asset value of the Target Group of approximately HK$3,028,000, representing the unaudited net asset value of the Target Group after taking into account the effect of the waiver of all inter-company current account balances (both credit and debit) between and among the members of the Target Group and the respective members of the Company as at 30 June 2026; and

(b) the difference of HK$12,671,000 between the book value of the Property of HK$24,686,000 and the market value of the Property of approximately RMB32,400,000 (equivalent to approximately HK$37,357,000) as at 31 October 2026 as appraised by the Valuer.

In assessing the fairness and reasonableness of the Consideration, we have considered the following factors:

(i) Adjustments to the net asset value of the Target Group

With reference to the letter from the Board, in assessing the fairness and reasonableness of the Consideration, the Board has taken into account, among other things, the unaudited net asset value of the Target Group. The unaudited revenue of the Target Group amounted to approximately HK$0.1 million for the six months ended 30 June 2026. The unaudited net assets of the Target Group as at 30 June 2026 amounted to approximately HK$40.5 million. The total assets of the Target Group as at 30 June 2026 amounted to approximately HK$65.4 million which mainly comprised of building and land lease of approximately HK$24.7 million and amount due from the intermediate holding company and fellow subsidiaries of approximately HK$39.4 million. The unaudited total liabilities of the Target Group as at 30 June 2026 amounted to approximately HK$24.9 million which mainly comprised of lease liabilities of approximately HK$15.7 million and trade and other payables of approximately HK$7.4 million. Given that the main business of the Target Subsidiary has been suspended since May 2026 and the Target Subsidiary has become a company without having operations but the Target Company 2 remains the lessee of the Land, the remaining principal assets of the Target Group is the Property. We concur with the Board that the adjusted net asset value of the Target Group provides a reasonable reference for assessing the fairness and reasonableness of the Consideration.

With reference to the Letter from the Board, the adjusted unaudited net asset value of the Target Group amounted to approximately HK$3,028,000, representing the unaudited net asset value of the Target Group of approximately HK$40,481,000 and then taking into account the effect of the waiver of inter-company current account balances (the "**Waiver**") of approximately HK$37,453,000. The Waiver comprises (a) the total amount of approximately HK$39,375,000, being mainly sub-contracting fees due from subsidiaries of the Company to the Target Group; and (b) the total amount of approximately HK$1,922,000, being mainly advancements provided by other subsidiaries of the Company to finance the Target Group's operations.

For the purpose of our due diligence, we have made enquiries with the management of the Company as to the nature and terms of the inter-company current account balances (both debit and credit) between the Target Group and other members of the Group. As advised by the Company, as at 30 June 2026, (a) an aggregate amount of approximately HK$39,375,000 was due from subsidiaries of the Company to the Target Group, which mainly represented subcontracting fee payables

arising from the Target Group's OEM toy manufacturing business; (b) an aggregate amount of approximately HK$1,922,000 was due to other subsidiaries of the Company by the Target Group, which mainly represented advancements provided by other subsidiaries of the Company to finance the Target Group's operations. All of the aforesaid inter-company current account balances were unsecured, non-interest bearing and had no fixed terms of repayment. We have compared the inter-company current account balances as at 30 June 2026 with those as at 31 December 2025 and noted that there was no material differences between the two dates.

Having considered the aforesaid, the carrying amount of the inter-company current account balance due to group companies and due from group companies should be considered approximately their fair value.

With reference to the Letter of the Board, the basis and rationale for the Waiver are to eliminate complex post-Completion adjustments and to avoid potential disputes regarding the recoverability of intra-group balances and any corresponding adjustments to the Consideration. We concur with the Board that the Waiver arrangement is fair and reasonable, having regard to the nature of the balances waived and the benefits arising from the Waiver, in particular, the balances being waived comprise intra-group current account balances between the Target Group and other subsidiaries of the Group arising from the ordinary course of intra-group funding and operational arrangements, rather than receivables from or payables to third parties. Having considered the aforesaid, the Consideration determined based on the adjusted net asset value of the Target Group after the Waiver arrangement is appropriate and reasonable.

