Litian Pictures Holdings Limited
力天影業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9958)

Executive Directors:
Mr. Xie Taoquan *(Chairman)*
Ms. Yu Ping
Ms. Huang Meiyuan

Independent non-executive Directors:
Mr. Liang Jie
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Mr. Chen Tong

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13 November 2026

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with, among other things, (i) further details of the Increase in Authorised Share Capital; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required under the Listing Rules; and (v) a notice convening the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to provide the Company with greater flexibility to raise funds by the Rights Issue, the Board proposes to increase the authorised share capital of the Company from HK$5,000,000 divided into 500,000,000 Shares of HK$0.01 each to HK$40,000,000 divided into 4,000,000,000 Shares of HK$0.01 each by creating an additional 3,500,000,000 unissued Shares of HK$0.01 each.

Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM. The Board believes that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

Conditional upon the Increase in Authorised Share Capital becoming effective and the approval by the Independent Shareholders at the EGM, the Board proposes to raise gross proceeds of up to approximately HK$190 million (assuming full subscription under the Rights Issue) by way of issuing up to 2,000,000,000 Rights Shares assuming no change in the number of Shares in issue on or before the Record Date) at the Subscription Price of HK$0.095 per Rights Share on the basis of four (4) Rights Share for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any). Further details of the Rights Issue are set out below:

Rights Issue statistics

Basis of the Rights Issue	:	Four (4) Rights Share for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.095 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	500,000,000 Shares
Maximum number of Rights Shares to be issued	:	2,000,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)

Approximate aggregate nominal value of the Rights Shares	:	HK$20,000,000 (assuming no change in the number of Shares in issue on or before the Record Date)
Number of Shares in issue upon completion of the Rights Issue (assuming the Rights Issue is fully subscribed)	:	2,500,000,000 Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Net subscription price per Rights Share (i.e. Subscription Price less Rights Issue expenses)	:	Approximately HK$0.094 per Rights Share
Maximum gross proceeds to be raised from the Rights Issue before expenses	:	Approximately HK$190 million
Maximum net proceeds to be raised from the Rights Issue after expenses	:	Approximately HK$188 million
Rights of excess application	:	No rights of excess application

Assuming no change in the number of issued Shares on or before the Record Date and that no new Shares will be allotted and issued on or before completion of the Rights Issue, the 2,000,000,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 400% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) 80% of the total issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

As at the Latest Practicable Date, the Company has no outstanding derivatives, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

The Subscription Price

The Subscription Price is HK$0.095 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Share(s) applies for the Rights Share(s).

The Subscription Price represents:

(i) a discount of approximately 22.13% to the closing price of HK$0.122 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 22.76% to the average closing price of approximately HK$0.123 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 22.76% to the average closing price of approximately HK$0.123 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 5.57% to the theoretical ex-rights price of approximately HK$0.1006 per Share based on the benchmarked price of HK$0.123 per Share (as defined under Rule 7.27B of the Listing Rules), taking into account the higher of (i) the closing price of HK$0.122 per Share on the Last Trading Day; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day of HK$0.123 per Share); and

(v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 18.21% of the theoretical diluted price of approximately HK$0.1006 per Share to the benchmarked price of approximately HK$0.123 per Share (as defined under Rule 7.27B of the Listing Rules), taking into account the higher of (i) the closing price of HK$0.122 per Share on the Last Trading Day; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day of HK$0.123 per Share).

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of the Rights Shares will be approximately HK$0.094.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group, in particular, regard was also had to the net liability of the Company of approximately RMB543,690,000 as at 30 June 2026; (iii) the reasons for and benefits of the proposed Rights Issue as discussed in the section headed "Reason for and benefits of the Rights Issue and the use of proceeds" in this circular; and (iv) the amount of funds the Company intends to raise under the Rights Issue.

The Directors consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group; and (iv) the latest financial position and the net liability of the Company.

Non-underwritten Basis

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

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlements under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code and the Company to ensure the compliance of the requirements of the sufficient public float be maintained upon the Completion in accordance to the note to Rule 7.19(5) and Rule 13.32B of the Listing Rules.

Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

On 27 August 2026, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best effort basis. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best-effort basis, procure, by not later than 4:00 p.m. on Tuesday, 2 February 2027, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares. Any Unsubscribed Rights Shares that are not placed will not be issued by the Company, and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders and Non-Qualifying Shareholders as set out below on a pro-rata basis (but rounded down to the nearest cent):

A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and

B. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Non-Qualifying Shareholders become entitled on the basis described above to an amount of HK$100 or more, such amount will be paid to the relevant No Action Shareholder(s) and Non-Qualifying Shareholders in Hong Kong Dollars only, and the Company will retain individual amounts of less than HK$100 for its benefit.

The principal terms of the Placing Agreement are summarised below.

Date:	27 August 2026
Issuer:	The Company
Placing Agent:	As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.
Placing Period:	The period from Thursday, 21 January 2027 to Tuesday, 2 February 2027, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.
Placing Price:	The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price, and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process.
Placing commission:	1% of the aggregate placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully placed by or on behalf of the Placing Agent.
Placees:	The placees shall be professional, institutional and other investors. The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s), shall be third party(ies) independent of the directors, chief executive or substantial shareholders of the Company, its subsidiaries, or their respective associates.
Ranking of the Unsubscribed Rights Shares:	Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.

Conditions of the Placing Agreement:

The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions (the "**Placing Conditions**") being fulfilled (or being waived by the Placing Agent in writing, if applicable):

(i) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in the Rights Shares;

(ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;

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

(iv) the posting of copies of the Prospectus and the PAL to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders for information purpose only; and

(v) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly certified in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (and other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Listing Rules.

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

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

Termination: If, prior to the expiry of the Placing Period:

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

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

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

(c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or

(d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing,

the Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to the expiry of the Placing Period, to terminate the Placing Agreement.

The Compensatory Arrangements comply with the requirements under Rule 7.21(1)(b) under which the No Action Shareholders may be compensated even if they do nothing (i.e., neither subscribe for Rights Shares nor sell their nil-paid rights), given that the Unsubscribed Rights Shares will be first offered to Independent Third Parties. Any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company.

