The following is the full text of the letter of advice from Draco Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular.

瓏盛資本有限公司
Draco Capital Limited

5/F, Shun On Commercial Building
112 & 114 Des Voeux Road Central
Central, Hong Kong

10 September 2026

To the Independent Board Committee and the Independent Shareholders of
Unity Group Holdings International Limited

Dear Sir or Madam,

CONNECTED TRANSACTION: ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE FOR SETTLEMENT OF CONSIDERATION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Capitalisation Shares, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 10 September 2026 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those ascribed to them in the Circular.

References are made to the announcements of the Company dated 6 August 2026, 7 August 2026 and 13 August 2026 in relation to, among other things, the Capitalisation Agreement and the transactions contemplated thereunder.

As disclosed in the Letter from the Board, on 6 August 2026 (after trading hours), the Vendor (as subscriber), the Company (as issuer) and Synergy Worldwide entered into the Capitalisation Agreement, pursuant to which the Vendor conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 50,000,000 Capitalisation Shares at the Issue Price of HK$0.40 per Capitalisation Share, representing an aggregate subscription amount of HK$20.00 million, in settlement of part of the outstanding balance of the Consideration payable by Synergy Worldwide to the Vendor pursuant to the Sale and Purchase Agreement (as supplemented). As at the date of the Capitalisation Agreement, the outstanding balance of the Consideration amounted to a face value of approximately HK$30.86 million (the "**Outstanding Amount**", being a term used in this letter for ease of reference only). Upon completion of the allotment and issue of the Capitalisation Shares, the face value of the Outstanding Amount will be reduced to approximately HK$10.86 million. There will be no cash proceeds arising from the Capitalisation, as the entire amount of the Issue Price payable by the Vendor will be applied to set off part of the Consideration payable by Synergy Worldwide to the Vendor.

The Capitalisation Shares have an aggregate nominal value of HK$500,000 and, when fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of completion of the Capitalisation, including the right to any dividends or other distributions declared, made or paid after the date of allotment. As at the Latest Practicable Date, the issued share capital of the Company comprised 3,538,657,002 Shares, all of which were fully paid. The Capitalisation Shares represent (i) approximately 1.41% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares, assuming that there will be no other change in the number of issued Shares from the Latest Practicable Date up to completion of the Capitalisation. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

As at the date of the Capitalisation Agreement and as at the Latest Practicable Date, Mr. Stephen Cheung was a director of the Target Company and each of its subsidiaries and was the beneficial owner of approximately 99.88% of the issued share capital of the Vendor. Accordingly, the Vendor is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules, and the entering into of the Capitalisation Agreement and the allotment and issue of the Capitalisation Shares contemplated thereunder constitute a connected transaction of the Company which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 13.36 of the Listing Rules, the Capitalisation Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

The purpose of this letter is to set out our opinion and recommendation, together with the principal factors and reasons which we have taken into account in arriving at such opinion and recommendation, in respect of the Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Capitalisation Shares, for the consideration of the Independent Board Committee and the Independent Shareholders in deciding how to vote on the relevant resolution(s) to be proposed at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie, Dr. Wong Chi Ying Anthony and Mr. Tang Warren Louis, being all of the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Capitalisation Shares, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and as to how the Independent Shareholders should vote on the relevant resolution(s) to be proposed at the EGM. Pursuant to Rule 13.39(6) of the Listing Rules, we, Draco Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and our appointment has been approved by the Independent Board Committee.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationship or interest between Draco Capital Limited and the Company, or any other parties, that could reasonably be regarded as a hindrance to our independence as the Independent Financial Adviser to act in such capacity in respect of the Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Capitalisation Shares.

During the past two years immediately preceding the IFA Obligation Commencement Time (as defined under Rule 13.84 of the Listing Rules) and up to the Latest Practicable Date, save for the present engagement as the Independent Financial Adviser in connection with the Capitalisation, there was no other engagement between the Group and Draco Capital Limited. Apart from the normal professional fee payable to us in connection with the present engagement, no arrangement exists whereby we shall receive any fee or benefit from the Company or its subsidiaries or associates, or any party to the Capitalisation Agreement, and our fee is not contingent upon the outcome of the Capitalisation or the passing of the relevant resolution(s) at the EGM. As at the Latest Practicable Date, we did not hold any Share or any interest in the securities of the Company or any member of the Group. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, facts, opinions and representations contained or referred to in the Circular and the information, facts, opinions and representations which have been provided to us by the Company, the Directors and the Management, and for which they are solely responsible. We have assumed that all such information, facts, opinions and representations were true, accurate and complete in all material respects at the time when they were provided or made and continued to be so as at the Latest Practicable Date. Pursuant to Rule 13.81(2) of the Listing Rules, the Company is required to keep us informed of any material change to any information previously given to or accessed by us, and we have assumed that the Independent Shareholders will be notified of any material change to such information, facts, opinions and representations as soon as possible.

In the course of our review and pursuant to Rule 13.80(2) of the Listing Rules, we have performed, among other things, the following work:

(a) reviewed the Capitalisation Agreement, including the Issue Price, the number of Capitalisation Shares and the conditions precedent;

(b) reviewed the Sale and Purchase Agreement, the undertaking dated 24 January 2025 and the supplemental agreements to the Sale and Purchase Agreement;

(c) reviewed the announcements of the Company dated 6 August 2026, 7 August 2026 and 13 August 2026, the draft Circular and the annual report of the Company for the year ended 31 March 2026 (the "**Annual Report 2026**");

(d) reviewed the historical closing prices and trading volumes of the Shares during the period from 6 August 2025, being the one year period immediately prior to and including the date of the Capitalisation Agreement, up to the Latest Practicable Date (the "**Review Period**");

(e) reviewed comparable transactions involving the issue of new shares under specific mandate for the settlement of consideration, debt or other amounts owing to connected persons announced by other companies listed on the Stock Exchange;

(f) reviewed other publicly available information in respect of the Company and the Group published on the websites of the Stock Exchange and the Company; and

(g) held discussions with the Management in respect of the matters described below.

In our discussions with the Management, we have enquired into, among other things, (i) the commercial rationale for, and the anticipated benefits of, the Capitalisation, including the reasons why the Board considers the settlement of part of the Consideration by way of the issue of the Capitalisation Shares to be preferable to settlement in cash, having regard to the fact that the cash and bank balances of the Group amounted to only approximately HK$1.6 million as at 31 March 2026; (ii) the basis upon which the Issue Price was negotiated and determined, and the reference made by the parties to the prevailing market prices of the Shares, the prevailing market conditions and the revised repayment date of 30 June 2030; (iii) the alternative means of settlement and financing which were considered by the Management prior to entering into the Capitalisation Agreement, including settlement in cash out of internal resources, additional bank or other debt financing, and further equity fund raising exercises; (iv) the expected impact of the Capitalisation on the working capital position, gearing level and the ability of the Group to secure financing for the development of its principal businesses; and (v) the business strategies and development plans of the Group and its funding requirements for the foreseeable future. The Management has confirmed to us that the Capitalisation does not form part of any wider arrangement, understanding or agreement between the Company, the Vendor or Mr. Stephen Cheung which has not been disclosed in the Circular.

