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19 November 2025

To the Independent Board Committee and the Independent Shareholders
Zhonghua Gas Holding Limited
23/F Chinachem Century Tower
178 Gloucester Road
Wan Chai
Hong Kong

Dear Sir/Madam,

CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder. Details of which are set out in the "Letter from the Board of Directors" contained in the circular dated 19 November 2025 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

On 20 October 2025 (after trading hours), the Company (as issuer) and Mr. Hu (as Subscriber) entered into the Loan Capitalisation Agreement, pursuant to which the parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, 140,000,000 Capitalisation Shares at the Capitalisation Price of HK$0.098 per Capitalisation Share. The aggregate Capitalisation Price for all Capitalisation Shares payable by the Subscriber shall be satisfied by capitalising and setting off against the Partial Loan upon Completion.

香港中環永和街21號

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is the chairman of the Board and an executive Director and is interested in an aggregate of 1,277,968,000 Shares, representing approximately 27.79% of the total issued Shares. This comprises (i) 233,664,000 Shares held by him personally, representing approximately 5.08% of the total issued Shares; (ii) 448,000,000 Shares held by Smart Lane, a company wholly owned by the Subscriber, representing approximately 9.74% of the total issued Shares; (iii) 99,184,000 Shares held by Front Riches, a company wholly owned by the Subscriber, representing approximately 2.16% of the total issued Shares; (iv) 26,064,000 Shares held by Ms. Lin, the spouse of the Subscriber, representing approximately 0.57% of the total issued Shares; (v) 448,000,000 Shares held by Uprise Global, a company wholly owned by Ms. Lin, representing approximately 9.74% of the total issued Shares; and (vi) 23,056,000 Shares held by Gainup Limited, a company wholly owned by Ms. Lin, representing approximately 0.50% of the total issued Shares respectively. Therefore, the Subscriber is a substantial Shareholder (as defined under the GEM Listing Rules) and a connected person of the Company. Accordingly, the Loan Capitalisation Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Capitalisation Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the EGM. The Subscriber and his associates shall abstain from voting in respect of the resolution approving the Loan Capitalisation Agreement and the transactions contemplated thereunder at the EGM.

(i) The Subscriber, being the chairman of the Board and an executive Director; and (ii) Ms. Lin, being the spouse of the Subscriber and an executive Director, have abstained from voting on the Board resolution approving the Loan Capitalisation Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Director has a material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder and is required to abstain from voting on the Board resolutions in relation to the aforesaid matters.

Further, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than the Subscriber, Ms. Lin, Smart Lane, Front Riches, Uprise Global and Gainup, no other Shareholder has any material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder and will be required to abstain from voting at the EGM in respect of the resolution approving the aforesaid matters (including the grant of the Specific Mandate).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of Ms. Ma Lee, Mr. Lau Kwok Kee and Mr. Wang Weijie, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms of the Loan Capitalisation Agreement (including the Capitalisation Price) are on normal commercial terms and are fair and reasonable; (ii) whether the Loan Capitalisation Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Loan Capitalisation Agreement (including the Capitalisation Price) are on normal commercial terms and are fair and reasonable; (ii) whether the Loan Capitalisation Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM.

We acted as the independent financial adviser for the Company with regard to the connected transaction in relation to loan capitalisation involving issue of new shares under specific mandate, details of which were set out in the circular of the Company dated 6 June 2025. Save for the aforesaid transaction, we have not acted as the independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 17.96 of the GEM Listing Rules, and given that remuneration for our engagement to opine on the Loan Capitalisation Agreement and the transactions contemplated thereunder are at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, among other things, (i) the Loan Capitalisation Agreement; (ii) the annual report of the Company for the 15 months ended 31 March 2025 (the "**2024–2025 Annual Report**"); (iii) the second interim report of the Company for the 12 months ended 31 December 2024 (the "**2024 Second Interim Report**") (iv) the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**"); and (v) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the "**Management**"). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1 Principal businesses of the Group

The principal activities of the Group are provision of diverse integrated energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of LNG, coupled with sales of LNG (the "**Energy Business**") and leasing of investment properties.

1.2 Financial information of the Group

According to the Company's announcement dated 19 December 2024 (the "**December 2024 Announcement**"), the Board resolved to change the financial year end date of the Company from 31 December to 31 March, which resulted in the financial year ended 31 March 2025 covering a 15-month period commencing from 1 January 2024 and ended on 31 March 2025. Set out below is a table summarising certain key financial information of the Group for the years ended 31 December 2022 and 2023 and the 15 months ended 31 March 2025 as extracted from the 2023 Annual Report and 2024–2025 Annual Report respectively.

Extract of consolidated statement of profit or loss and other comprehensive income

	For the 15 months ended 31 March	**For the year ended 31 December**	
	2025	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Revenue	121,516	186,652	200,529
Gross profit/(loss)	4,779	(6,793)	(7,949)
(Loss) for the period/year attributable to owners of the Company	(60,794)	(6,656)	(5,254)

Extract of consolidated statement of financial position

	As at 31 March 2025	As at 31 December 2023	2022
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Current assets	**331,578**	**338,606**	**295,733**
— Trade receivables and contract assets	34,301	104,901	103,583
— Prepayments, deposits and other receivables	286,165	37,622	153,398
— Cash and cash equivalents	11,112	196,083	38,752
Non-current assets	**11,362**	**11,064**	**50,996**
Total assets	**342,940**	**349,670**	**346,729**
Current liabilities	**181,930**	**209,984**	**202,686**
— Trade and other payables and accruals	120,165	113,905	114,403
— Contract liabilities	6,446	—	—
— Shareholder's loan	53,601	—	—
— Bank borrowing	—	8,000	—
— Other loan	—	86,082	—
— Convertible bonds	—	—	85,096
— Lease liabilities	1,705	646	1,815
Non-current liabilities	**1,316**	**444**	**1,090**
Total liabilities	**183,246**	**210,428**	**203,776**
Equity attributable to owners of the Company	**125,016**	**104,763**	**109,789**
Financial ratio			
Gearing ratio *(Note)*	35.5%	68.4%	61.6%

Note: Gearing ratio is calculated based on shareholder's loan, other loan, lease liabilities and bank borrowing (where applicable) divided by total equity as at the relevant year/period end.