(ii) Book value and appraised value of the Property

Book value of the Property

As advised by the Company, the book value of the Property amounted to approximately HK$24,686,000, representing book value of Buildings and Land lease of approximately HK$12,275,000 and HK$12,411,000 as at 30 June 2026. We note that the book value of the Property as at 30 June 2026 do not have significant difference from those as at 31 December 2025 and 2024. The Consideration has taken into account the difference of approximately HK$12,671,000 between the book value of the Property of HK$24,686,000 and the market value of the Property of approximately RMB32,400,000 (equivalent to approximately HK$37,357,000) as at 31 October 2026 as appraised by the Valuer.

Appraised value of the Property

In compliance with the requirements of Rule 13.80 of the Listing Rules, for our due diligence purpose, we have (i) interviewed the Valuer and reviewed and enquired into the qualification and experience of the Valuer and noted that the Valuer possesses sufficient qualifications and experience in valuing assets similar to that of the Property for listed companies over the years; (ii) reviewed

the scope of services provided under the engagement of the Valuer and noted that the scope of work is appropriate to the opinion given and, as confirmed by the Valuer during our enquiry, there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer; (iii) made inquiry on any current or prior relationship between the Valuer and the Group, Mr. Ng and any of their respective subsidiaries or their respective associates, which the Valuer has confirmed their independence. The Valuer also confirmed to us that apart from normal professional fees payable to them in connection with their engagement for the valuation, no arrangements exist whereby they will receive any fee or benefit from the Group and its connected persons including the Purchaser. Therefore, we are of the view that the Valuer has sufficient expertise, the scope of work is appropriate for the relevant engagement and the Valuer is independent to perform the valuation for the Property.

We have reviewed the Valuation Report and understand that it was prepared and complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Listing Rules.

Set out below is a summary of the Property held by the Target Group, with reference to the Valuation Report:

Property	**Particulars of occupancy**	**Appraised value as at 31 October 2026**
Three production buildings (Building D, Building E and Building F), three workers' quarters (Quarter BB, Quarter CC and Quarter EE), two staff quarters (Local staff quarters and non-local staff quarters) and electricity generation room, which were completed between 1994 and 1996, located at Nanling Village, Buji Town, Longgang District, Shenzhen City, Guangdong Province, the PRC. As advised by the Company, the total gross floor area of the Property is approximately 34,098.06 sq.m. (without title).	As advised by the Company, the Property is currently leased and occupied by the Group for production and staff quarters purposes as at the Valuation Date.	RMB32,400,000 (equivalent to approximately HK$37,357,000), under the assumption of the relevant title documents were obtained whereas the Property is entitled to be transferred, leased and mortgaged

As mentioned in the Valuation Report, pursuant to four contracts entered into between 深圳市龍崗區布吉鎮南嶺村民委員會 (Shenzhen Longgang District Buji Town Nanling Village Committee*) ("**Nanling**") and 華升電子有限公司 (Wah Shing Electronics Co., Ltd.*) ("**Wah Shing**"), the Property with a total gross floor area of approximately 34,098.06 sq.m. is leased by Nanling to Wah Shing for 50 years with various lease terms for production and staff quarters purposes. As advised by the Company, the Real Estate Ownership Certificate was not obtained, and the Property is not entitled to be transferred. Therefore, the Valuer have ascribed no commercial value to the Property in valuation. The Valuer provided the appraised market value of the Property of RMB32,400,000 for indicative purpose, assuming the relevant title documents were obtained whereas the Property is entitled to be transferred, leased and mortgaged.

We have reviewed the Valuation Report and have discussed with the Valuer regarding the methodology of and the principal basis and assumptions adopted for the valuation of the Property. With regard to the valuation approaches, we have assessed the suitability of each approach as follows:

(a) Income approach: The approach is generally adopted for rent-generating properties given an active open leasing market and/or properties with tenancy agreements in generating rental payment. We understood from the Company that the property is primarily owner-occupied by the Group for production and staff quarters until the suspension of toy manufacturing business in May 2026 and did not generate any rental income as at the Valuation Date. Given the above, we concur with the Valuer that the income approach is inapplicable to the valuation.

(b) Cost approach: The approach only considers the cost to reproduce or replace in new condition the property appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation. The Valuer considered the cost approach is inapplicable to the valuation as there is no convincing association of the values of the Property with costs. Given that the Property is of considerable age and is subject to title document issues and transfer restrictions, a cost-based assessment would not reliably reflect the price that a willing buyer would pay in the current circumstances. Accordingly, we consider the decision not to adopt the cost approach to be fair and reasonable.