We have not, however, carried out any independent verification of the information provided to us by the Company, the Directors and the Management, nor have we conducted any independent investigation into the business, affairs, financial position or future prospects of the Group, the Vendor, Synergy Worldwide or the Target Company. We have also not carried out any independent valuation or appraisal of the assets and liabilities of any member of the Group or of the Target Company, and we express no opinion in this letter on the value of any such asset or liability. We have relied on the confirmation of the Directors that, having made all reasonable enquiries, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement in the Circular misleading. We have taken all reasonable steps pursuant to Rule 13.80(2) of the Listing Rules to satisfy ourselves that there is no reason to believe that any information relied on by us in forming our opinion is not true or omits a material fact. Where information in this letter has been extracted from published or otherwise publicly available sources, we have satisfied ourselves that such information has been correctly extracted from the relevant sources, but we accept no responsibility for the accuracy or completeness of the underlying information itself.

Our opinion and recommendation are necessarily based upon the financial, economic, market and other conditions prevailing, and the information made available to us, as at the Latest Practicable Date. We have no obligation to update our opinion to take into account any event or circumstance occurring after the Latest Practicable Date which may affect our opinion. This letter is prepared solely for the use of the Independent Board Committee and the Independent Shareholders in connection with their consideration of the Capitalisation Agreement and the transactions contemplated thereunder, and we have not addressed, and express no opinion on, the commercial merits or the accounting, taxation or legal consequences of the Capitalisation, save to the extent expressly stated in this letter.

LISTING RULES IMPLICATIONS

As the Vendor is a connected person of the Company at the subsidiary level by reason of Mr. Stephen Cheung being a director of the Target Company and each of its subsidiaries and the beneficial owner of approximately 99.88% of the issued share capital of the Vendor, the entering into of the Capitalisation Agreement and the allotment and issue of the Capitalisation Shares contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and are therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements thereunder.

As the Capitalisation Shares will not be allotted and issued under the existing general mandate of the Company, the Company will seek the Specific Mandate from the Independent Shareholders at the EGM pursuant to Rule 13.36 of the Listing Rules to authorise the Directors to allot and issue the Capitalisation Shares. The votes of the Independent Shareholders at the EGM will be taken by way of poll and an announcement of the poll results will be published by the Company after the EGM in the manner prescribed under the Listing Rules.

As disclosed in the Letter from the Board, Mr. Stephen Cheung, who beneficially owns 360,000 Shares and is deemed to be interested in 6,244,000 Shares through the interests of his spouse, representing in aggregate approximately 0.19% of the issued share capital of the Company as at the date of the Capitalisation Agreement and as at the Latest Practicable Date, and his associates will be required to abstain from voting on the relevant resolution(s) to approve the Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Capitalisation Shares, at the EGM. Save as disclosed above, no other Shareholder has a material interest in the Capitalisation and is required to abstain from voting on such resolution(s) at the EGM.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Capitalisation Shares, we have taken into consideration the principal factors and reasons set out below. This letter should be read in its entirety, and the following factors and reasons should not be considered in isolation from one another.

1. Background of and Reasons for the Capitalisation

(i) Background of the Group

The Company is an investment holding company. As disclosed in the Annual Report 2026, the Group is principally engaged in the provision of leasing services of energy saving systems, the provision of consultancy services and artificial intelligence technology services, and the trading of energy saving products. The Group operates its businesses principally in Hong Kong and selected markets in Southeast Asia and the Middle East, and its business model involves the deployment of energy saving systems and related equipment for customers under leasing and energy performance contracting arrangements, which are typically capital intensive in nature and are funded substantially by debt financing.

As disclosed in the Annual Report 2026 and the announcements of the Company, the Group has during the year ended 31 March 2026 and up to the Latest Practicable Date continued to expand its business portfolio, including (i) the entering into of a leasing arrangement in respect of artificial intelligence and high performance computing infrastructure with Multipolar Technology; (ii) the participation in an energy efficiency project with the STRIDES group of SMRT in Singapore; (iii) the entering into of an energy performance contract with the Mydin group and along with other clients in Malaysia; and (iv) the launch of a digital environmental, social and governance vertical farming initiative. The Management has advised us that the continued expansion of these businesses requires the Group to preserve its cash resources and to maintain the overall gearing of the Group at a level which is acceptable to its lenders.

(ii) Financial Performance of the Group

Set out below is a summary of the audited consolidated financial results and financial position of the Group for each of the two financial years ended 31 March 2025 and 31 March 2026, as extracted from the Annual Report 2026:

	For the year ended 31 March	
	2026	**2025**
	HK$'000	*HK$'000*
	(audited)	(audited)
Revenue	118,692	157,371
Provision of energy saving systems	46,742	85,134
Trading of energy saving products	52,528	65,033
Licensing fees for energy saving products	19,422	7,204
Gross profit	79,940	93,385
EBITDA	101,278	48,301
EBIT	97,714	45,151
Profit for the year	66,627	39,597

	As at 31 March	
	2026	**2025**
	HK$'000	*HK$'000*
	(audited)	(audited)
Total assets	600,783	565,908
Total liabilities	316,846	372,184
Net assets	283,937	193,724

As shown above, the total revenue of the Group was approximately HK$118.7 million for the year ended 31 March 2026, representing a decrease of approximately 24.6% as compared with approximately HK$157.4 million for the year ended 31 March 2025. As disclosed in the Annual Report 2026, revenue from the provision of energy saving systems under the signature energy saving project of the Group in Malaysia decreased to approximately HK$45.6 million for the year ended 31 March 2026 (2025: approximately HK$82.8 million), as the Group completed new installations of approximately 139,000 LED lights during the year (2025: approximately 243,000 LED lights) and contract revenue under such arrangements is recognised as finance lease income upon the verification and completion of installation. Revenue from the trading of energy saving products decreased to approximately HK$52.5 million for the year ended 31 March 2026 (2025: approximately HK$65.0 million), which was primarily attributable to a softening in procurement demand and a realignment of ordering schedules from the established trading customers of the Group, while licensing fees for energy saving products increased substantially to approximately HK$19.4 million for the year ended 31 March 2026 (2025: approximately HK$7.2 million), driven by the successful acquisition and execution of contracts, with the total number of active projects increasing from one to two. Notwithstanding the decrease in installation driven revenue recognition, the total number of active customers served by the Group rose to 199 for the year ended 31 March 2026 (2025: 170).

The gross profit margin of the Group increased from approximately 59.3% for the year ended 31 March 2025 to approximately 67.4% for the year ended 31 March 2026. As disclosed in the Annual Report 2026, this improvement was primarily driven by an increased revenue contribution from the higher margin licensing fees for energy saving products, alongside successful cost optimisation strategies implemented across the segments of the Group.

The Group recorded a profit for the year of approximately HK$66.6 million for the year ended 31 March 2026, as compared with a profit of approximately HK$39.6 million for the year ended 31 March 2025, representing an increase of approximately 68.2%. As disclosed in the Annual Report 2026, the improvement in profitability was contributed by, among other things, net other income of approximately HK$37.2 million recorded for the year ended 31 March 2026 (2025: net other expenses of approximately HK$16.9 million), which mainly comprised a gain on modification of financial liabilities of approximately HK$25.2 million primarily attributable to the successful restructuring of the outstanding consideration payable for the acquisition of additional interest in a partially owned subsidiary during the year, as well as a decrease in selling and distribution expenses of approximately 18.8% to approximately HK$8.2 million for the year ended 31 March 2026 (2025: approximately HK$10.1 million) and a decrease in administrative expenses to approximately HK$52.1 million for the year ended 31 March 2026 (2025: approximately HK$56.6 million). The net assets of the Group increased by approximately 46.6% from approximately HK$193.7 million as at 31 March 2025 to approximately HK$283.9 million as at 31 March 2026.