*Fifteen months ended 31 March 2025 ("**15M March 2025**") vs year ended 31 December 2023 ("**FY2023**")*

According to the 2024–2025 Annual Report, revenue of the Group amounted to approximately RMB121.5 million for 15M March 2025, representing a decrease of approximately 34.9% from approximately RMB186.7 million for FY2023. The decrease in revenue was mainly due to the suspension of operation at one of the Group's major LNG stations in Tianjin since October 2023 as a result of the customer's heat supply station being on the route of the nationwide natural gas network conversion project.

The Group recorded gross profit amounted to approximately RMB4.8 million, reflecting a gross profit margin of approximately 3.9% for 15M March 2025, as compared to a gross loss margin of approximately 3.6% in FY2023. Such improvement in gross margin was mainly due to no depreciation was recorded in 15M March 2025 as the property, plant and equipment was impaired during FY2023. For FY2023, the intense price competition and price fluctuation of LNG resulted in a thin margin which could not cover the fixed direct cost, leading to the recorded gross loss margin.

Loss attributable to owners of the Company increased from approximately RMB6.7 million in FY2023 to approximately RMB60.8 million in 15M March 2025. The significant increase in net loss for 15M March 2025 was mainly attributable to (i) a decrease in reversal of allowance on trade receivables and contract assets from approximately RMB66.7 million in FY2023 to approximately RMB4.2 million in 15M March 2025; (ii) an increase in administrative expenses from approximately RMB30.0 million in FY2023 to approximately RMB60.3 million in 15M March 2025, which was mainly due to the equity-settled share-based expenses of approximately RMB26.9 million recorded in 15M March 2025 (FY2023: approximately RMB1.6 million) related to the share option granted in December 2023; and (iii) an increase in finance costs from approximately RMB1.8 million in FY2023 to approximately RMB9.9 million in 15M March 2025, which was mainly due to the interest incurred from the other loan and late payment with suppliers.

As at 31 March 2025 vs as at 31 December 2023

The Group's total assets decreased by approximately 1.9% from approximately RMB349.7 million as at 31 December 2023 to approximately RMB342.9 million as at 31 March 2025, mainly due to the decrease in trade receivables and contract assets and cash and cash equivalents, while partially offset by the increase in prepayments, deposits and other receivables.

Prepayments, deposits and other receivables increased by approximately 660.6% from approximately RMB37.6 million as at 31 December 2023 to approximately RMB286.2 million as at 31 March 2025. Such increase was mainly due to the increase in prepayments to suppliers for LNG purchase.

Trade receivables and contract assets decreased by approximately 67.3% from approximately RMB104.9 million as at 31 December 2023 to approximately RMB34.3 million as at 31 March 2025. Such decrease was mainly resulted from the collection of trade receivables and contract assets.

Cash and cash equivalents decreased by approximately 94.3% from approximately RMB196.1 million as at 31 December 2023 to approximately RMB11.1 million as at 31 March 2025. The significant decrease in cash and cash equivalents was primarily due to net cash outflow from operating activities of approximately RMB190.8 million for 15M March 2025, compared to net cash inflow from operating activities of approximately RMB163.2 million for FY2023.

Total liabilities of the Group decreased by approximately 12.9% from approximately RMB210.4 million as at 31 December 2023 to approximately RMB183.2 million as at 31 March 2025. Such decrease was mainly due to the settlement of bank borrowing and other loan during 15M March 2025; while partially offset by the recognition of contract liabilities and a shareholder's loan of approximately RMB6.4 million and RMB53.6 million as at 31 March 2025 respectively (compared to nil and nil as at 31 December 2023), as well as an increase in trade and other payables and accruals.

Trade and other payables and accruals increased by approximately 5.5% from approximately RMB113.9 million as at 31 December 2023 to approximately RMB120.2 million as at 31 March 2025, mainly due to the increase in accrued interest expense from approximately RMB0.6 million as at 31 December 2023 to approximately RMB5.1 million as at 31 March 2025 in respect of late payment to suppliers.

As at 31 March 2025, the Group recorded a shareholder's loan of approximately RMB53.6 million with no bank borrowing and other loan as compared to RMB8.0 million bank borrowing and approximately RMB86.1 million other loan recorded as at 31 December 2023. The shareholder's loan is unsecured and non-interest-bearing. According to the 2024 Second Interim Report, (i) the bank borrowing, which carried an interest rate at 5% per annum and denominated in RMB, has been fully repaid on 25 May 2024; and (ii) the other loan, which carried an interest rate at 8% per annum, and the accrued interest, were fully paid on 19 December 2024.

We also note that on 19 December 2024, an aggregate of 366,688,000 Shares were issued and allotted pursuant to the exercise of share options with exercise price of HK$0.16.

As a result of the above, the Group's equity attributable to owners of the Company increased by approximately 19.3% from approximately RMB104.8 million as at 31 December 2023 to approximately RMB125.0 million as at 31 March 2025. The Group's gearing ratio decreased from approximately 68.4% as at 31 December 2023 to approximately 35.5% as at 31 March 2025.

*FY2023 vs year end 31 December 2022 ("**FY2022**")*

According to the 2023 Annual Report, the Group's total revenue amounted to approximately RMB186.7 million for FY2023, representing a decrease of approximately 6.9% from approximately RMB200.5 million for FY2022. The decline in revenue was mainly due to the suspension of operation at one of the Group's major LNG stations in Tianjin since October 2023 as mentioned above.