(c) Market approach: The approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. The Valuer considered that as there is sufficient market information of the similar assets in the locality and market approach is a common and popular approach in valuing such kind of property in the industry and adopted the market approach which is considered as the most appropriate for in valuing the Property.

Having considered the above, we agree with the Valuer that the market approach is appropriate for the valuation of the Property.

As disclosed in the Valuation Report, the Valuer has further advised that, since no official transaction data of industrial properties is available to public in the PRC, the Valuer has made reference to listing comparables instead of completed transaction prices. This practice is in line with recognized market practices within the PRC real estate appraisal industry as a result of limited available data on completed transaction prices. We agree with the Valuer and are of the view that the use of listing comparables is reasonable, as it provides the comparatively more practicable and reliable market reference available for the purpose of the valuation.

We have then reviewed the list of comparable properties listing and noted that the selection of comparable properties was based on the following criteria: (i) situated within the same district, i.e. Longgang District; (ii) being factory complex with facilities such as factory, dormitory, carpark and canteen; and (iii) the listing dates of all listing comparables were within one month immediately preceding the Valuation Date. We noted that the Valuer sourced the listing comparables from 58同城房產 (hz.58.com). For the purpose of our due diligence, we discussed with the Valuer and understand that 58同城房產 is one of the largest and more popular online property agency platforms commonly used for property listings in the PRC, including listings of industrial premises, and is a platform commonly used as a source for comparable research in property valuations in the PRC. We have conducted independent searches on Hong Kong listed companies and concur that it is not uncommon for valuers to use 58同城房產 (hz.58.com) as sources of information in property valuations. Having considered the above, we performed independent desktop search on the same agency platform (hz.58.com), taking into consideration of the popularity of the platform that could deliver representative comparable search result. We couducted search based on the aforesaid selection criteria adopted by the Valuer after the Valuation date, and we are able to identify three listings in the same district, which were also identified and used as comparables by the Valuer in the Valuation Report. Although the unit price of the comparables represented the asking price of comparable listing, we consider them fair and representative for the purpose of deriving the market price of the Property on the basis that (i)

the comparables are listed within one month from the valuation date on the open market and are the most up-to-date market references available for the purpose of valuation; (ii) the geographic location of the comparables are close to the Property. Based on our discussion with the Valuer regarding the comparables identified, together with the independent desktop search performed, we are of the view that the criteria of the comparable properties are appropriate and reasonable as they ensure the comparables are similar to the Property in terms of location, usage and recent market activity and the cited source is a commonly used platform.

We have obtained from the Valuer and reviewed the supporting documents and information in deriving the appraised value of the Property, which includes details of the adjustments made to each of the comparable properties and the rationale thereof. We understand that the Valuer made adjustments to the comparable listing unit rate, based on its judgement and experience, taking into account differences in several aspects including time, nature of transaction, location, property type, quantum, exterior condition and facilities between the comparables and the Property. We have reviewed these adjustments and discussed with the Valuer about the rationale and methodology for the adjustments. The general basis of adjustment is that if the comparables is superior to the Property, a downward adjustment is made. Alternatively, if the comparables is inferior or less desirable than the Property, an upward adjustment is made. We note that the Valuer made several adjustments to the unit rate, including (i) an approximately 10% downward adjustment to reflect the discrepancy between listing prices and transacted prices in the local industrial real estate market, having regard to the fact that all selected comparables are listings by willing sellers rather than completed arm's-length transactions; (ii) downward adjustments of approximately 40% and 10% made to the unit rate of the comparables to reflect the respective differences in exterior condition and facilities between the Property and the comparables; and (iii) an approximately 1.0% downward adjustment to reflect the quantum differential, as the Property is larger than the comparable listings and unit rates of larger industrial premises are generally lower. Having regard to (i) the close proximity between the Valuation Date and the listing dates of the selected comparables, (ii) the geographic proximity of the comparable listings to the Property, (iii) the similarity in property type and (iv) consideration of the difference between the selected comparables and Property, we concur with the adjustments adopted by the Valuer and have no reason to doubt the reasonableness of these adjustments in the circumstances.