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

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

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

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

(i) the Increase in Authorised Share Capital having become effective;

(ii) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;

(iii) the Listing Committee granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);

(iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of the Prospectus Documents in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;

(v) the Prospectus Documents having been made available to the Qualifying Shareholders and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Prospectus Posting Date; and

(vi) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect.

None of the above conditions can be waived. As at the Latest Practicable Date, none of the above conditions has been fulfilled. If any of the conditions referred to above is not fulfilled by 4:00 p.m. Wednesday, 3 February 2027, the Rights Issue will not proceed.

The Rights Issue is subject to the fulfilment of conditions including the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. If the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of four (4) Rights Share for every one (1) existing Share held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed, in printed form and individually, to subscribe for the Rights Shares as shown therein. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made with the Registrar on or before the Latest Time for Acceptance by lodging a duly completed PAL and a remittance for the Rights Shares being applied for.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any). To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Non-Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Friday, 11 December 2026 (Hong Kong time).

Beneficial owners whose Shares are held by nominee companies (or held in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by nominee companies (or held in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status and action to be taken.

Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Prospectus Documents will be made available and/or despatched (as the case may be) to the Qualifying Shareholders on the Prospectus Posting Date. Copies of the Prospectus Documents will also be made available on the websites of the Company (http://www.litian.tv) and the Stock Exchange (www.hkexnews.hk). The Prospectus only (excluding the PAL) will be made available and/or despatched (as the case may be) to the Non-Qualifying Shareholders for their information purpose only to the extent permitted under the relevant laws and regulations and reasonably practicable. The Company will despatch the PAL in printed form to the Qualifying Shareholders but will not despatch the PAL to the Non-Qualifying Shareholders.

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

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

The Overseas Shareholders

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. If, at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue. As at the Latest Practicable Date, based on the register of members of the Company, there was one Overseas Shareholder with registered addresses in the PRC holding 300 Shares.

Save as aforesaid, there were no other Overseas Shareholders based on the register of members of the Company as at the Latest Practicable Date.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Company made necessary enquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. Having considered the results of such enquiries obtained, the Directors are of the view that there are no legal restrictions under the laws of or the requirements of the relevant regulatory bodies or stock exchange in the PRC with respect to the offer of the Rights Shares to the Overseas Shareholders with registered addresses in such jurisdiction as at the Latest Practicable Date. Accordingly, the Directors have decided to extend the Rights Issue to the Overseas Shareholder having registered addresses in the PRC, and such Overseas Shareholder is considered as Qualifying Shareholder. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders in other jurisdictions on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange,

no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholder(s). Such Overseas Shareholders will be regarded as Non-Qualifying Shareholders and will not qualify for the Rights Issue. The basis of exclusion of Non-Qualifying Shareholders, if any, will be disclosed in the Prospectus.

Overseas Shareholders and beneficial owners of Shares residing outside Hong Kong should note that they may or may not be able to participate in the Rights Issue, subject to the results of enquiries made by the Company pursuant to the notes to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities laws or other laws or regulations of any territory or jurisdiction. The Rights Issue does not constitute any offer or invitation to sell, issue or solicit for Shares in any jurisdiction in which such actions are unlawful or otherwise restricted. Accordingly, Overseas Shareholders and beneficial owners of Shares residing outside Hong Kong should inform themselves of and observe any such restrictions, if applicable, and exercise caution when dealing in the Shares.

Non-Qualifying Shareholders (if any)

The Company will not extend the Rights Issue to the Non-Qualifying Shareholders. Accordingly, no provisional allotment of the Rights Shares will be made to the Non-Qualifying Shareholders and the Non-Qualifying Shareholders will not be entitled to apply for the Rights Shares.

Any unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Placing Agent under the Placing Arrangement together with the Unsubscribed Rights Shares. The proceeds of the sale as described above in the case of being sold by the Placing Agent, less the Subscription Price and expenses, will be paid pro-rata (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders to their shareholdings held on the Record Date in Hong Kong Dollars together with the No Action Shareholders on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK$100 for its own benefit. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

For the Nil Paid Rights that were sold as described above and the buyer of such Nil Paid Rights who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

The Prospectus Documents, together with the PAL, will be made available and/or despatched (as the case may be) to the Qualifying Shareholders only and to the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Prospectus (excluding the PAL) will be made available and/or despatched (as the case may be) to the Non-Qualifying Shareholders for their information only. The Company will despatch the PAL in printed form to the Qualifying Shareholders but will not despatch the PAL to the Non-Qualifying Shareholders.

Fractional Entitlements to the Rights Shares

On the basis of provisional allotment of four (4) Rights Share for every one (1) existing Share held on the Record Date, no fractional entitlements to the Rights Shares shall be issued to the Shareholders.

A Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or cause the public float of the Company to decrease to below 25%. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which (a) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules; and (b) does not cause the Company's public float to decrease to below 25%.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Friday, 12 February 2027 to those entitled thereto at their registered addresses by ordinary post at their own risk. Each Shareholder will receive one share certificate for all allotted Rights Shares. If the Rights Issue does not become unconditional, refund cheques without interest are expected to be posted on or before Friday, 12 February 2027 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

The nil-paid Rights Shares and the fully-paid Rights Shares will be traded in the board lot size of 10,000 Shares.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to payments of stamp duty, Stock Exchange trading fee, SFC transaction levy, AFRC transaction levy or any other applicable fees and charges in Hong Kong.

Irrevocable undertaking

As at the Latest Practicable Date, the Board has not received any information or undertaking from any Shareholders of their intention to take up or not to take up the securities of the Company to be provisionally allotted to them under the Rights Issue.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in the production, distribution and licensing of broadcasting rights of drama series in the PRC.

The Group has been actively pursuing opportunities to diversify its revenue streams and expand its business scope. We derive our revenue mainly from the distribution and licensing of broadcasting rights of drama series which mainly comprised of self-produced drama series and outright-purchased drama series we purchased outright from third-party copyright owners/ licensors. Looking ahead, we will constantly film our expected self-produced drama series and expedite our distribution and licensing of broadcasting rights of existing self-produced drama series through traditional TV channels as well as online video streaming platforms. In addition, we will work closely with the third-party copyright owners/licensors to obtain the copyrights of additional outright purchased drama series of different genres to cater to the different preferences of our customers. These production and acquisition, coupled with the distribution and marketing costs arising therefrom, will require the Group to have adequate and flexible funding capability and resources to maintain and continue to grow its business operation, and seize valuable business opportunities in a timely fashion. It is expected that the Company's funding needs include payment for movie and drama series planned for production in 2026 and 2027, payment of existing debts and trade and other payables and general working capital purpose.