We note, however, that the finance costs of the Group increased significantly from approximately HK$6.3 million for the year ended 31 March 2025 to approximately HK$15.4 million for the year ended 31 March 2026, reflecting the greater reliance of the Group on debt financing to fund its business expansion. In our view, the increase in finance costs illustrates the importance to the Group of arrangements, such as the Capitalisation, which reduce the indebtedness of the Group without requiring any cash outflow.

(iii) Financial Position of the Group

As disclosed in the Annual Report 2026, the current assets of the Group amounted to approximately HK$339.1 million as at 31 March 2026 (2025: approximately HK$340.0 million), and the current ratio of the Group improved from approximately 0.9 times as at 31 March 2025 to approximately 1.5 times as at 31 March 2026. The total debt obligations of the Group, comprising bank borrowings of approximately HK$111.2 million, other borrowings of approximately HK$19.5 million and amounts due to scheme creditors of approximately HK$39.6 million, amounted to approximately HK$170.2 million as at 31 March 2026 (2025: approximately HK$129.5 million). The gearing ratio of the Group, being total debt obligations divided by total equity, decreased from approximately 66.8% as at 31 March 2025 to approximately 59.9% as at 31 March 2026, which improvement was primarily attributable to the enlargement of the equity base of the Group during the year.

Of particular relevance to our assessment of the Capitalisation is the liquidity position of the Group. The cash and bank balances of the Group decreased substantially from approximately HK$12.4 million as at 31 March 2025 to approximately HK$1.6 million as at 31 March 2026. As at 31 March 2026, the total credit facilities available to the Group amounted to approximately HK$157.1 million, of which approximately HK$130.6 million had been utilised, leaving unutilised facilities of approximately HK$26.5 million, and the available bank borrowings were secured by finance lease receivables, trade receivables and pledged bank deposits with an aggregate carrying value of approximately HK$125.6 million together with a corporate guarantee given by the Company. We further note that a substantial portion of the current assets of the Group is represented by trade receivables of approximately HK$286.6 million (with non-current trade receivables of approximately HK$28.9 million), the recovery of which is dependent upon the settlement patterns of the customers of the Group and in respect of which restructuring arrangements covering approximately HK$279.7 million were entered into during the year ended 31 March 2026.

Having regard to the above, we consider that the Group, although recording net assets of approximately HK$283.9 million and an improving current ratio, has a limited amount of readily available cash relative to the size of the Outstanding Amount. In particular, cash and bank balances of approximately HK$1.6 million as at 31 March 2026 represent less than 10% of the HK$20.00 million in face value which would be required to settle in cash the part of the Consideration to be satisfied by the Capitalisation Shares. In our view, a settlement of such amount in cash would either require the Group to draw down further debt financing, thereby increasing its finance costs and gearing, or divert cash which is required for the working capital and capital expenditure needs of its principal businesses.

(iv) Background of the Vendor, Synergy Worldwide and the Sale and Purchase Agreement

The Vendor is a company incorporated in Hong Kong with limited liability and is an investment holding company. As at the date of the Capitalisation Agreement and as at the Latest Practicable Date, approximately 99.88% of the issued share capital of the Vendor was directly owned by Mr. Stephen Cheung, who is a director of the Target Company and each of its subsidiaries. Synergy Worldwide is a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company as at the Latest Practicable Date. The Target Company, Synergy Cooling Management Limited, is a company incorporated in the British Virgin Islands with limited liability and a non-wholly owned subsidiary of the Company as at the Latest Practicable Date.

Pursuant to the Sale and Purchase Agreement dated 15 January 2025 (as supplemented), Synergy Worldwide conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 4,600 ordinary shares of US$1.00 each in the Target Company beneficially owned by the Vendor prior to completion, at the Consideration of HK$200.00 million. Completion of the Sale and Purchase Agreement took place on 20 January 2025, following which the shareholding of the Vendor in the Target Company was reduced from approximately 28.39% to approximately 3.69%, which remained unchanged as at the date of the Capitalisation Agreement. Pursuant to the Sale and Purchase Agreement, the Consideration was to be satisfied in cash by cashier order, bank transfer or any other manner as agreed between Synergy Worldwide and the Vendor, of which HK$5.00 million was payable upon completion of the Sale and Purchase Agreement and HK$195.00 million was payable on or before 30 June 2027. Pursuant to an undertaking dated 24 January 2025 and a supplemental agreement dated 31 March 2026, the repayment date of the outstanding balance of the Consideration was extended to 30 June 2030. As at the date of the Capitalisation Agreement, the Outstanding Amount stood at a face value of approximately HK$30.86 million.

The Management has confirmed to us that, save as disclosed above, there are no other material payment terms in respect of the Consideration, and that the Outstanding Amount is unsecured and interest free and is not subject to any early repayment obligation, default provision or other material covenant. Following the extension of the repayment date to 30 June 2030, the Outstanding Amount remains repayable by Synergy Worldwide in accordance with the terms of the Sale and Purchase Agreement (as supplemented) and, accordingly, there is no immediate payment pressure on the Group in respect of the Outstanding Amount. The Capitalisation does not accelerate any payment obligation of the Group, but rather extinguishes part of an existing liability of the Group by way of the issue of new Shares at a premium to the prevailing market price of the Shares.

(v) Reasons for and Benefits of the Capitalisation

As disclosed in the Letter from the Board, the Group utilises debt financing to fund the development of its principal businesses and, as advised by various financial institutions including commercial banks, the constant review and maintenance of the overall gearing of the Group at a manageable level is pivotal to securing financing for the development of those businesses. The Directors consider that the Capitalisation will (i) lower the repayment pressure of the Company in respect of the Consideration under the Sale and Purchase Agreement; (ii) retain the cash flow of the Group for its future business development; and (iii) strengthen the financial position of the Group by lowering its overall gearing ratio.

Having reviewed the terms of the Capitalisation Agreement and discussed the matter with the Management, we concur with the Directors and consider the following benefits of the Capitalisation to be material to the Independent Shareholders:

(a) the Capitalisation settles HK$20.00 million face value of the Outstanding Amount, equivalent to carrying amount of approximately HK$15.38 million, without any cash outflow on the part of the Group, thereby preserving the limited cash and bank balances of the Group of approximately HK$1.6 million as at 31 March 2026 for the working capital and capital expenditure requirements of its principal businesses;

(b) the face value of Outstanding Amount will be reduced from approximately HK$30.86 million to approximately HK$10.86 million upon completion of the Capitalisation, representing a reduction of approximately 64.8%, with a corresponding reduction in the carrying amount of the total liabilities of the Group and an increase in its equity base, which in turn improves the gearing profile of the Group and, as advised by the Management, its ability to obtain further financing on acceptable terms for the development of its energy saving and artificial intelligence related businesses;

(c) the Capitalisation avoids the need for the Group to source alternative funding in the future for the settlement of the relevant part of the Consideration, and therefore avoids the future finance costs, arrangement fees and security requirements which would be associated with any such alternative funding, in circumstances where the finance costs of the Group have already increased from approximately HK$6.3 million to approximately HK$15.4 million between the two financial years ended 31 March 2026; and

(d) the Capitalisation Shares will be issued at the Issue Price, which represents a premium over the prevailing market prices of the Shares as further discussed below, with the result that a smaller number of new Shares is required to settle the same monetary amount than would be the case had the Capitalisation Shares been issued at or below the prevailing market price, thereby limiting the dilution suffered by the existing Shareholders.