Gross loss margin decreased from approximately 4.0% for FY2022 to approximately 3.6% for FY2023, as intense price competition and LNG price fluctuation led to a thin margin which could not cover the fixed direct cost for both years.

Loss attributable to owners of the Company increased from approximately RMB5.3 million in FY2022 to approximately RMB6.7 million in FY2023. The increase in net loss for FY2023 was mainly attributable to (i) an increase in the fair value losses of convertible bonds from approximately RMB5.6 million in FY2022 to approximately RMB9.5 million in FY2023; (ii) an impairment loss on property, plant and equipment of approximately RMB25.9 million was recognised in FY2023 as compared to nil in FY2022, which was due to suspension of one of the Group's major LNG stations in Tianjin since October 2023 as mentioned above; and (iii) an increase in finance costs from approximately RMB0.2 million in FY2022 to approximately RMB1.8 million in FY2023, which was mainly due to increase in interest expenses on bank borrowing, other loan and late payments with suppliers.

As at 31 December 2023 vs as at 31 December 2022

The Group's total assets remained relatively stable at approximately RMB346.7 million and RMB349.7 million as at 31 December 2022 and 2023 respectively.

As at 31 December 2023, cash and cash equivalents maintained by the Group amounted to approximately RMB196.1 million, representing an increase of approximately 406.0% from approximately RMB38.8 million as at 31 December 2022, mainly due to funds from collection of trade receivables in FY2023.

Trade and other receivables decreased by approximately 44.5% from approximately RMB257.0 million as at 31 December 2022 to approximately RMB142.5 million as at 31 December 2023, mainly due to the combined effects of collection of trade receivables as mentioned above and reversal of allowance of impairment on trade receivables.

Total liabilities of the Group remained relatively stable at approximately RMB203.8 million and RMB210.4 million as at 31 December 2022 and 2023 respectively.

As at 31 December 2022, the Group had convertible bonds of approximately RMB85.1 million. We note from the 2023 Annual Report that as the Group did not pay the principal amount of the convertible bonds on the maturity date (subsequent to the subscriber opted for redemption at 100% of the principal amount on the maturity date), the Management has reclassified the amount due to "Other loan". For details, please refer to note 31 to the consolidated financial statements as set out in the 2023 Annual Report. As a result, the Group had other loan of approximately RMB86.1 million as at 31 December 2023. In addition, the Group also had bank borrowing of RMB8.0 million as at 31 December 2023, as compared to nil as at 31 December 2022.

As a result of the above, the Group's equity attributable to owners of the Company remained relatively stable at approximately RMB109.8 million and RMB104.8 million as at 31 December 2022 and 2023 respectively. The Group's gearing ratio increased slightly from approximately 61.6% as at 31 December 2022 to approximately 68.4% as at 31 December 2023.

1.3 Outlook of the Group

As noted in the 2024–2025 Annual Report, the Management believed that the development of the natural gas market in the next three years would present both challenges and opportunities, and would be characterised by a tight balance between supply and demand and accelerated structural adjustment. In particular, LNG imports will continue to expand, but price volatility will intensify; the transmission and distribution capacity of urban pipeline natural gas will significantly improve, with innovative trading models emerging; and the market competition landscape will be reshaped through market opening.

According to the Management, the Group's LNG supply business continued to face fierce competition. Also, the construction related and consultancy services of the Energy Business showed no signs of improvement and the coal-to-natural gas conversion in Tianjin is also becoming saturated, the Management expected that the number of new projects to continue to decrease in future. In this regard, the Group continues to maintain strategic partnerships with a number of other significant partners with a view to exploring new business opportunities with potential customers.

We note that the Company has recently engaged Shandong Longzhong Information Technology Co., Ltd. to perform feasibility studies for the development of a fuel oil and natural gas supply network in the Lao People's Democratic Republic ("**Lao PDR**") and to conduct market research, as announced on 22 October 2025 (the "**October 2025 Announcement**"). This represents efforts by the Group to explore new business opportunities and expand its geographic reach, and in turn, diversify its existing business portfolio and broaden its revenue base. For further details, please refer to the October 2025 Announcement.

In terms of financial position, we note from the 2023 Annual Report that the Company's external auditor had expressed a "disclaimer of opinion" concerning the Group's liquidity position, in particular, regarding the Group's ability to settle the outstanding debts. As subsequently disclosed in the December 2024 Announcement, the Company had repaid all the principal amount and applicable interest to the convertible bond holder in accordance with the terms of the settlement agreement on 19 December 2024, thereby resolving the liquidity issue highlighted by the Company's external auditor. Consequently, we note from the 2024–2025 Annual Report that the Company's external auditor had expressed an "unqualified opinion".

Overall, amid the challenging industry conditions and the deterioration of the Group's financial performance and liquidity position (as analysed in the paragraph headed "1.2 Financial information of the Group" above), the Loan Capitalisation will serve to strengthen the Group's financial position. This, in turn, may better support the Group's stated strategy of continuing to explore new business opportunities despite these headwinds.

2. Information of the Subscriber

As at the Latest Practicable Date, the Subscriber is the chairman of the Board, an executive Director and substantial Shareholder (as defined under the GEM Listing Rules) of the Company, beneficially owns 233,664,000 Shares and holds 547,184,000 Shares via his controlled corporations Smart Lane and Front Riches, representing in aggregate approximately 16.98% of the issued share capital of the Company.

3. Reasons for and benefits of the Loan Capitalisation

As discussed in the paragraph headed "1.2 Financial information of the Group" above, the Group recorded, among other things, (i) net cash outflow from operating activities of approximately RMB190.8 million for 15M March 2025; and (ii) net loss for three consecutive years. In view of the deteriorating financial performance and position, the Group obtained the shareholder's loan in 15M March 2025 to finance its operation and to repay its outstanding external debt.