Use of proceeds

Assuming there will be no change in the total number of issued Shares from the date of this circular up to and including the Record Date and that all Rights Shares are subscribed for or successfully placed under the Compensatory Arrangements, the estimated net proceeds from the Rights Issue, after deducting estimated expenses of approximately HK$2 million, including an allowance for potential placing commission, are expected to be approximately HK$188 million. The actual expenses and net proceeds will depend on the level of take-up of the Rights Shares and the results of the Placing.

The unaudited pro forma financial information in Appendix II assumes that all Rights Shares are subscribed for under the provisional allotments and no placing commission is payable. On that basis, the estimated expenses are approximately HK$250,000 and the estimated net proceeds are approximately HK$189.75 million.

The following allocation amounts are based on the estimated net proceeds of approximately HK$188 million. The Company intends to apply such net proceeds as follows:

(i) approximately 50% (or approximately HK$94.0 million), for repaying existing debts and trade payable of the Group;

(ii) approximately 41% (or approximately HK$77.2 million), comprising approximately HK$56.4 million for the development and production of the Short Drama Projects and approximately HK$20.8 million (equivalent to approximately RMB18.0 million) for the initial user-acquisition budget for the Short Drama Projects; and

(iii) approximately 9% (or approximately HK$16.8 million) for enhancing the general working capital of the Group.

The Rights Issue forms part of the Company's action plan to resolve the disclaimer of opinion solely relating to going concern (the "**Disclaimer of Opinion**") as expressed by the auditor on the consolidated financial statements of the Group for the year ended 30 June 2026. The matters giving rise to the Disclaimer of Opinion principally relate to the Group's net current liabilities position (approximately RMB542,812,000 as at 30 June 2026), its outstanding and overdue indebtedness and trade and other payables (including overdue other loans of approximately RMB111,415,000 and accrued interest and other finance charges thereon of approximately RMB50,684,000 as at 30 June 2026), and the uncertainty as to the feasibility and likelihood of successful implementation of the remedial measures. The proposed application of the net proceeds from the Rights Issue addresses these matters as follows: (i) approximately HK$94.0 million (approximately 50%) will be applied for the repayment of existing debts and trade payables of the Group (including the overdue amounts referred to below), which, upon completion of the Rights Issue (assuming all Rights Shares are subscribed for or successfully placed under the Compensatory Arrangements), will reduce the Group's net current liabilities from approximately RMB542,812,000 as at 30 June 2026 to approximately RMB380,200,000 and its net liabilities from approximately RMB543,690,000 to approximately RMB381,100,000, based on the estimated net proceeds of approximately HK$188 million (equivalent to approximately RMB162.6 million), and address the uncertainty relating to the settlement of the Group's liabilities; (ii) approximately HK$77.2 million (approximately 41%), comprising approximately HK$56.4 million for the development and production of the Short Drama Projects and approximately HK$20.8 million for the initial user-acquisition budget for the Short Drama Projects as described below, being the application directed at restoring and expanding the Group's revenue-generating capacity; and (iii) approximately HK$16.8 million (approximately 9%) will be applied as general working capital to enable the Group to meet its obligations as and when they fall due. Together with the other measures under the Company's action plan (including the continued implementation of the remedial measures disclosed in the annual report of the Company for the year ended 30 June 2026, the entering into of binding settlement and repayment arrangements with the Group's creditors and binding production and distribution agreements in respect of the Group's projects), the Directors are of the view that the Rights Issue, upon

completion, will address the matters giving rise to the Disclaimer of Opinion and enable the Company to resolve the Disclaimer of Opinion within a reasonable period, in particular at the audit of the Group's consolidated financial statements for the year ending 30 June 2027. In the event that the proceeds raised are less than the above stated amount, the Company will reduce the quantity of short drama projects to be produced. General working capital will be applied over a shorter period, with priority given to the repayment of outstanding indebtedness and trade payable to strengthen the balance sheet and ensure financial stability.

For repaying existing debts and trade payables

The Company intends to settle (i) the trade and other payables to three suppliers of the Company in the sum of RMB75,544,476.48, which is already overdue, as soon as the proceeds from the Rights Issue is available, and (ii) other loans to three creditors in the sum of HK$8,697,500.00, which is repayable within one year. Set out below is the breakdown of such payables and loan.

	Supplier/Creditors	**Amount payable**	**Maturity Date**
1	Supplier A	RMB38,015,188.68 (or approximately HKD44,498,000)	Overdue
2	Supplier B	RMB15,529,287.80 (or approximately HKD18,176,000)	Overdue
3	Supplier C	RMB22,000,000.00 (or approximately HKD25,758,000)	Overdue
4	Creditor D	HKD6,660,000.00	31 December 2026
5	Creditor E	HKD1,737,500.00	31 December 2026
6	Creditor F	HKD300,000.00	31 December 2026

Creditors D, E and F are non-bank creditors, each of whom is an Independent Third Party.

For development and production of movie and drama series

Approximately 30% of the net proceeds will be applied to the planning and production of up to approximately 300 short drama projects (the "**Short Drama Projects**"), each with a budgeted cost of approximately RMB200,000, representing a maximum aggregate investment of not more than approximately RMB60.0 million, of which approximately RMB48.8 million (being the 30% of the net proceeds from the Rights Issue, equivalent to approximately HK$56.4 million) is expected to be applied out of the net proceeds of the Rights Issue and the balance is expected to be funded from the Group's internal resources (including revenue generated by the Group's online platform and income from the licensing of the Group's script copyrights). In addition, approximately RMB18.0 million of the net proceeds of the Rights Issue will be applied as the initial user-acquisition budget for the Short Drama Projects (as part of the allocation to the Short Drama Projects), and user-acquisition expenditure thereafter is expected to be funded by the

revenue generated by the Short Drama Projects. Planning activities and production are scheduled to begin upon completion of the Rights Issue in February 2027 and releases targeted for completion by the second quarter of 2028.