(vi) Appropriateness of the Timing of the Capitalisation

We have specifically considered whether August 2026 is an appropriate time for the Company to capitalise HK$20.00 million in face value of the Outstanding Amount, having regard to the fact that the Outstanding Amount is interest free and is not due and payable until 30 June 2030. We recognise that, on those terms, there is no imminent contractual requirement for the Group to settle the Outstanding Amount, that the Capitalisation will not give rise to any saving of cash interest, and that the existing Shareholders will experience dilution in 2026 in respect of a liability which would not otherwise fall due until 2030. We have treated these matters as disadvantages of proceeding with the Capitalisation at the present time.

Notwithstanding the above, the financial and commercial benefits which the Capitalisation is intended to achieve will arise upon completion rather than only upon the maturity of the Outstanding Amount on 30 June 2030. As discussed in the sub-section headed "Financial Position of the Group" in this section above, as at 31 March 2026 the Group had cash and bank balances of approximately HK$1.6 million and total liabilities of approximately HK$316.8 million, approximately HK$130.6 million of its total credit facilities of approximately HK$157.1 million had been utilised, leaving unutilised credit facilities of only approximately HK$26.5 million, and the finance costs of the Group increased from approximately HK$6.3 million for the year ended 31 March 2025 to approximately HK$15.4 million for the year ended 31 March 2026. The Capitalisation is expected to reduce the carrying amount of the total liabilities of the Group by approximately HK$15.38 million, enlarge its equity base by the fair value of the Capitalisation Shares upon completion and improve its gearing profile, in each case with immediate effect. As advised by the Management, these improvements are relevant to the ongoing negotiations of the Group with banks and other financiers for the funding of its business development, which are being conducted at the present time and by reference to the current financial position of the Group rather than its financial position in 2030. The Capitalisation will also preserve the existing liquidity of the Group, which the Management has advised us is strictly committed to funding ongoing project deployments in Malaysia, and will remove the need for the Group to fund HK$20.00 million in face value of the Outstanding Amount upon maturity.

We have further considered the terms on which the Outstanding Amount is being capitalised. The Issue Price of HK$0.40 per Capitalisation Share represents a premium of approximately 19.40% over the closing price of the Shares on the date of the Capitalisation Agreement and premiums ranging from approximately 11.59% to approximately 17.68% over the average closing prices of the Shares for each of the last 5, 10, 30, 60, 90 and 180 trading days up to and including that date, and the closing price of the Shares on the Latest Practicable Date of HK$0.32 was approximately 20.00% below the Issue Price. As the Issue Price is fixed and is not subject to any adjustment or reset mechanism, settling HK$20.00 million in face value of the Outstanding Amount at the present time requires the allotment and issue of 50,000,000 Capitalisation Shares only, representing approximately 1.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares. For illustrative purposes only, had the same amount been settled at the closing price of the Shares on the Latest Practicable Date of HK$0.32 per Share, 62,500,000 new Shares, being approximately 25.00% more Shares, would have been required, representing approximately 1.74% of the then enlarged issued share capital of the Company. We also note that the Vendor is under no obligation to accept Shares in settlement of any part of the Outstanding Amount, and there is no assurance that the Vendor would agree to do so at a premium to the prevailing market price of the Shares at any later time.

We have also considered the alternative of leaving the Outstanding Amount unchanged until 30 June 2030, which is discussed further in the section headed "Other Financing and Fund-Raising Alternatives Considered" below. Whilst that course would preserve the benefit of the existing interest free deferral of payment and would avoid any dilution in 2026, it would leave the liability of the Group outstanding, would not achieve any immediate reduction in the carrying amount of the total liabilities of the Group or any immediate strengthening of its equity base or improvement in its gearing profile, and would leave the Group responsible for arranging the financial resources required to settle the relevant amount upon maturity.

Having balanced the absence of any immediate payment obligation and the benefit of the continued interest free deferral of payment against the immediate improvement in the liability, equity and gearing profile of the Group, the preservation of liquidity for its operations and future capital expenditure requirements, the relevance of the strengthened financial position of the Group to its current financing negotiations, and the limited dilution arising from a settlement at an Issue Price which represents a premium to the prevailing market price of the Shares, we are of the view that August 2026 is an appropriate time for the Company to undertake the Capitalisation. Our view in this regard is based on the immediate financial and financing benefits described above, and is not based on any assumption as to the financial resources which will be available to the Group on 30 June 2030.

On the basis of the above, we are of the view that the reasons for the Capitalisation are commercially justifiable and that the Capitalisation, whilst not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole.

2. Other Financing and Fund-Raising Alternatives Considered

We have discussed with the Management the alternative means by which the relevant part of the Consideration could have been settled, and the reasons why the Board considered the Capitalisation to be the most appropriate option available to the Group. The Management has advised us as follows:

(a) settlement in cash out of the internal resources of the Group was considered to difficult, as the cash and bank balances of the Group amounted to only approximately HK$1.6 million as at 31 March 2026 and the operating cash flow of the Group is prioritized to fund the working capital requirements of its existing projects, otherwise it would increase the liquidity pressure on the Group to allocate the operating cash flow for the repayment of the face value of Outstanding Amount in the future;

(b) additional bank or other debt financing was considered but not pursued, having regard to the facts that approximately HK$130.6 million of the total credit facilities of approximately HK$157.1 million available to the Group had already been utilised as at 31 March 2026, that the existing banking facilities are secured by a substantial part of the receivables and pledged deposits of the Group, that further borrowings would increase the gearing ratio of the Group and its finance costs, and that the raising of new debt in order to repay an existing liability which is not due until 30 June 2030 would not improve the financial position of the Group;

(c) other forms of equity fund raising, such as a placing of new Shares were considered but not regarded as efficient nor effective appropriate for this purpose. There is no certainty that the relevant issue price of placing of new Shares would be equal or higher than the Issue Price in terms of level of premium to the prevailing market price, resulting in a potential higher level of dilution to the Shareholders on their respective holding on the Company if the amount under the Capitalisation remains unchanged, which is not in the interests to the Shareholders as a whole. Furthermore, as at the Latest Practicable Date, the Capitalisation Shares represent (i) approximately 1.41% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares, assuming that there will be no other change in the number of issued Shares from the Latest Practicable Date up to completion of the Capitalisation. Given the limited extent on the Capitalistion Shares, it would render the option of conducting a rights issue inefficient.

Finally, a placing or rights issue would involve underwriting or placing commissions and a higher budget of expenses, and would take a longer time to complete and, in the case of a placing, would be subject to investment interests where certainly is never warranted; and

(d) a further extension of the repayment date of the Outstanding Amount was considered, but would leave the liability of the Group outstanding and would not achieve any reduction in the total liabilities of the Group or any strengthening of its equity base.