In assessing the reasons for and benefits of the Loan Capitalisation, we have considered the Group's historical financial performance and position, and the following table summarises the amount of the Group's cash and cash equivalents as at 31 December 2022 and 2023 and 31 March 2025 respectively, as extracted from the 2024–2025 Annual Report and 2023 Annual Report.

	As at 31 March	**As at 31 December**	
	2025	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Cash and cash equivalents	11,112	196,083	38,752

The above table shows that the Group's cash and cash equivalents balance of approximately RMB11.1 million as at 31 March 2025 fell below the historical range observed during the past three years. Such level of cash and cash equivalents balance is insufficient to settle the outstanding shareholder's loan of approximately RMB53.6 million as at 31 March 2025, and any partial repayment of the shareholder's loan could potentially impede the Group's ability to sustain its business operations.

Regarding the Group's cash and debt levels, we note that subsequent to 31 March 2025: (i) HK$27,370,000 of the shareholder's loan from Mr. Hu was set off by way of debt capitalisation, details of which are set out in the Company's circular dated 6 June 2025 (the "**First Loan Capitalisation**"); and (ii) the Company raised approximately HK$24.8 million of net proceeds through an equity fundraising via the issuance of new shares under general mandate, which was completed on 17 October 2025 (the "**October 2025 Equity Fundraising**"). According to the "Letter from the Board of Directors" of the Circular, the Company has cash and cash equivalents of approximately RMB31.8 million as at the date of the Loan Capitalisation Agreement. In this regard, we have discussed with the Management and understand that the net proceeds from the October 2025 Equity Fundraising are earmarked to support the Group's operating expenses and working capital. A simple comparison of the Group's cash position as at 31 March 2025 with the outstanding shareholder's loan of approximately HK$37 million as at the date of the Loan Capitalisation Agreement indicates that the cash position remains insufficient to settle the shareholder's loan.

We have further considered the following factors: (i) the Group incurred continuous losses over the past three years, with net losses attributable to owners of the Company amounted to approximately RMB5.3 million in FY2022 and RMB6.7 million in FY2023, which widened significantly to approximately RMB60.8 million in 15M March 2025; (ii) as a result of the aforementioned deteriorating financial performance, the Group experienced a substantial operating cash outflow of approximately RMB190.8 million in 15M March 2025, compared to an operating cash inflow in FY2023; (iii) the Company's external auditor indicated in the 2024–2025 Annual Report that despite their opinion is not modified, a material uncertainty exists in light of the Group's liquidity position and loss situation, which may cast significant doubt on its ability to continue as a going concern; and (iv) the industry remains challenging as discussed in the paragraph headed "1.3 Outlook of the Group" above, in which a stronger balance sheet may be beneficial for the Group to implement its stated strategy amid these headwinds.

Having taken into account the above factors and as discussed with the Management, we understand that the Group needs to utilise its existing cash and cash equivalents, as well as net proceeds from the October 2025 Equity Fundraising, to finance and sustain its operations. As such, the Group is unable to repay the amount due to Mr. Hu without significantly compromising its liquidity position required for its normal business operations. The Loan Capitalisation enables the Group to settle its existing liabilities due to Mr. Hu without utilising the existing financial resources and can avoid cash outflows.

We note from the paragraph headed "4. Reasons for and benefits of the Loan Capitalisation" in the "Letter from the Board of Directors" of the Circular that the Directors have considered other alternative means for raising funds to settle the Partial Loan, such as bank borrowings, share placement or rights issue:

(i) debt financing and bank borrowings will inevitably increase the gearing ratio of the Group and lenders generally require pledge of assets from the borrower; and

In this regard, we understand from the Management that (a) obtaining bank borrowings generally involves extensive due diligence, risk assessments and prolonged negotiation with banks, and would result in incurring higher finance costs of the Group; and (b) the likelihood of success in obtaining additional bank borrowing with favourable terms is relatively low given the Group's historical loss-making performance, its overdue repayment record of the convertible bonds, late payment with suppliers, as well as the disclaimer opinion expressed by the Company's external auditor in the 2023 Annual Report. Having considered the above, in particular the Group's historical financial performance and position, we concur with the Management's view that debt financing could be uncertain, time-consuming, and the terms may not be favourable or acceptable to the Group. In addition, given that the Loan is interest-free, by reference to the Group's previously obtained (i) bank borrowing which carried an interest rate at 5% per annum; and (ii) other loan which carried an interest rate at 8% per annum, according to the 2024 Second Interim Report, we concur with the Management's view that to settle the Partial Loan via obtaining bank borrowings would incur higher finance costs of the Group.

(ii) other equity financing such as placing of new shares and rights issue usually require attractive discount to the prevailing market price of the Shares and is relatively more time consuming and less cost effective as compared to the Loan Capitalisation.

As discussed above, we note that the Company has recently completed the October 2025 Equity Fundraising, from which net proceeds of approximately HK$24.8 million are to be deployed to support the Group's operating expenses and working capital. In this regard, we note from the Company's announcement dated 3 October 2025 that the subscription price for this fundraising was HK$0.075. Compared to the Capitalisation Price of HK$0.098, this represents a discount of approximately 23.5%. Additionally, having considered the Group's recent financial performance and the limited liquidity of the Shares as further discussed in the paragraph headed "5.2 Trading liquidity of the Shares" below, we concur with the Management that raising further funds through equity financing may be challenging and require a considerable discount to the prevailing market price of the Shares to attract potential investors.

Additionally, we have considered that the Loan Capitalisation will reduce the Group's indebtedness and gearing (as further elaborated in the paragraph headed "7.2 Gearing and liquidity" below) without requiring any cash outflow and can enlarge its capital base; meanwhile can also demonstrate the support and confidence extended by the Subscriber, being the chairman of the Board and an existing Director, to the Group. These in turn, are beneficial to the Group.