The Group has been engaged in the production, distribution and licensing of film and television content in the PRC for over 13 years and commenced its short drama business in May 2026, with approximately 130 short dramas produced and released on its own platform as at the Latest Practicable Date. The Short Drama Projects represent a natural expansion of the Group's existing film and drama business. The reasons and the expected benefits accruing to the Company are as follows:

(1) Under-utilised existing literary assets. As at 30 June 2026, the Group held script copyrights with a gross carrying amount of RMB179,097,000. The great majority of these titles are not expected to be developed into full-length television drama series in the near term, but they can be adapted economically into short drama format. The Short Drama Projects therefore monetise existing assets at low marginal cash cost rather than requiring the acquisition of new source material.

(2) Different risk profile from full-length production. A full-length self-produced drama series requires a substantially larger outlay and a long production-to-release cycle, and historically this has given rise to very substantial impairment: accumulated impairment losses on the Group's drama series copyrights, outright-purchased drama series, co-financed drama series with production completed and script copyrights amounted to RMB317,910,000 as at 30 June 2026. By contrast, each production under the Short Drama Project has a budgeted cost of approximately RMB200,000. Spreading the same investment across approximately 300 titles materially reduces concentration risk and limits the maximum loss on any single title.

(3) Shorter cash conversion cycle and faster feedback. Short dramas have a significantly shorter production cycle than full-length series, so the interval between cash outflow and revenue generation is expected to be considerably shorter.

(4) Existing established and proven channel. The Group's online platform generated approximately RMB4.0 million of revenue attributable to about 30 short dramas during the period from May 2026 (being the month in which the Group commenced its short drama business and launched its online platform, 9958tv) and up to 30 June 2026; approximately 130 short dramas had been produced and released on the platform as at the Latest Practicable Date. Increasing the volume and quality of content available on that platform is expected to grow subscription and per-title purchase revenue.

(5) Alignment with industry orientation. The long-form drama series market in the PRC has contracted in recent years. According to Enlightent (雲合數據), 624 new long-form drama series were released on online platforms in the PRC in 2025, being 31 fewer than in 2024; 41 titles were rated S+ in 2025 as compared with 49 in 2023. For Enlightent (雲合數據) long-form web series, the S+ rating represents the top-tier streaming content production. A series receives an S+ rating based on a proprietary evaluation model that heavily weighs effective viewership, market share, user engagement, cast pulling power, and commercial value (such as brand sponsorship tiers); and the average views per episode of the most watched title fell from over 140 million in 2023 to approximately 60.8 million in 2025. According to an industry review of the audited 2025 annual reports of six PRC-listed drama series producers published in 中國新聞出版廣電報, only two of the six recorded a profit attributable to shareholders for 2025, and in neither case was that profit derived principally from drama series production (in one case, more than 90% of the profit comprised non-recurring gains and government grants); the other four recorded losses attributable to shareholders, the largest of which was approximately RMB1.1 billion. In contrast, according to the National Radio and Television Administration, the market size of the micro-drama industry in the PRC exceeded RMB100 billion in 2025, nearly double that in 2024, with approximately 33,000 micro-dramas released during the year. The same shift is taking place outside the PRC. According to Sensor Tower, global in-app purchase revenue of short drama applications exceeded US$2.8 billion in 2025, an increase of approximately 116% year on year, with downloads of approximately 2.3 billion. DataEye Research Institute estimates the size of the overseas micro-drama industry, including advertising and subscription revenue, at approximately US$4.0 billion in 2025, and expects it to exceed US$5.0 billion in 2026. Chinese-speaking audiences form part of that demand. According to the report of the State Council on the Work of Overseas Chinese Affairs in the New Era, more than 60 million overseas Chinese live in nearly 200 countries and regions, with sizeable communities in Southeast Asia and North America. The Board considers that the shift in the Group's production focus is consistent with this structural change in the market, and that the Group's existing script library, AI-assisted production capability and own platform enable it to participate in the growth of the micro-drama market at a lower unit cost and with a shorter production-to-revenue cycle than full-length drama series. Accordingly, the development of the short drama business is expected to improve the business operations and financial performance of the Group by: (i) adding a new revenue stream with a shorter production-to-revenue cycle than full-length drama production; (ii) monetising the Group's existing library of script copyrights, which would otherwise remain largely unproductive; (iii) reducing concentration risk in content production; and (iv) broadening the Group's customer base to include overseas Chinese-speaking audiences.

(6) Expected revenue to be generated by the 300 short dramas

Based on the preliminary operating data of the Group's online platform, the approximately 30 short dramas launched in May and June 2026 generated revenue of approximately RMB4.0 million over the two-month period, equivalent to approximately RMB2.0 million per month, or approximately RMB66,000 per title per month. The Directors consider this average as a baseline for the estimation on the revenue to be generated by the 300 short dramas.

Having regard to (i) the dedicated user-acquisition campaigns for each batch of releases, (ii) the expected profile of revenue recognition (as most subscribers purchase six-month subscription packages, revenue from each subscriber is recognised over the six-month subscription period) and (iii) the content specification of the titles under the Short Drama Projects – each title will be an AI-generated animated short drama comprising indicatively 60 to 80 episodes of approximately one to two minutes each, with a total running time of approximately 100 minutes per title, produced to an upgraded specification (including more storyboards, a higher proportion of animation and richer visuals with transitions, lighting and effects compositing) as compared with the approximately 130 short dramas previously released by the Group, which were produced to a simplified specification – the Directors estimate that each title will generate average revenue of approximately RMB800,000 over a revenue lifecycle of approximately four quarters following its release.

Approximately 50 titles are expected to be released in each of the six quarters from the first quarter of 2027 to the second quarter of 2028. As each title generates revenue over a lifecycle of approximately four quarters after launch, once the ramp-up is complete (from the fourth quarter of 2027, when the first four batches are in their revenue-generating periods), the Short Drama Projects are expected to generate quarterly revenue in the range of approximately RMB22.0 million to RMB40.0 million, building up as successive batches are launched and peaking from the fourth quarter of 2027 (when the first four batches are in their revenue-generating periods), before tapering as the earlier batches complete their revenue lifecycles.