Having considered the above, and in particular the tight liquidity position of the Group, the level of utilisation of its existing credit facilities and the fact that the Capitalisation requires no cash outlay and involves no commission or underwriting expense (save for professional fees and related expenses which are to be settled out of the internal resources of the Group, resulting in a net issue price of approximately HK$0.398 per Capitalisation Share), we consider it reasonable for the Board to have proceeded with the Capitalisation rather than the alternatives described above.

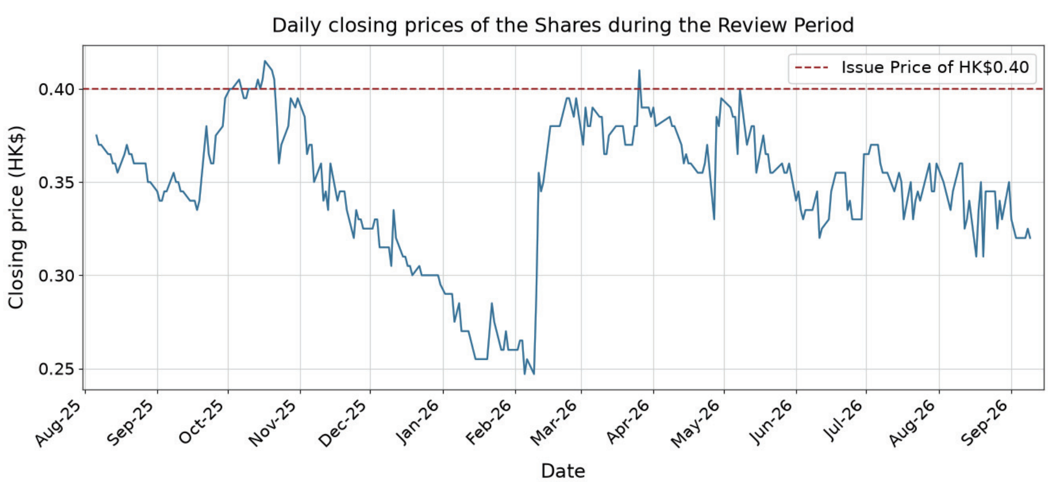
In assessing the alternatives described above, we have considered whether the cash and bank balances of the Group of approximately HK$1.6 million as at 31 March 2026 are an appropriate factor to be taken into account, given that the Outstanding Amount will only become due and payable on 30 June 2030. In our view, that balance is an appropriate and relevant factor, but is not by itself determinative. It is the latest audited figure available and, read together with the level of utilisation of the existing credit facilities of the Group, the finance costs and gearing ratio of the Group and the composition of its current assets, it is relevant to our assessment of the present liquidity position of the Group, the practicability of an immediate settlement of the relevant part of the Outstanding Amount in cash out of internal resources as an alternative to the Capitalisation, and the present value to the Group of preserving liquidity for its operations and future capital expenditure requirements.

We do not, however, regard the cash and bank balances of the Group as at 31 March 2026 as a forecast of the financial resources which will be available to the Group on 30 June 2030, and we have not relied upon that balance as establishing that the Group will be unable to settle the Outstanding Amount when it falls due. We have instead had regard to it as one indicator of the current financial resources of the Group, and we have considered it together with the other factors set out in this letter, including the utilisation of approximately HK$130.6 million of the total credit facilities of approximately HK$157.1 million available to the Group as at 31 March 2026, the security granted in respect of those facilities, the increase in the finance costs of the Group from approximately HK$6.3 million for the year ended 31 March 2025 to approximately HK$15.4 million for the year ended 31 March 2026, the commitment of the operating cash flows of the Group to its ongoing project deployments, and the absence of any committed source of funds earmarked for the settlement of the Outstanding Amount upon maturity. On that basis, we consider that we have a reasonable basis for taking the cash and bank balances of the Group as at 31 March 2026 into account in the manner described above.

3. Assessment of the Issue Price and the Capitalisation Shares

(i) Historical Closing Prices of the Shares

We have reviewed the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period, being the period from 6 August 2025, being the one year period immediately prior to and including the date of the Capitalisation Agreement, up to the Latest Practicable Date, in order to assess whether the Issue Price is fair and reasonable by reference to the prevailing and historical market prices of the Shares. We consider the Review Period to be adequate and appropriate for the purpose of our analysis as it covers the full one year period immediately prior to and including the date of the Capitalisation Agreement, being the date on which the Issue Price was agreed, and extends up to the Latest Practicable Date, with the result that it is sufficiently long to illustrate the general trend and recent movements of the market prices of the Shares whilst remaining sufficiently recent to reflect the prevailing market conditions and market sentiment in respect of the Shares. The chart below sets out the daily closing prices of the Shares during the Review Period, together with the Issue Price of HK$0.40 per Share for comparison purposes:



Source: the website of the Stock Exchange (http://www.hkexnews.hk)

During the Review Period, the closing prices of the Shares ranged from a low of HK$0.247 per Share (recorded on each of 5 February 2026 and 9 February 2026) to a high of HK$0.415 per Share (recorded on 17 October 2025), with an average closing price of approximately HK$0.347 per Share. The Issue Price of HK$0.40 per Capitalisation Share therefore represents a discount of approximately 3.61% to the highest closing price of the Shares during the Review Period and a premium of approximately 61.94% over the lowest closing price of the Shares during the Review Period. We further note that the closing price of the Shares was at or above the Issue Price on only 13 out of the 270 trading days during the Review Period, and that the closing price of the Shares as at the Latest Practicable Date was HK$0.32 per Share, representing a discount of approximately 20.00% to the Issue Price. Accordingly, the Issue Price stands at a level which is at or above the closing price of the Shares on approximately 97.41% of the trading days during the Review Period.

As the Capitalisation involves the issue of new Shares in settlement of an existing liability of the Group rather than a subscription for new Shares for cash, a higher issue price is favourable to the Company and the existing Shareholders, since a smaller number of new Shares is required in order to settle the same monetary amount of liability. Viewed in this light, we consider that the level of the Issue Price relative to the historical closing prices of the Shares during the Review Period is favourable to the Independent Shareholders.

(ii) Premium Represented by the Issue Price

Set out below is a comparison of the Issue Price against the closing price of the Shares on the date of the Capitalisation Agreement and against the average closing prices of the Shares over various periods up to and including that date. The Issue Price of HK$0.40 per Capitalisation Share represents:

(a) a premium of approximately 19.40% over the closing price of HK$0.335 per Share as quoted on the Stock Exchange on 6 August 2026, being the date of the Capitalisation Agreement;

(b) a premium of approximately 14.94% over the average closing price of approximately HK$0.348 per Share for the last 5 trading days up to and including the date of the Capitalisation Agreement;

(c) a premium of approximately 14.78% over the average closing price of approximately HK$0.348 per Share for the last 10 trading days up to and including the date of the Capitalisation Agreement;

(d) a premium of approximately 14.72% over the average closing price of approximately HK$0.349 per Share for the last 30 trading days up to and including the date of the Capitalisation Agreement;

(e) a premium of approximately 14.37% over the average closing price of approximately HK$0.350 per Share for the last 60 trading days up to and including the date of the Capitalisation Agreement;

(f) a premium of approximately 11.59% over the average closing price of approximately HK$0.358 per Share for the last 90 trading days up to and including the date of the Capitalisation Agreement;

(g) a premium of approximately 17.68% over the average closing price of approximately HK$0.340 per Share for the last 180 trading days up to and including the date of the Capitalisation Agreement; and

(h) a premium of approximately 25.00% over the closing price of HK$0.320 per Share as at the Latest Practicable Date.