Although the allotment and issue of the Capitalisation Shares will have a dilution effect to the existing Independent Shareholders, having considered the above, we concur with the Management's view that such dilution effect arising from the allotment and issue of the Capitalisation Shares is justifiable, as further discussed in the paragraph headed "6. Effect of the Loan Capitalisation on shareholding structure of the Company" below.

Overall, while the Company previously undertook the First Loan Capitalisation several months ago, the current Loan Capitalisation remains fair and reasonable in light of its ongoing financial challenges. The Company continues to face liquidity constraints, with the net proceeds from the recent October 2025 Equity Fundraising already earmarked to cover operating expenses and general working capital, making further loan capitalisation a necessary measure to preserve its solvency and operational continuity. Importantly, the conversion of debt into equity is conducted at the prevailing market price as further elaborated in the paragraph headed "4.1 Capitalisation Price" below. The Subscriber's repeated willingness to convert loans into equity reflects a strong commitment to the Company's long-term viability, which may positively influence investor sentiment. Each loan capitalisation would strengthen the balance sheet by reducing liabilities and enhancing the equity base, thereby improving the Company's financial resilience and its ability to attract future investment. On balance, we are of the view that although the Loan Capitalisation Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Loan Capitalisation Agreement

On 20 October 2025 (after trading hours), the Company (as issuer) and Mr. Hu (as Subscriber) entered into the Loan Capitalisation Agreement, pursuant to which the parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, a total of 140,000,000 Capitalisation Shares at the Capitalisation Price of HK$0.098 per Capitalisation Share.

The aggregate Capitalisation Price of all Capitalisation Shares payable by the Subscriber shall be satisfied by capitalising and setting off against the Partial Loan upon Completion.

4.1 Capitalisation Price

The Capitalisation Price of HK$0.098 per Capitalisation Share represents:

(i) a premium of approximately 8.89% over the closing price of HK$0.09 per Share as quoted on the Stock Exchange on 20 October 2025, being the date of the Loan Capitalisation Agreement;

(ii) the average closing price per Share of HK$0.098 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;

(iii) a discount of approximately 7.55% to the average closing price per Share of HK$0.106 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;

(iv) a premium of approximately 7.69% over the average closing price per Share of HK$0.091 as quoted on the Stock Exchange for the last twenty consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;

(v) a premium of approximately 15.29% over the average closing price per Share of HK$0.085 as quoted on the Stock Exchange for the last thirty consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;

(vi) a premium of approximately 127.91% over the audited consolidated net asset value per Share of HK$0.043 as at 31 March 2025;

(vii) a premium of approximately 24.05% over the closing price of HK$0.079 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(viii) the theoretical diluted price (as defined under Rule 10.44A of the GEM Listing Rules) of HK$0.098 per Share.

As mentioned in the "Letter from the Board of Directors" of the Circular, the Capitalisation Price was arrived at on an arm's length basis between the Company and the Subscriber after taking into account the recent trading performance of the Shares, the recent market conditions, the current financial position and the business prospects of the Group.

In this regard, we understand that the Capitalisation Price has been determined based on the higher of the closing price of HK$0.09 per Share as quoted on the Stock Exchange on 20 October 2025, being the date of the Loan Capitalisation Agreement and the average closing price per Share of HK$0.098 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement.

4.2 Capitalisation Shares

According to the "Letter from the Board of Directors" of the Circular, the Capitalisation Shares represent (i) approximately 3.05% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 2.96% of the total number of issued Shares as enlarged by the allotment and issue of the Capitalisation Shares, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares.

The Capitalisation Shares when allotted and issued, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Capitalisation Shares including all dividends declared or payable or distribution made or proposed on or after the date of completion of the Loan Capitalisation.

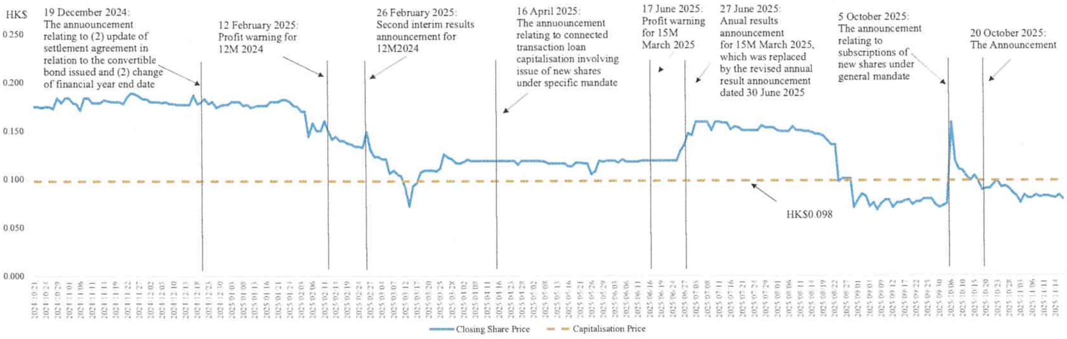
For further details of the Capitalisation Shares, please refer to the paragraph headed "2. The Loan Capitalisation Agreement" in the "Letter from the Board of Directors" of the Circular.

5. Evaluation of the Capitalisation Price

5.1 Historical Share price performance

In order to assess the fairness and reasonableness of the Capitalisation Price, we have performed a review on the daily closing prices of the Shares from 21 October 2024 (which is 12 months prior to the date of the Loan Capitalisation Agreement) to the date of the Loan Capitalisation Agreement ("**Pre-Announcement Period**"), and subsequently up to and including the Latest Practicable Date ("**Post-Announcement Period**") (collectively, the "**Review Period**"). We consider the Review Period which covers approximately one year prior to the date of the Loan Capitalisation Agreement and up to the Latest Practicable Date is adequate and representative to illustrate the recent price movements of the Shares which reflect (i) market and investors' reaction towards the latest developments of the Group, including its financial performance and position, outlook and prospects; and (ii) prevailing market sentiment. We are of the view that this allows us to conduct a meaningful comparison between these closing prices of the Shares and the Capitalisation Price.