On this basis, the 300 short dramas are expected to generate aggregate revenue of approximately RMB240.0 million over the period from the first quarter of 2027 to the first quarter of 2029, of which approximately RMB54.0 million is expected to be recognised in the financial year ending 30 June 2027, approximately RMB156.8 million in the financial year ending 30 June 2028 and approximately RMB29.2 million in the financial year ending 30 June 2029.

In assessing the proposed allocation of HK$77.2 million of the net proceeds from the Rights Issue to the Short Drama Projects, the Board has considered the followings:

(1) At 30 June 2026 the Group had net current liabilities of RMB542,812,000, cash and cash equivalents of approximately RMB3.54 million, and loans from third-parties of approximately RMB126.0 million bearing interest at 1-15% per annum. The Group cannot service significant additional debt, and debt financing would increase an already burdensome interest cost.

(2) Allocating 100% of the net proceeds to repayment of debts would leave the Group without income-generating assets. Repayment alone does not restore profitability, the Group's medium-term ability to meet its obligations depends on its capacity to generate content revenue. The Board has therefore allocated approximately 50% of the net proceeds of the Rights Issue (approximately HK$94.0 million) to the repayment of overdue trade and other payables and loans falling due within one year, and approximately 41% (approximately HK$77.2 million) to the Short Drama Projects (comprising content production and the initial user-acquisition budget), being the cash-generating application.

(3) (a) the Group is already engaged in short drama business and started generating revenue in FY2026, so the business does not have to be built from nothing; (b) it deploys an existing library of script copyrights (with gross carrying amount RMB179,097,000 at 30 June 2026) at low marginal cash cost; (c) the budgeted cost per project of approximately RMB200,000 spreads risk over approximately 300 titles, in contrast to the concentration and historical impairment associated with full-length series (accumulated impairment losses of RMB317,910,000 at 30 June 2026); (d) the production-to-revenue cycle is materially shorter; and (e) the short dramas are not shown in the PRC and, accordingly, no filing or registration of the short dramas with the PRC regulatory authorities is required. If the Group subsequently distributes the short dramas in the PRC, it will obtain the requisite filing first.

(4) The Group's short dramas business has made the following achievements: (a) revenue of approximately RMB4.0 million was generated from approximately 30 short dramas on the platform during the period from May 2026 to June 2026; (b) the total number of subscribers of the platform increased from 113,975 as at 30 June 2026 to 186,213 as at 30 September 2026; (c) a gross profit of approximately RMB3,301,000 (a gross margin of approximately 82.3%); (d) advertising and user-acquisition costs of approximately RMB12.0 million have been incurred, equivalent to approximately RMB110 per paying subscriber acquired on average, as compared with the average subscription revenue of approximately RMB126 per subscriber.

(5) The competitive advantages of the Group's platform in attracting and retaining users include: (i) vertical integration, as the Group owns both the platform and the underlying content, which reduces distribution costs and third-party dependencies and allows the release schedule of content to be planned flexibly; (ii) a content pipeline at low marginal cost, as the Group's library of script copyrights (with a gross carrying amount of RMB179,097,000 as at 30 June 2026) enables new titles to be developed and produced continuously at a budgeted cost of approximately RMB200,000 per title; (iii) the use of AI-assisted production through external production service providers engaged by the Group, which shortens production cycles and allows the volume and genre mix of content to be adjusted in response to user demand; (iv) content and language positioning targeted at overseas Chinese-speaking audiences; and (v) a flexible fee structure comprising both subscription and per-title purchase options, which lowers the entry threshold for new users while offering better value to frequent viewers under the subscription plans.

(6) The fee structure of the platform comprises: (i) a six-month subscription plan at US$21.88 (approximately RMB147.4); (ii) a monthly subscription plan at US$7.88 per month (approximately RMB53.1); and (iii) per-title purchase at US$4.88 per title (approximately RMB32.9). The Directors keep the fee structure under regular review. By way of comparison, based on publicly available information as at the Latest Practicable Date, representative overseas short drama streaming platforms charge higher fees: ReelShort charges a VIP subscription of approximately US$19.99 per week (or US$199.99 per year) and DramaBox charges a subscription of approximately US$5.99 per week (or US$49.99 per year), in each case in addition to coin-based payment for unlocking individual episodes, which typically costs in the range of approximately US$30 to US$50 to unlock a full series. The Group's platform subscription and per-title fees are therefore generally lower than those charged by comparable short drama streaming platforms, and the Directors consider that such pricing positions the platform as an affordable option in the market and enhances its appeal to new users.

The role of the Company is investor and copyright owner. The Group provides or procures the underlying script and engages external production resources, and owns or controls the resulting copyrights. The Group's short drama and platform operations are managed by a dedicated team with experience in the production of short-form video content and the operation of online content platforms.

The Short Drama Projects will be distributed through the Group's own online platform, which is operated under the domain name www.9958tv.com and owned and operated by Litian Technology Group Co., Limited (力天科技集團有限公司) (the "Platform Operator"), a wholly-owned subsidiary of the Company incorporated in Hong Kong. No third-party platform is used and no distribution agreement with any third party has been entered into in respect of the short dramas. The Company derives its revenue from the platform through subscription and/or per-title purchase.

The Short Drama Projects are intended to be released outside the PRC, through the Group's own online platform. The Group does not target any single country or region and there is no fixed geographic target market for the short dramas. The platform is accessible to viewers worldwide outside the PRC and the Group's short drama and platform business principally targets Chinese-speaking audiences outside the PRC, namely the overseas Chinese community, whose members are dispersed across numerous jurisdictions; the Group's target audience is accordingly defined by language and cultural affinity rather than by geography. There is no regulatory licensing or approval requirement from PRC or overseas regulators for release outside the PRC. The Group is also exploring licensing opportunities in overseas markets which, if materialised, are expected to be entered into on a licensing fee or revenue-sharing basis on normal commercial terms; as at the Latest Practicable Date no such arrangement has been entered into.