Source: the website of the Stock Exchange (http://www.hkexnews.hk)

As illustrated above, the Issue Price represents a premium over the closing price of the Shares on the date of the Capitalisation Agreement and over the average closing prices of the Shares for each of the last 5, 10, 30, 60, 90 and 180 trading days up to and including that date, ranging from approximately 11.59% to approximately 19.40%. The Issue Price therefore represents a consistent premium over the market prices of the Shares across each of the periods reviewed, rather than a premium which arises only by reference to a single reference date, and we consider this to support the view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

(iii) Trading Liquidity of the Shares

We have also reviewed the trading volume of the Shares during the Review Period in order to assess the liquidity of the Shares and, accordingly, the extent to which the market prices of the Shares constitute a reliable reference for the determination of the Issue Price. Set out below is a summary of the average daily trading volume of the Shares for each month during the Review Period:

Month	Number of trading days	Average daily trading volume (number of Shares)	Approximate percentage of the total number of issued Shares (%)
August 2025 (from 6 August 2025)	18	2,156,556	0.0609
September 2025	22	2,188,636	0.0618
October 2025	20	2,767,700	0.0782
November 2025	20	1,839,193	0.0520
December 2025	21	1,068,879	0.0302
January 2026	21	1,949,333	0.0551
February 2026	17	2,679,176	0.0757
March 2026	22	1,348,818	0.0381
April 2026	19	891,789	0.0252
May 2026	19	465,684	0.0132
June 2026	21	398,476	0.0113
July 2026	22	779,636	0.0220
August 2026	21	2,350,952	0.0664
September 2026 (up to the Latest Practicable Date)	7	387,429	0.0109
Average during the Review Period	**270**	**1,559,638**	**0.0441**

Note: the approximate percentage of the total number of issued Shares is calculated by reference to 3,538,657,002 Shares in issue as at the Latest Practicable Date.

Source: the website of the Stock Exchange (http://www.hkexnews.hk)

As shown above, the average daily trading volume of the Shares during the Review Period was approximately 1,559,638 Shares, representing approximately 0.0441% of the total number of issued Shares as at the Latest Practicable Date, and the average daily trading volume in each month during the Review Period ranged from approximately 0.0109% to approximately 0.0782% of the total number of issued Shares. The trading of the Shares was therefore thin. In view of the limited liquidity of the Shares, we consider it appropriate that the Issue Price should be assessed not only against the closing price of the Shares on a single trading day but also against the average closing prices of the Shares over the longer periods referred to above, all of which support the conclusion that the Issue Price represents a premium over the prevailing market prices of the Shares. We also note that, given the limited liquidity of the Shares, it would not have been practicable for the Vendor to realise Shares equivalent in value to the Capitalisation Shares in the market within a short period of time, and that the Capitalisation Shares are not subject to any lock up arrangement.

(iv) Comparison with Comparable Transactions

In order to assess the fairness and reasonableness of the Issue Price from a market practice perspective, we have conducted a search on the website of the Stock Exchange to identify comparable transactions involving subscriptions or issues of new ordinary shares under specific mandate by or to connected persons of the relevant issuers, whether for cash or by way of capitalisation of loans, debts or other amounts owing by the relevant issuers, based on the following criteria:

(a) the issuers are listed on the Stock Exchange;

(b) the trading of shares of such issuers were not halted or suspended for more than three months as at the respective date of announcement;

(c) the subscriptions or issues of new shares were announced during the period from 6 August 2025 to 6 August 2026, being the one year period immediately prior to and including the date of the Capitalisation Agreement; and

(d) the new shares were not issued in connection with share incentive schemes, acquisition transactions, or corporate or debt restructurings under a scheme of a listed company.

but excluding:

(a) issues of new shares under share award or other share incentive schemes;

(b) issues of new shares as consideration for acquisitions; and

(c) issues of new shares pursuant to corporate or debt restructurings implemented under a scheme, and excluding issuers the trading in whose shares had been halted or suspended for more than three months as at the date of the relevant announcement.

(the "**Comparable Transactions**")

Based on the above selection criteria, which we consider to be fair and representative, we have identified an exhaustive list of 23 Comparable Transactions. We consider the aforesaid one year review period to be adequate and appropriate for the purpose of our analysis as it captures the recent market practice in respect of the pricing of new shares issued under specific mandates by or to connected persons under the prevailing market conditions and capital market sentiment, while at the same time providing a sufficient and representative sample of Comparable Transactions for a meaningful comparison.

The Independent Shareholders should note that the businesses, operations, financial positions and prospects of the companies involved in the Comparable Transactions are not identical to those of the Company, and that the Comparable Transactions are referred to for the purpose of illustrating the general market practice in respect of the pricing of new shares issued to connected persons under specific mandates only.

Date of announcement	Stock code	Company name	Principal activities	Premium/ (discount) of the issue price to the closing price on the last trading day (%)	Premium/ (discount) of the issue price to the average closing price for the last five trading days (%)
25 August 2025	2221	New Concepts Holdings Limited	Foundation works, civil engineering and general building works in Hong Kong, environmental protection projects, industrial park development and new energy materials businesses	13.64	14.94
3 September 2025	2268	WuXi XDC Cayman Inc.	Contract research, development and manufacturing of antibody drug conjugates and bioconjugates	(4.00)	2.87
16 September 2025	8365	Hatcher Group Limited	Corporate finance advisory, placing and underwriting, ESG advisory and other professional services in Hong Kong	(34.07)	(37.57)
26 September 2025	8305	Sheng Tang Holdings Limited	Provision of construction works and distribution of dairy products	(24.00)	(18.10)
20 October 2025	8246	Zhonghua Gas Holdings Limited	Integrated energy services including heat supply, coal to gas conversion and liquefied natural gas businesses	8.89	0.00
24 October 2025	2371	Chuanglian Holdings Limited	Educational consultancy, online training and education services and financial services	8.57	8.57
31 October 2025	3395	JX Energy Limited	Natural gas and crude oil exploration and production in Canada	(1.64)	(1.32)
17 November 2025	2339	BeijingWest Industries International Limited	Manufacture, sale and trading of automotive parts and components and provision of technical services	(34.21)	(20.00)
28 November 2025	475	Central Development Holdings Limited	Investment holding with energy and jewellery businesses in the PRC and Hong Kong	(3.61)	(8.05)
19 December 2025	1053	Chongqing Iron & Steel Company Limited	Manufacture and sale of steel products	24.90	26.00