Set out below is a chart illustrating the historical closing prices of the Shares quoted on the Stock Exchange during the Review Period:



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the daily closing prices of the Shares ranged from HK$0.068 per Share (the "**Lowest Closing Price**") recorded on 8 September 2025 to HK$0.189 per Share (the "**Highest Closing Price**") recorded on 25 November 2024. The average daily closing price of the Shares during the Review Period was approximately HK$0.133 per Share (the "**Average Closing Price**").

As illustrated in the graph above, since the commencement of the Review Period (i.e. 21 October 2024) and up to 4 February 2025, the closing prices of the Shares hovered between HK$0.170 per Share and HK$0.189 per Share. The Share closing price then declined drastically and reached a low of HK$0.072 per Share on 13 March 2025. During the aforementioned period, the Company published (i) the December 2024 Announcement on 19 December 2024 in relation to the settlement of the convertible bonds as discussed in the paragraph headed "1.3 Outlook of the Group" above; (ii) profit warning for the twelve months ended 31 December 2024 ("**12M2024**") on 12 February 2025; and (iii) the second interim results announcement for 12M2024 on 26 February 2025. Shortly after reaching this low, the Share closing price rebounded to HK$0.126 per Share on 26 March 2025, which remained relatively stable until 25 June 2025. During the aforementioned period, the Company published (i) the announcement in relation to connected transaction in respect of loan capitalisation involving issue of new shares under specific mandate on 16 April 2025; and (ii) profit warning for 15M March 2025 on 17 June 2025. Thereafter, the Share closing price increased to HK$0.159 per Share on 3 July 2025 following the Company's publication of annual results announcement for 15M March 2025 on 27 June 2025. The Share closing price then traded between HK$0.135 per Share to HK$0.159 per Share until 22 August 2025, after which it dropped drastically and reached its lowest of HK$0.068 per Share on 8 September 2025, and then remained relatively stable until 3 October 2025. Following the Company's publication of the announcement relating to subscriptions of new shares under general mandate on 5 October 2025, the Share closing price surged to HK$0.158 per Share on 6 October 2025. However, this did not sustain for long as the

Share closing price then declined to a low of HK$0.088 per Share on 17 October 2025. The Share price closed at HK$0.090 per Share on the date of the Loan Capitalisation Agreement.

During the Post-Announcement Period, the Share closing price was in general on a decreasing trend and reached HK$0.079 per Share on the Latest Practicable Date. The Capitalisation Price represents a premium of approximately 24.05% over the closing price on the Latest Practicable Date.

We note that the Capitalisation Price of HK$0.098 per Capitalisation Share represents a premium of approximately 8.9% to the Share closing price of HK$0.090 per Share as at the date of the Loan Capitalisation Agreement. Despite it represents a discount of approximately 48.1% to the Highest Closing Price of HK$0.189 per Share; and (ii) a discount of approximately 26.3% to the Average Closing Price of approximately HK$0.133 per Share, we have also taken into account that the Capitalisation Price (i) falls within the range of closing prices of the Shares during the Review Period; (ii) represents a premium of approximately 44.1% to the Lowest Closing Price of approximately HK$0.068 per Share; and (iii) represents a premium of approximately 24.05% over the Share closing price as at the Latest Practicable Date.

Having considered the above, we are of the view that the Capitalisation Price is fair and reasonable from the point of view of the historical trading price of the Shares.

5.2 *Trading liquidity of the Shares*

The following table sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period during the Review Period:

Month/Period	**Number of trading days**	**Total trading volume of the Shares for the month/period** *(number of shares)*	**Average trading volume of the Shares** *(number of shares)*	**Approximate % of the average daily trading volume over total number of issued Shares as at the end of the relevant month/period**
Pre-Announcement Period				
2024				
October (from 21 October 2024)	9	1,416,000	157,333	0.0043%
November	21	3,200,000	152,381	0.0042%
December	20	5,824,000	291,200	0.0072%
2025				
January	19	8,128,000	427,789	0.0106%
February	20	21,904,000	1,095,200	0.0272%
March	21	31,792,000	1,513,905	0.0375%
April	19	3,096,000	162,947	0.0040%
May	20	5,440,000	272,000	0.0067%
June	21	5,944,000	283,048	0.0070%
July	22	4,392,000	199,636	0.0047%
August	21	9,112,000	433,905	0.0102%
September	22	10,968,000	498,545	0.0117%
October (up to the date of the Loan Capitalisation Agreement)	12	47,913,000	3,992,750	0.0868%
Post-Announcement Period				
2025				
October (after the date of the Loan Capitalisation Agreement)	8	14,024,000	1,753,000	0.0381%
November (up to the Latest Practicable Date)	12	15,040,000	1,253,333	0.0273%
Review Period				
Maximum			3,992,750	0.0868%
Minimum			152,381	0.0040%
Average			704,843	0.0153%

Source: The website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the table above, the average daily trading volume of the Shares ranged from 152,381 Shares to 3,992,750 Shares during the Review Period, representing approximately 0.0040% to approximately 0.0868% of the total number of Shares in issue as at the end of the relevant month/period. We note that the percentage of average daily trading volume to the total number of issued Shares ranged from approximately 0.0040% to approximately 0.0868% during the Pre-Announcement Period, and it ranged from approximately 0.0273% to approximately 0.0381% during the Post-Announcement Period.

Overall, the trading volume of the Shares was relatively thin during the Review Period. This may hinder independent placing agent(s) or underwriter(s) to participate when the Company attempts to conduct an equity fund raising exercise and even if there is such equity fund raising exercise, it is inevitable that considerable discount to the market price of Shares will be required to encourage participation of potential investors. Therefore, the relatively low trading volume suggests that it would be difficult for the Company to pursue sizeable equity financing alternative in stock market without providing considerable discount.