The actual number of Short Drama Projects to be produced and released will depend on the net proceeds actually raised, the availability of production resources and the market response to the short dramas released. As at the Latest Practicable Date, the Short Drama Projects remain at the planning stage. The underlying scripts of the titles will be adapted from the Group's existing library of script copyrights, and the titles will be AI-generated animated short dramas spanning popular short drama genres, including urban romance, revenge and workplace dramas, rebirth and family sagas, costume and fantasy, inspirational youth and sports dramas, and suspense.

The budgeted cost of approximately RMB200,000 per title comprises approximately RMB30,000 (15%) for script adaptation and development, being the adaptation of the Group's existing scripts into short drama format, approximately RMB80,000 (40%) for content generation, being the service fees of external content production service providers and the associated computing power and model licensing costs, approximately RMB20,000 (10%) for voice-over, dubbing and audio production, approximately RMB30,000 (15%) for post-production (editing, subtitling, colour grading and compositing), approximately RMB20,000 (10%) for production management and other direct costs and approximately RMB20,000 (10%) as contingency. Such cost has been determined with reference to the Group's internal cost estimates based on the production cost of the Group's existing AI-generated animated short dramas of approximately RMB40,000 per drama, which is lower than the budgeted cost of approximately RMB200,000 per title because they were produced to the simplified specification as a market-testing approach to establish an initial content library at minimal cost when the platform commenced operation in May 2026, and the prevailing market range of approximately RMB1,000 to RMB3,000 per minute for AI-generated short dramas in the PRC. The budgeted production cost of approximately RMB200,000 per title is considered by the Board to be fair and reasonable

notwithstanding that it is significantly higher than RMB40,000 as the higher budgeted cost per title primarily reflects a comprehensive upgrade in production quality, scope, and operational scale compared to the initial trial phase. Specifically, the Short Drama Projects involve enhanced scriptwriting depth, higher-fidelity visual rendering, enhanced voice acting, and higher post-production standards. In contrast, the preliminary market-testing dramas were intentionally produced under a streamlined specification using simplified workflows to establish an initial content library at a minimal baseline cost.

The budgeted cost excludes user acquisition costs, which are separately budgeted as part of the promotion and marketing expenses referred to in the paragraph below. As at the Latest Practicable Date, the Group has not entered into any binding production agreement in respect of any of the Short Drama Projects. The productions under the Short Drama Projects remain at the planning stage and no amount has been committed to any individual project. Subject to the net proceeds from the Rights Issue becoming available, the Group expects to enter into production agreements with external production service providers progressively thereafter, in line with the targeted release schedule of approximately 50 short dramas in each of the six quarters from the first quarter of 2027 to the second quarter of 2028, with the first such agreements expected to be entered into in the first quarter of 2027.

The expected gross margin and profitability of the Short Drama Projects are estimated on the following basis: each title is expected to generate average revenue of approximately RMB800,000 over a revenue lifecycle of approximately four quarters following its release, against a production cost of approximately RMB200,000 per title, representing an expected gross margin of approximately 75% before user-acquisition costs. User-acquisition costs are budgeted at approximately 50% of the revenue expected to be generated by each batch, resulting in an expected contribution margin of approximately 25%. On that basis, the Short Drama Projects in aggregate are expected to generate a contribution of approximately RMB60.0 million over the revenue lifecycles of the titles. The above estimates are based on the preliminary operating data and the assumptions set out in paragraph (6) above and are subject to the risks of the short drama market, including competition, user-acquisition costs and market reception of the titles.

Approximately 11% of the net proceeds (approximately HK$20.8 million, equivalent to approximately RMB18.0 million) will be applied towards the initial user-acquisition budget for the Short Drama Projects, forming part of the approximately 41% (approximately HK$77.2 million) of the net proceeds allocated to the Short Drama Projects, and covering the launch campaign for the first batch of approximately 50 short dramas expected to commence upon completion of the Rights Issue in February 2027. Such budget is not earmarked for the Group's existing long-form drama series distribution business.

The principal channels and methods through which users are acquired comprise: (i) advertisement placements on internet platforms and video content applications targeting Chinese-speaking audiences outside the PRC; (ii) advertising networks and traffic channels, through which traffic is directed to the Group's own platform; and (iii) promotion of the short dramas

through short video clips and trailers released on social media platforms and video content applications. The initial user-acquisition budget of approximately RMB18.0 million has been determined by reference to (i) the Group's cash flow forecasts for the launch campaign for the first batch of approximately 50 short dramas, expected to commence upon completion of the Rights Issue in February 2027; and (ii) the budgeted user-acquisition expenditure for each batch of the Short Drama Projects, being approximately 50% of the revenue expected to be generated by such batch. The ratio reflects (i) the Group's own platform, through which the short dramas are distributed without any commission or revenue sharing payable to third-party distribution platforms, and (ii) the proportion of organic traffic and repeat purchases expected to increase as the subscriber base grows. The budget will be deployed progressively on a monthly basis in accordance with the Group's cash flow forecasts and the release schedule of the short dramas, and the allocation of the budget between batches will be adjusted by reference to the user conversion and retention results achieved. User-acquisition expenditure thereafter is expected to be funded by the revenue generated by the Short Drama Projects, and user-acquisition campaigns will be scaled by reference to the revenue actually generated, such that no further funding from the net proceeds of the Rights Issue is expected to be required for user acquisition.

The Company will procure that any agreement subsequently entered into in connection with the Short Drama Projects will be entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and will comply with the applicable requirements of the Listing Rules.

The Company will continue to engage in its existing business, being the production, distribution and licensing of broadcasting rights of drama series in the PRC. The Short Drama Projects are a different form within the same business and are additive and complementary to it; they are not intended as a replacement for it.

The Company has no intention to downsize its existing drama series production business. The Group will endeavor to distribute and license the broadcasting rights of its existing library of self-produced drama series, which had a gross carrying amount of RMB121,302,000 at 30 June 2026; and continue to pursue the production of full-length self-produced drama series as opportunities arise, and when sufficient financial resources are available.