Based on the above analysis of the comparables, the Valuer has adopted the adjusted unit rate of the Property of approximately RMB1,053 per sq.m. for Building D as at 31 October 2026. The Valuer then applied the adjusted unit rate of Building D as a unit rate reference to the other seven buildings of the Property, namely Building E, Building F, Quarter BB, Quarter CC, Quarter EE, local staff quarters and non-local staff quarters, to reflect the individual difference of the Buildings of the Property, made further adjustment to the adjusted unit rate, based on its judgement and experience, taking into account differences in several aspects including location, property type, quantum and interior conditions for each of the buildings of the Property. The Valuer made a downward adjustment of approximately 30% to the adjusted unit rate of the three workers' quarters (Quarter BB, Quarter CC and Quarter EE), two staff quarters (Local staff quarters and non-local staff quarters), due to their difference in the nature of property type and interior condition compared with Building D. This was offset by an upward adjustment of approximately 0.1% to 1% to each of the seven buildings of the Property, under the consideration of quantum difference between the seven buildings of the Property and Building D. The average adjusted unit rate of the Property is at around RMB950 per sq. m. As a result, the Valuer appraised the value of the Property to be approximately RMB32,400,000 (equivalent to approximately HK$37,357,000) as at 31 October 2026.

Based on our due diligence on the valuation of the Property as detailed above, including (i) reviewing the Independent Valuer's terms of engagement, qualifications, experience and independence in accordance with Rule 13.80 of the Listing Rules; (ii) assessing the applicability of the valuation approaches and confirming that the market approach is appropriate; (iii) reviewing the selection criteria and list of listing comparables; and (iv) examining the principal adjustments, underlying parameters and calculation of the appraised value, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Report.

Conclusion

Based on the above, in particular, (i) the Target Group has ceased its respective principal business and operation, save for remain as lessee of the Land and holding the Property; (ii) the Consideration has been determined based on the adjusted net assets of the Target Group as at 30 June 2026, which was derived after the waiver of all inter-company current account balances between and amongst the Target Group and its affiliates; and the difference between the book value and appraised value of the Property. As analysed above, these adjustments are fairly and reasonably made because it could appropriately reflect the assets and liabilities position of the Target Group after taking out the financial assistance to/from the Group; and the fair value of the principal assets i.e. the Property in the balance sheet of the Target Group; (iii) our review on the valuation of the Property and the discussion with the Valuer, where we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases and assumptions adopted for the valuation of the Property, we consider basis for determining the Consideration is fairly made and the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial impact of the Disposal and intended application of proceeds

With reference to the Letter of the Board, upon Completion, the Target Group will cease to be subsidiaries of the Company, and the profit or loss as well as the assets and liabilities of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

Earning

It is estimated that the Group will record a gain on the Disposal in the amount of approximately HK$12,972,000, which is calculated based on the Consideration and the adjusted unaudited net asset value of the Target Group as at 30 June 2026 before all taxes and related expenses in relation to the Disposal. The actual amount of gain as a result of the Disposal will be calculated based on the net book value of the Target Group at Completion, net of any incidental expenses, and subject to review by the auditors of the Company.

Assets and Liabilities

Having considered the Consideration and the adjusted unaudited net asset value of the Target Group as at 30 June 2026, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK$10,057,000, while the total liabilities of the Group will decrease by approximately HK$23,029,000. Accordingly, it is estimated that the net assets of the Group will have an increase of approximately HK$12,972,000.

Cashflow

The Group intends to use the net proceeds from the Disposal for working capital.

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

OPINION AND RECOMMENDATION

Having considered the above, in particular, (i) the Disposal is in line with the Group's strategic restructuring of its toy business to optimize resource allocation, reduce operating costs, and enhance the Group's overall operational efficiency, (ii) the Consideration is fair and reasonable, and (iii) there would be overall positive financial impact on the Group as a result from the Disposal, we are of the view that, although the Disposal is not conducted in the ordinary and usual course of business of the Group, the Disposal is on normal commercial terms, and the terms of the Sale and Purchase Agreement and the Disposal are fair and reasonable so far as the Independent Shareholders are concerned, and 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 favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the Disposal, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Huaan Securities (Hong Kong) Corporate Finance Limited



Fanny Lee
Managing Director

Ms. Fanny Lee is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Huaan Securities (Hong Kong) Corporate Finance Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 25 years of experience in corporate finance industry.