Date of announcement	Stock code	Company name	Principal activities	Premium/ (discount) of the issue price to the closing price on the last trading day (%)	Premium/ (discount) of the issue price to the average closing price for the last five trading days (%)
16 January 2026	9858	China Youran Dairy Group Limited	Production and sale of raw milk, feeds and ruminant farming and breeding products in the PRC	(8.84)	(17.89)
5 March 2026	931	China HK Power Smart Energy Group Limited	Sales and distribution of natural gas, new energy technology products and solutions and financial services in the PRC	0.00	(0.27)
17 April 2026	1201	Tesson Holdings Limited	Lithium ion motive battery and electric vehicle charging station businesses	(21.05)	(33.63)
26 May 2026	1146	Huicheng International Holdings Limited	Design, manufacturing and sale of apparel products and accessories in the PRC and property development	88.70	93.80
28 May 2026	6030	CITIC Securities Company Limited	Securities brokerage, investment consulting, underwriting and sponsoring, asset management and related financial services	(8.00)	(9.90)
29 May 2026	80	CAI Corp	Investment company investing globally in listed and unlisted securities with a focus on artificial intelligence and Web3 sectors	10.00	6.80
1 June 2026	8510	Top Standard Corporation	Catering services and online sales of wines, spirits and other alcoholic beverages	(20.00)	(20.00)
14 June 2026	1835	Shanghai Realway Capital Assets Management Co., Ltd.	Fund management, investment advisory and related services in the PRC	(39.39)	(43.50)
17 June 2026	1011	China NT Pharma Group Company Limited	Investment in innovative targeted drugs and pharmaceutical assets focused on bone health	(20.65)	(20.13)
28 June 2026	8137	Honbridge Holdings Limited	Research, development and production of lithium ion power batteries and investment in resources businesses	(36.21)	(33.69)
10 July 2026	1452	Denox Environmental & Technology Holdings Limited	Production of denitration catalysts and carbon monoxide removal catalysts in the PRC	(16.59)	(10.59)
16 July 2026	8482	Wan Leader International Limited	Freight forwarding and logistics services, e-commerce platform management and fashion trading	0.00	0.00
30 July 2026	8373	Indigo Star Holdings Limited	Construction related business in Singapore	(5.77)	(7.64)
			Maximum	**88.70**	**93.80**
			Minimum	**(39.39)**	**(43.50)**
			Average	**(5.36)**	**(5.62)**
			Median	**(5.77)**	**(8.05)**
6 August 2026	1539	The Company (the Capitalisation)	Leasing of energy saving systems, consultancy services, artificial intelligence technology services and trading of energy saving products	19.40	14.94

Notes:

(a) The figures set out above are as disclosed in or derived from the respective announcements of the relevant companies, being the premium or discount represented by the relevant issue or subscription price over or to (i) the closing price of the relevant shares on the date of, or on the last trading day immediately prior to, the date of the relevant agreement; and (ii) the average closing price of the relevant shares for the five consecutive trading days immediately prior to or up to the date of the relevant agreement.

(b) Certain of the figures set out above are stated against theoretical or adjusted closing prices or, in the case of issuers with both A shares and H shares listed, against the closing prices of the relevant H shares, in each case as disclosed in the respective announcements of the relevant companies.

(c) The maximum, minimum, average and median figures are calculated by reference to the 23 Comparable Transactions only and exclude the Capitalisation.

Source: the website of the Stock Exchange (http://www.hkexnews.hk)

As shown in the table above, the issue or subscription prices of the Comparable Transactions ranged from a discount of approximately 39.39% to a premium of approximately 88.70% over or to the closing prices of the relevant shares on or immediately prior to the dates of the relevant agreements, with an average discount of approximately 5.36% and a median discount of approximately 5.77%. By reference to the average closing prices of the relevant shares for the last five trading days, the issue or subscription prices of the Comparable Transactions ranged from a discount of approximately 43.50% to a premium of approximately 93.80%, with an average discount of approximately 5.62% and a median discount of approximately 8.05%.

The premium of approximately 19.40% over the closing price of the Shares on the date of the Capitalisation Agreement and the premium of approximately 14.94% over the average closing price of the Shares for the last five trading days immediately prior to that date are both within the range of the Comparable Transactions, and are more favourable to the Company than 21 out of the 23 Comparable Transactions in the case of the former measure and 20 out of the 23 Comparable Transactions in the case of the latter measure. In addition, whereas the average and the median of the Comparable Transactions represented discounts to the relevant market prices under both measures, the Issue Price represents a premium over the prevailing market prices of the Shares under both measures. On this basis, we consider the Issue Price to be fair and reasonable so far as the Independent Shareholders are concerned and to compare favourably with the general market practice illustrated by the Comparable Transactions.

(v) Basis of Determination of the Issue Price

As disclosed in the Letter from the Board, the Issue Price was determined and negotiated on an arm's length basis between the Company and the Vendor with reference to the prevailing market conditions, the revised repayment date of 30 June 2030 and the prevailing market prices of the Shares. We have discussed the process of negotiation with the Management, which has confirmed to us that the Issue Price was arrived at by reference to the closing prices and the average closing prices of the Shares over the periods immediately preceding the date of the Capitalisation Agreement, and that the Vendor was prepared to accept an issue price at a premium to those prices having regard to the fact that the Outstanding Amount is unsecured and is not otherwise repayable until 30 June 2030.

We have reviewed the definition of the Issue Price in the Capitalisation Agreement and note that the Issue Price is fixed at HK$0.40 per Capitalisation Share and is not subject to any adjustment or reset mechanism, with the result that the Independent Shareholders will not be exposed to any risk of the Capitalisation Shares being issued at a lower price should the market price of the Shares decline between the date of the Capitalisation Agreement and completion of the Capitalisation. Taking into account (i) the premium of the Issue Price over the closing price and the average closing prices of the Shares over each of the periods reviewed above; (ii) the position of the Issue Price relative to the range of closing prices of the Shares during the Review Period; (iii) the comparison with the Comparable Transactions; and (iv) the absence of any adjustment mechanism which could reduce the Issue Price, we are of the view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

4. Shareholding Structure and Dilution Effect

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the allotment and issue of the Capitalisation Shares, assuming that there will be no other change in the issued share capital of the Company from the Latest Practicable Date up to completion of the Capitalisation:

Shareholders	As at the Latest Practicable Date Number of Shares	Approximate %	Immediately upon completion of the Capitalisation Number of Shares	Approximate %
Mr. Wong Man Fai Mansfield, Ms. Cai Linda Xin Xin and their controlled corporations *(Note a)*	1,928,899,481	54.51	1,928,899,481	53.75
Other Directors *(Note b)*	70,001,000	1.98	70,001,000	1.95
The Vendor, Mr. Stephen Cheung and his associates *(Note c)*	6,604,000	0.19	56,604,000	1.58
Other public Shareholders	1,533,152,521	43.33	1,533,152,521	42.72
Total	**3,538,657,002**	**100.00**	**3,588,657,002**	**100.00**

Notes:

(a) These Shares comprise 1,825,425,360 Shares held by Abundance Development Limited, 12,180,000 Shares held by Mpplication Group Limited, each of which is wholly owned by Mr. Wong Man Fai Mansfield, and 91,294,121 Shares beneficially owned by Mr. Wong Man Fai Mansfield. Ms. Cai Linda Xin Xin, being the spouse of Mr. Wong Man Fai Mansfield, is deemed under the SFO to be interested in all of these Shares. As at the Latest Practicable Date, Ancient Wisdom Limited, which is wholly owned by Mr. Wu Shang Tun Mason, was recorded as having a security interest in 1,240,547,360 Shares, representing approximately 35.06% of the issued share capital of the Company as at the Latest Practicable Date and approximately 34.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares. Such Shares form part of the Shares referred to in this note and are therefore not separately presented in the table above.

(b) These Shares comprise 68,000,000 Shares beneficially owned by Mr. Tsang Sze Wai Claudius, 375,000 Shares beneficially owned by Mr. Cheung Yick Hung Jackie, 518,000 Shares beneficially owned by Mr. Chung Koon Yan, 518,000 Shares beneficially owned by Dr. Wong Chi Ying Anthony and 590,000 Shares beneficially owned by Mr. Tang Warren Louis.