As regards the Group's existing drama series business, the two most recent self-produced drama series of the Group, namely 《綠水青山紅日子》 and 《白羽流星》, have been completed. As at the Latest Practicable Date, no broadcasting slot and/or licence in respect of the two drama series has been obtained and the two drama series have not yet been broadcast; the Group continues to discuss with television channels and online platforms with a view to finalising the broadcasting schedule. In the meantime, the Group will prioritise the repayment of its outstanding indebtedness and the development of its online platform and short drama businesses. The Company expects to commence production when and if sufficient financial resources become viable. The business development plan of the Group for its long-form drama series is as follows: (i) the Group will continue to distribute and license the broadcasting rights

of its existing library of self-produced drama series and outright-purchased drama series (with a gross carrying amount of RMB121,302,000 for self-produced drama series as at 30 June 2026) to television channels and online video streaming platforms in the PRC; (ii) the Group's long-form drama projects in the pipeline comprise the two completed self-produced drama series referred to above, namely 《綠水青山紅日子》 and 《白羽流星》, five drama series and one film planned. Revenue that can be derived from the said two dramas will depend on the obtaining of broadcasting slots and/or the relevant licences and the prevailing market conditions; and (iii) the commencement of production of any new long-form drama series will be considered on a project-by-project basis and will only proceed when sufficient funding is secured, whether from internal resources, committed external financing and/or co-financing arrangements with third parties, and having regard to market demand; in the meantime, the Group will continue to prioritise the repayment of its outstanding indebtedness and the development of its online platform and short drama businesses.

For general working capital purpose

Approximately 9% (approximately HK$16.8 million) of the net proceeds will be utilized to cover operating expenses up to June 2027, specifically including: (i) salaries in the aggregate amount of approximately RMB10,000,000 to support personnel and management functions; and (ii) professional fees in the aggregate amount of approximately HK$5,000,000, comprising legal and professional fees relating to corporate finance, regulatory and listing compliance of approximately HK$0.4 million, audit and accounting fees of approximately HK$3.6 million and company secretarial, share registrar and other compliance fees of approximately HK$1.0 million to engage external advisors, consultants, and service providers.

Having considered the above, the Group's liquidity position, the cost of alternative funding, the marginal cost of deploying existing script copyrights, the diversification of production risk, and the experimental proof of concept during the financial year ended 30 June 2026, the Board is of the view that the allocation of the net proceeds, including the allocation to the Short Drama Projects, is expected to improve the Group's operating performance and financial position, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will prioritize repayment of outstanding indebtedness and trade and other payables in case the net proceeds to be raised from the Rights Issue is insufficient to fully cover all of the above utilization plans.

Further, as of 30 June 2026, the Group had net current liabilities of approximately RMB542,812,000 and net liabilities of approximately RMB543,690,000 respectively, and the Group had cash at bank and on hand of approximately RMB4,396,000 as at 30 June 2026, of which approximately RMB855,000 was frozen by order of the PRC courts in connection with a number of legal proceedings against certain subsidiaries of the Company. The proceedings in question remain in progress and details of the material proceedings are set out under the paragraph headed "Contingent liabilities" in Appendix I to this circular. Cash and cash

equivalents, excluding these restricted balances, amounted to approximately RMB3,541,000. In addition, the Group had bank and other loans of approximately RMB135,751,000, of which approximately RMB134,751,000 were classified as current liabilities. Other loans with an aggregate principal amount of approximately RMB111,415,000 were overdue. Accrued interest and other finance charges relating to these overdue loans amounted to approximately RMB50,684,000 as at 30 June 2026 and were included in other payables and accrued expenses. These overdue loans remained unpaid as at the Latest Practicable Date. As such, the Group is in need for reducing its debt position and enhancing its financial position. As at 30 June 2026, certain lenders and creditors had initiated lawsuits and enforcement proceedings against certain subsidiaries of the Company in respect of outstanding borrowings, trade and other payables in the aggregate amount of approximately RMB312.5 million. During the period from 1 July 2026 up to the Latest Practicable Date, no judgment was issued and no settlement was reached in respect of these proceedings, and no litigation, arbitration or enforcement proceeding of material significance was newly commenced against any member of the Group. The proceedings remain ongoing. A summary of the status of the material proceedings is set out on page I-4 of this circular.

Despite the net proceed of HK$24.33 million from the previous placing exercises conducted in 2026, as of the Latest Practicable Date, the net current liabilities situation of the Group remains, therefore the Rights Issue would help equip the Group with the financial capability to improve the liquidity of the Group. The Directors consider that the Rights Issue represents a good opportunity for the Company to raise additional funds for the business operations of the Group and will strengthen the Group's financial position, enlarge the Company's shareholder base, which may in turn enhance the liquidity of the Shares owing to an increasing number of market participants, and provide capital to meet any financial obligations the Group may require without incurring the interest expenses involved with debt fund raising.

Other fund-raising alternatives

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing, or an open offer.

In respect of debt financing, the Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. Debt financing will also result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner or at all in light of the Company being debt-ridden as further elaborated on the previous page of this circular.

As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company.

As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Based on the above, the Board (including the members of the Independent Board Committee) considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholder(s), if any, should note that their shareholdings will be diluted. Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders on page IBC-1 of this circular for the views of the Independent non-executive Directors on the merits of the Rights Issue.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following fund-raising activities involving issue of its securities in the past 12 months immediately preceding the date of the Announcement:

Date of announcement	Completion date	Fund raising	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
10 April 2026	22 April 2026	Placing of new Shares under general mandate	HK$10.33 million	General working capital use	Fully utilized as intended
14 January 2026	4 February 2026	Placing of new Shares under general mandate	HK$14.0 million	Applied for the payment for production costs of drama series	Fully utilized as intended

Save as disclosed above, the Company did not conduct any equity fund raising activities in the past twelve months immediately prior to the date of the Announcement.

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change in the number of Shares in issue from the Latest Practicable Date and up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company immediately before and after the completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Shareholders take up their respective entitlements to the Rights Shares in full		Immediately after completion of the Rights Issue assuming none of the Shareholders have taken up any of their entitlement to Rights Shares with all the Placing Shares placed to Independent Third Parties under the Placing		Immediately after completion of the Rights Issue assuming none of the Shareholders have taken up any of their entitlement to Rights Shares and none of the Placing Shares placed to the Independent Third Parties under the Placing	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Marshal Investment Co. Ltd.	64,380,501 *(Note 1)*	12.87	321,902,505	12.87	64,380,501	2.58	64,380,501	12.87
Public Shareholders	435,619,499	87.13	2,178,097,495	87.13	435,619,499	17.42	435,619,499	87.13
Placees	–	–	–	–	2,000,000,000	80.00	–	–
Total	500,000,000	100.00	2,500,000,000	100.00	2,500,000,000	100.00	500,000,000	100.00

Notes:

1. Ms. Tian Tian is the sole shareholder of Marshal Investment Co., Ltd.

2. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the existing Shares are traded on the Stock Exchange in the board lot size of 1,000 Shares. The Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 1,000 Shares to 10,000 Shares with effect from 9:00 a.m. on Monday, 7 December 2026.