5.3 Market comparable analysis

To further assess the fairness and reasonableness of the Capitalisation Price, we have identified, to the best of our knowledge, effort and endeavor, an exhaustive list of ten comparable transactions (the "**Comparables**") based on the following criteria:

(i) companies listed on the Stock Exchange; and

(ii) companies that had published announcements in relation to connected transactions involving loan capitalisation through subscription of new shares (excluding transactions involving (a) issue of new shares for capital restructuring purpose; and (b) whitewash waiver applications or general offer obligations under the Hong Kong Code on Takeovers and Mergers) under specific mandate since the beginning of 2025 and up to the Latest Practicable Date.

We also note that the relevant terms of the Comparables may vary due to differences in financial positions, business performance and prospects of the respective companies. Nevertheless, we consider that the above selection criteria is fair and reasonable as these captured transactions similar to the Loan Capitalisation (i.e. connected transactions involving loan capitalisation through subscription of new shares) conducted by companies similarly listed on the Stock Exchange and the Comparables reflect recent trend in the prevailing market condition and serve as a general reference.

Our relevant findings are summarised in the following table:

Date of initial announcement	Company name and stock code	Premium/ (Discount) of the capitalisation price over/to the closing price per share on/ prior to the date of agreement	Premium/ (Discount) of the capitalisation price over/to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement	Premium/ (Discount) of the capitalisation price over/to the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement	Premium/ (Discount) of the capitalisation price over/to the average closing price per share for the last twenty consecutive trading days prior to/up to and including the date of agreement	Premium/ (Discount) of the capitalisation price over/to the average closing price per share for the last thirty consecutive trading days prior to/up to and including the date of agreement	Preimium/ (Discount) of the capitalisation price over/to the net asset value attributable to owners of the company per share *(Note 1)*
31 October 2025	JX Energy Ltd. (3395)	(1.6%)	(1.3%)	(2.6%)	(7.1%)	(13.3%)	Net liability
24 October 2025	Chuanglian Holdings Limited (2371) *(Note 2)*	8.6%	8.6%	8.6%	8.6%	5.6%	69.7%
26 September 2025	Sheng Tang Holdings Limited (8305)	(24.0%)	(18.1%)	(13.1%)	(6.3%)	(3.1%)	624.1%
25 August 2025	New Concepts Holdings Limited (2221) *(Note 3)*	13.6%	14.9%	12.4%	20.5%	28.2%	(42.8%)
18 June 2025	New City Development Group Limited (456)	(4.9%)	(7.5%)	(13.0%)	(11.2%)	(8.3%)	(84.2%)
29 April 2025	GoFintech Quantum Innovation Limited (290)	4.9%	2.6%	1.7%	(0.9%)	(1.4%)	774.5%
17 April 2025	China HK Power Smart Energy Group Limited (931)	0.0%	(0.5%)	(4.4%)	(16.7%)	(24.7%)	344.1%
7 April 2025	Regent Pacific Group Limited (575)	0.0%	15.8%	12.5%	10.7%	11.5%	Net liability
21 January 2025	Cornerstone Technologies Holdings Limited (8391)	0.0%	0.0%	(2.0%)	(2.0%)	(5.7%)	455.3%
17 January 2025	CHK Oil Limited (632)	5.1%	(5.0%)	(15.7%)	(16.3%)	(5.9%)	47.2%
	Maximum	**13.6%**	**15.8%**	**12.5%**	**20.5%**	**28.2%**	**774.5%**
	Minimum	**(24.0%)**	**(18.1%)**	**(15.7%)**	**(16.7%)**	**(24.7%)**	**(84.2%)**
	Average	**0.2%**	**0.9%**	**(1.6%)**	**(2.1%)**	**(1.7%)**	**273.5%**
	Median	**0.0%**	**(0.3%)**	**(2.3%)**	**(4.1%)**	**(4.4%)**	**206.9%**
20 October 2025	**The Company**	**8.9%**	**0.0%**	**(7.6%)**	**7.7%**	**15.3%**	**188.9%**

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. The calculation of net asset value per share is based on (i) the total net asset value attributable to the owners of the company according to the latest annual report, annual result announcement or interim report prior the date of announcement, and (ii) the number of shares outstanding as at the corresponding year/period end date. The net asset value attributable to owners of the company per share are converted from RMB to HK$, where applicable, at the exchange rate of RMB1 = HK$1.0945, being the exchange rate published by the People's Bank of China on 20 October 2025.

2. The respective premiums are calculated based on the theoretical closing prices or number of shares outstanding after taking into account the share consolidation, as appropriate. For details, please refer to the announcement of Chuanglian Holdings Limited dated 24 October 2025.

3. The respective premiums/(discount) are calculated based on the theoretical closing prices or number of shares outstanding after taking into account the share consolidation, as appropriate. For details, please refer to the announcement of New Concepts Holdings Limited dated 25 August 2025.