(c) These Shares comprise 360,000 Shares beneficially owned by Mr. Stephen Cheung and 6,244,000 Shares in which Mr. Stephen Cheung is deemed to be interested through the interests of his spouse. Upon completion of the Capitalisation, the 50,000,000 Capitalisation Shares will be held by the Vendor, which is owned as to approximately 99.88% by Mr. Stephen Cheung.

As shown above, upon completion of the allotment and issue of the Capitalisation Shares, the shareholding interest of the existing public Shareholders (other than the Vendor and Mr. Stephen Cheung and his associates) in the Company will be diluted from approximately 43.33% to approximately 42.72%, representing a dilution of approximately 1.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares, or approximately 1.4 percentage points in relative terms. The Capitalisation Shares represent only approximately 1.41% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 1.39% of the issued share capital of the Company as enlarged by their allotment and issue.

We are of the view that the level of dilution to the shareholding interests of the existing public Shareholders is minimal, and that such dilution is justified having regard to (i) the settlement of HK$20.00 million of the Outstanding Amount without any cash outflow from the Group; (ii) the corresponding strengthening of the equity base and the reduction of the liabilities of the Group; and (iii) the fact that the Capitalisation Shares are to be issued at a premium to the prevailing market prices of the Shares, which limits the number of new Shares required to be issued. We also note that, upon completion of the Capitalisation, the Company will continue to be able to maintain the minimum public float requirement of 25% of the issued share capital of the Company under Rule 8.08 of the Listing Rules.

5. Financial Effects of the Capitalisation

The Capitalisation involves the settlement of HK$20.00 million in face value of the Outstanding Amount by the allotment and issue of the Capitalisation Shares and does not involve any cash payment by the Group. As the Consideration payable was previously modified and recorded at a discounted fair value as at 31 March 2026, the proportionate carrying amount of HK$20 million face value debt being capitalised is approximately HK$15.38 million. Upon completion of the Capitalisation, and based on the audited consolidated financial statements of the Group as at 31 March 2026, we expect the following financial effects, which are shown for illustrative purposes only and do not purport to represent the actual financial position of the Group upon completion of the Capitalisation:

(i) *Net assets and net tangible assets*: the total liabilities of the Group will be reduced by HK$15.38 million, being the carrying amount of the portion of the Outstanding Amount settled, and the equity of the Group will be increased by the fair value of the Capitalisation Shares at the date of issue, comprising an increase of HK$500,000 in the issued share capital of the Company (being the aggregate nominal value of the Capitalisation Shares) and a corresponding increase in the share premium account of the Company based on the fair value of the shares issued in excess of their nominal value. This is subject to the final accounting treatment to be determined by the Company and its auditor and to any transaction expenses to be borne by the Company. On this basis, the net assets and the net tangible assets of the Group would each be expected to increase from approximately HK$283.9 million as at 31 March 2026;

(ii) *Gearing*: on the basis of the total debt obligations and total equity of the Group as at 31 March 2026 and the illustrative effects described above, the gearing ratio of the Group would be expected to improve from approximately 59.9%, reflecting both the reduction in the liabilities of the Group and the enlargement of its equity base;

(iii) *Working capital and liquidity*: the Capitalisation will not give rise to any cash outflow from the Group save for the professional fees and other related expenses which are to be settled out of the internal resources of the Group and which result in a net issue price of approximately HK$0.398 per Capitalisation Share. The liquidity position of the Group will accordingly be preserved and the amount of cash which would otherwise be required to settle HK$20.00 million face value of the Outstanding Amount at maturity will remain available for the working capital and capital expenditure requirements of the Group; and

(iv) *Earnings*: as the Outstanding Amount is currently carried at a discounted fair value, the Capitalisation is expected to give rise to a gain or loss on extinguishment of financial liabilities. According to relevant accounting standards, this gain or loss will be calculated as the difference between the carrying amount of the financial liability extinguished, approximately HK$15.38 million, and the fair value of the 50,000,000 Capitalisation Shares at the date of issue, subject to the final accounting treatment and to any transaction expenses. The finance costs of the Group would, however, be expected to be lower than would otherwise have been the case due to the reduced unwinding of the discount on the consideration payable and had the Group been required to raise new debt financing in order to settle the relevant part of the Consideration in cash. Earnings per Share will be subject to a dilutive effect as a result of the increase in the number of issued Shares, although, given that the Capitalisation Shares represent only approximately 1.39% of the enlarged issued share capital of the Company, we do not expect such dilutive effect to be material.

The Independent Shareholders should note that the illustrative financial effects described above are based on the audited consolidated financial statements of the Group as at 31 March 2026 and do not take into account the results of operations or other transactions of the Group after that date, and that the actual financial effects of the Capitalisation will depend upon the financial position of the Group at the time of completion of the Capitalisation and the final accounting treatment adopted.

OPINION AND RECOMMENDATION

Having taken into consideration the principal factors and reasons set out above, and in particular:

(i) the present liquidity position of the Group, including its limited cash and bank balances of approximately HK$1.6 million as at 31 March 2026 and the limited amount of its unutilised credit facilities, which render an immediate settlement of HK$20.00 million in face value of the Outstanding Amount in cash out of internal resources impracticable without recourse to further debt or equity financing, whilst recognising that such balance is not a forecast of the financial resources which will be available to the Group when the Outstanding Amount falls due on 30 June 2030;

(ii) our view that August 2026 is an appropriate time for the Company to undertake the Capitalisation, having balanced the absence of any immediate payment obligation in respect of the Outstanding Amount and the benefit of the continued interest free deferral of payment against the immediate improvement in the liability, equity and gearing profile of the Group, the relevance of that improvement to the current financing negotiations of the Group and the limited dilution arising from the Capitalisation;

(iii) the reduction of the face value of the Outstanding Amount from approximately HK$30.86 million to approximately HK$10.86 million and the corresponding strengthening of the equity base and improvement in the gearing profile of the Group, which the Management considers to be pivotal to the ability of the Group to secure financing for the development of its principal businesses;

(iv) the fact that the Issue Price represents a premium of approximately 19.40% over the closing price of the Shares on the date of the Capitalisation Agreement and a premium over the average closing prices of the Shares for each of the last 5, 10, 30, 60, 90 and 180 trading days up to and including that date, and that the Issue Price is at or above the closing price of the Shares on approximately 97.41% of the trading days during the Review Period;

(v) the comparison with the Comparable Transactions, the majority of which were priced at a discount to the prevailing market prices of the relevant shares, whereas the Issue Price represents a premium to the prevailing market prices of the Shares;

(vi) the absence of any adjustment or reset mechanism in respect of the Issue Price; and

(vii) the minimal dilution to the shareholding interests of the existing public Shareholders, being a dilution of approximately 1.39% of the enlarged issued share capital of the Company, we are of the opinion that the terms of the Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Capitalisation Shares, are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Capitalisation, whilst not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Capitalisation Shares.

Yours faithfully,
For and on behalf of
Draco Capital Limited

Kevin Choi	**Leon Au Yeung**
Managing Director	*Director*

Mr. Kevin Choi and Mr. Leon Au Yeung are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and are regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 15 and 13 years of experience in the corporate finance industry, respectively.