Based on the theoretical ex-rights price of HK$0.1006 per Share (calculated based on the benchmarked price of HK$0.123 per Share (as defined under Rule 7.27B of the Listing Rules), taking into account the higher of (i) the closing price of HK$0.122 per Share on the Last Trading Day; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day of HK$0.123 per Share), the market value of each existing board lot of 1,000 Shares is HK$100.6 and the estimated market value of each proposed new board lot of 10,000 Shares would be HK$1,006.

Based on the closing price of HK$0.104 per Share on the Latest Practicable Date, the market value of each existing board lot of 1,000 Shares is HK$104 and the estimated market value of each proposed new board lot of 10,000 Shares would be HK$1,040.

The Change in Board Lot Size will not result in change in the relative right of the Shareholders. Shareholders should take note that Shareholders' approval is not required for the Change in Board Lot Size.

Arrangement on odd lot trading and matching services

In order to alleviate the difficulties of the trading of odd lots (if any) of the Shares arising from the Change in Board Lot Size, the Company will appoint uSmart Securities Limited as designated broker to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Shares to make up a full board lot, or to dispose of their holding of odd lots of the Shares.

Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above arrangement. All existing share certificates in board lot of 1,000 Shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the Change in Board Lot Size, and therefore no arrangement for free exchange of the existing share certificates in board lot of 1,000 Shares to new share certificate in board lot of 10,000 Shares is necessary.

Reasons for the Change in Board Lot Size

According to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" (the "**Guide**") issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated in June 2026, (i) any trading price less than HK$0.1 will be considered as trading at extremities; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK$1,000.

In view of the fact that the closing price of the Shares as quoted on the Stock Exchange as at the date of the Announcement was HK$0.122 per Share, the value of each existing board lot of 1,000 Shares was HK$122, which was less than HK$1,000.

Also, with effect from 2 July 2026, according to the Guide, listed issuers should select a board lot unit from the specified set of eight options: 1, 50, 100, 500, 1,000, 2,000, 5,000, and 10,000 share(s).

Based on the above and with the view to complying with the trading requirements under the Listing Rules, the Board resolved to propose the Change in Board Lot Size, resulting in (i) HK$1,220 per board lot of 10,000 Shares based on the closing price of HK$0.122 per Share as

quoted on the Stock Exchange as at the date of the Announcement; and (ii) HK$1,006 per board lot of 10,000 Shares based on the theoretical ex-rights price of HK$0.1006 per Share (calculated based on the bench marked price of HK$0.123 per Share (as defined under Rule 7.27B of the Listing Rules), taking into account the higher of (i) the closing price of HK$0.122 per Share on the Last Trading Day; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day of HK$0.123 per Share).

Further, the Change in Board Lot Size would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade.

In addition, the Board considers that the Change in Board Lot Size would maintain the trading amount for each board lot at a reasonable level which will increase the attractiveness of investing the Shares from a broader range of institutional and professional investors and thus would help to further broaden the shareholder base of the Company and improve the value of the Shares in the long run.

Accordingly, the Board believes that the Change in Board Lot Size is in the interests of the Company and the Shareholders as a whole and that will not have any material adverse effect on the financial position of the Group nor result in any changes in the relative rights of the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 1 December 2026 to Friday, 4 December 2026 (both days inclusive) for determining the Shareholders' entitlements for attending and voting at the EGM.

The register of members of the Company will be closed from Monday, 14 December 2026 to Monday, 21 December 2026 (both days inclusive) for determining the entitlements to the Rights Issue.

No transfer of the Shares will be registered during the above book closure periods.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within a 12 month period immediately preceding the date of the Announcement, the Rights Issue will be subject to the approval by the Independent Shareholders at the EGM by way of poll at which the 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 resolution(s) relating to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no Controlling Shareholder, accordingly, the Directors (excluding independent non-executive Directors) and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules. As at the Latest Practicable Date, none of the Directors and their respective associates is interested in any Shares.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Liang Jie, Mr. Jing Quanliang and Mr. Chen Tong, was established to advise the Independent Shareholders as to whether the terms of the Rights Issue 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, taking into account the recommendations of the Independent Financial Adviser appointed by the Company. Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue including the Subscription Price, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfilment of conditions including the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. If the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholder or other person dealing in the Shares and/or the nil-paid Rights Shares up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not proceed.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full

and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

EXTRAORDINARY GENERAL MEETING, PROXY ARRANGEMENT AND CLOSURE OF REGISTER OF MEMBERS

The Company will convene the EGM or any adjourned meeting hereof at Room 1803, Zhongzhou Building, No. 3088 Jintian Road, Gangxia Community, Futian Street, Futian District, Shenzhen, the People's Republic of China on Friday, 4 December 2026, at 11:00 a.m. to approve matters referred to in this circular at which relevant resolution will be proposed to the Shareholders to consider, and if thought fit, approve the Increase in Authorized Share Capital and the Rights Issue. The notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you intend to be present and vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM (or any adjourned meeting thereof) in person should you so wish, and in such case, the authority of your proxy will be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 1 December 2026 to Friday, 4 December 2026 (both days inclusive) for determining the entitlements of the Shareholders to attend and vote at the EGM, and will further be closed from Monday, 14 December 2026 to Monday, 21 December 2026 (both days inclusive) for determining the entitlements to the Rights Issue, during which period no transfer of Shares will be registered.

RECOMMENDATIONS

The Board considers that the Increase in Authorised Share Capital and the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages IFA-1 to IFA-34 of this circular in connection with the Rights Issue and the transactions contemplated thereunder and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

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

By order of the Board
Litian Pictures Holdings Limited
Xie Taoquan
Chairman