As illustrated in the table above, we have identified ten Comparables and noted that the capitalisation price of the Comparables ranged from:

(i) a discount of approximately 24.0% to a premium of approximately 13.6% over the respective closing prices of the shares on/prior to the date of the relevant agreement (the "**Range**"), with a median discount/premium of nil and an average premium of approximately 0.2%;

(ii) a discount of approximately 18.1% to a premium of approximately 15.8% to/over the respective average closing prices of the shares on the last five consecutive trading days prior to/up to and including the date of the relevant agreement (the "**Five Days Range**"), with a median discount of approximately 0.3% and an average premium of approximately 0.9%;

(iii) a discount of approximately 15.7% to a premium of approximately 12.5% to/over the respective average closing prices of the shares on the last ten consecutive trading days prior to/up to and including the date of the relevant agreement (the "**Ten Days Range**"), with a median discount of approximately 2.3% and an average discount of approximately 1.6%;

(iv) a discount of approximately 16.7% to a premium of approximately 20.5% to/over the respective average closing prices of the shares on the last twenty consecutive trading days prior to/up to and including the date of the relevant agreement (the "**Twenty Days Range**"), with a median discount of approximately 4.1% and an average discount of approximately 2.1%;

(v) a discount of approximately 24.7% to a premium of approximately 28.2% to/over the respective average closing prices of the shares on the last thirty consecutive trading days prior to/up to and including the date of the relevant agreement (the "**Thirty Days Range**"), with a median discount of approximately 4.4% and an average discount of approximately 1.7%; and

(vi) a discount of approximately 84.2% to a premium of approximately 774.5% over their respective net asset value attributable to owners of the company per share (the "**NAV Range**"), with a median premium of approximately 206.9% and an average premium of approximately 273.5%.

We observed that the Capitalisation Price represents (i) a premium of approximately 8.9% over the Share closing price on the date of the Loan Capitalisation Agreement; (ii) the average Share closing price for the last five consecutive trading day immediately prior to the date of the Loan Capitalisation Agreement; (iii) a discount of approximately 7.6% over the average Share closing price for the last ten consecutive trading day immediately prior to the date of the Loan Capitalisation Agreement; (iv) a premium of approximately 7.7% over the average Share closing price for the last twenty consecutive trading day immediately prior to the date of the Loan Capitalisation Agreement; (v) a premium of approximately 15.3% over the average Share closing price for the last thirty consecutive trading day immediately prior to the date of the Loan Capitalisation Agreement; and (vi) a premium of approximately 188.9% over the net asset value attributable to owners of the Company per Share, which fall within the Range, Five Days Range, Ten Days Range, Twenty Days Range, Thirty Days Range and NAV Range respectively.

5.4 Section summary

Having considered the above, in particular, (i) the Capitalisation Price falls within the range of Share closing prices during the Review Period; (ii) the respective premium/discount of the Capitalisation Price over/to the Share closing price on the date of the Loan Capitalisation Agreement, five/ten/twenty/thirty days average prior to the date of the Loan Capitalisation Agreement, and the net asset value attributable to owners of the Company per Share, falls within the Range, Five Days Range, Ten Days Range, Twenty Days Range, Thirty Days Range and NAV Range respectively pursuant to the market comparable analysis; and (iii) the relatively thin liquidity of the Shares during the Review Period suggests that it would be difficult for the Company to pursue sizeable equity financing without providing considerable discount, we are of the view that the Capitalisation Price is fair and reasonable and on normal commercial terms.

6. Effect of the Loan Capitalisation on shareholding structure of the Company

As set out in the paragraph headed "5. Effect of the Loan Capitalisation on shareholding structure" in the "Letter from the Board of Directors" of the Circular, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Loan Capitalisation and the allotment and issue of the Capitalisation Shares.

Name of Shareholders	**As at the Latest Practicable Date**		**Immediately upon completion of the Loan Capitalisation assuming no other changes to the issued share capital of the Company from the Latest Practicable Date until Completion**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Mr. Hu	233,664,000	5.08	373,664,000	7.89
Smart Lane	448,000,000	9.74	448,000,000	9.46
Front Riches	99,184,000	2.16	99,184,000	2.09
Sub-total	780,848,000	16.98	920,848,000	19.44
Ms. Lin	26,064,000	0.57	26,064,000	0.55
Uprise Global Investments Limited	448,000,000	9.74	448,000,000	9.45
Gainup Limited	23,056,000	0.50	23,056,000	0.49
Sub-total	497,120,000	10.81	497,120,000	10.49
Mr. Chan Wing Yuen, Hubert	26,064,000	0.57	26,064,000	0.55
Ms. Kwong Wai Man, Karina	26,064,000	0.57	26,064,000	0.55
Ms. Ma Lee	2,240,000	0.05	2,240,000	0.05
Depot Up Limited	640,000,000	13.92	640,000,000	13.51
Other public Shareholders	2,625,288,000	57.10	2,625,288,000	55.41
Total	**4,597,624,000**	**100.00**	**4,737,624,000**	**100.00**

Assuming there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Capitalisation Shares, the interests of other public Shareholders in the Company's total number of issued Shares will be diluted from approximately 57.10% to approximately 55.41%.

Taking into account (i) the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole; and (ii) the Capitalisation Price is fair and reasonable and on normal commercial terms, we consider that such potential dilution effect on the shareholding interest of the other public Shareholders to be acceptable and justifiable.

7. Potential financial effects of the Loan Capitalisation

7.1 Earnings

As the Partial Loan does not carry any interest, the Loan Capitalisation will not have any impact to the earnings of the Group.

7.2 Gearing and liquidity

Upon Completion, the Partial Loan (representing HK$13,720,000 of the Loan) would be set off and the remaining part of the Loan (representing HK$23,141,640 of the Loan) shall remain to be due and payable by the Company to the Subscriber.

As a result, indebtedness and liquidity position of the Group will be improved. In terms of gearing ratio, assuming (i) the First Loan Capitalisation had taken place on 31 March 2025, the gearing ratio would be reduced from approximately 35.5% to approximately 19.8%; and (ii) both the First Loan Capitalisation and the current Loan Capitalisation had taken place on 31 March 2025, the gearing ratio would be further reduced to approximately 12.0%. It should be noted that the above analysis is for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

Overall, we note that the financial position of the Group would be improved as a result of the Loan Capitalisation.

RECOMMENDATION

In view of the above principal factors and reasons, we are of the view that (i) although the Loan Capitalisation Agreement and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Loan Capitalisation Agreement (including the Capitalisation Price) are on normal commercial terms and are fair and reasonable.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolution to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*