

20 October 2025

*To the Independent Board Committee and the Independent Shareholders of
Aeso Holding Limited*

Dear Sir or Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 20 October 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

GEM LISTING RULES IMPLICATIONS

In accordance with Rule 10.29 of the GEM Listing Rules, as the Rights Issue will increase either the number of the issued share capital or the market capitalization of the Company by more than 50% within the 12 month period immediately the Latest Practicable Date, the Rights Issue is subject to the approval of the Shareholders at the EGM by way of poll. Pursuant to Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favor of the Rights Issue.

As at the Latest Practicable Date, the Company has no controlling Shareholder and Mr. Chan, who is the Chairman and an executive Director of the Company, is beneficially interested in 10,600,000 Shares (representing 13.25% of the issued Shares). Accordingly, Mr. Chan is required to abstain from voting in favor of the proposed resolution to approve the Rights Issue at the EGM.

Save as disclosed above, no other Directors or chief executive of the Company and their respective associates are interested in the Shares as at the Latest Practicable Date. Accordingly, save as disclosed above, no other Shareholder is required to abstain from voting at the EGM. No Shareholder had informed the Company that he/she/it intends to vote in favor of or against the proposed resolution(s) in connection with the Rights Issue as at the Latest Practicable Date.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Yeung Chun Yue, David, Ms. Lai Wing Sze and Ms. Yu Wan Ki, has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder and as to the voting action therefor. We, Draco Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist

whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter.

We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Rights Issue since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Rights Issue.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) the annual report of the Company for the year ended 31 March 2025 (the “**2025 Annual Report**”); (ii) the Placing Agreement; (iii) the recent announcements of the Company; and (iv) the information set out in the Circular. Based on the foregoing, we confirm that we have taken all reasonable steps which are applicable to the Rights Issue, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1 BACKGROUND INFORMATION OF THE COMPANY

1.1 INFORMATION ON THE GROUP

The Group is principally engaged in the premise enhancement solution service in Hong Kong by providing contracting service for (i) the internal fitting-out of newly built commercial premises and residential developments, and (ii) the renovation work as well as alteration and addition work for existing commercial premises.

1.2 FINANCIAL PERFORMANCE ON THE GROUP

With reference to the 2025 Annual Report, for the year ended 31 March 2025 (“**FY2025**”), as a contracting service provider which offers high quality and value-added services to cater for its clients’ specification and satisfaction, the Group received continuing support from its customers over the years. The Group has also built-up reputation which attract many new customers. Amongst the total revenue of approximately HK\$210.2 million for FY2025, approximately HK\$181.9 million (FY2024: approximately HK\$145.6 million) was contributed by fitting-out projects, whereas approximately HK\$28.3 million (2024: approximately HK\$94.1 million) was contributed by renovation projects.

During FY2025, the Company submitted tenders amounting to approximately HK\$1,380.5 million (FY2024: approximately HK\$1,981.5 million) which included 2 projects were awarded (FY2024: 3 projects were awarded) amounted to approximately HK\$65.7 million (FY2024: approximately HK\$221.7 million) included design and build of on-site sales office for the proposed residential development in Kai Tak; and fitting out

works to clubhouse and entrance lobbies in Kwu Tung. The Group is renowned for its service quality and project management efficiency, such that most of the tenders were invited by the sizable property developers in Hong Kong and sizeable PRC property developers in Hong Kong.

The Group's overall revenue from approximately HK\$239.7 million for FY2024 to approximately HK\$210.2 million for FY2025, representing an decrease of approximately 12.3%. The decrease in revenue was mainly due to the decrease in revenue recognized for the renovation projects during FY2025.

The revenue for the fitting-out projects for FY2025 was approximately HK\$181.9 million, represented an increase of approximately 24.9% from approximately HK\$145.6 million for FY2024.

The revenue for the renovation projects for FY2025 was approximately HK\$28.3 million, represented a decrease of approximately 69.9% from approximately HK\$94.1 million for FY2024.

The Group's gross profit decreased from approximately HK\$37.5 million for FY2024 to approximately HK\$36.8 million for FY2025. Such decline was mainly due to the decrease in revenue of renovation projects during FY2025.

As a result of the aforesaid, the earnings attributable to the owners of the Company was approximately HK\$5.9 million during FY2025 as compared with the earnings attributable to the owners of the Company of approximately HK\$8.1 million for FY2024, which was mainly due to the increase of administrative expenses during FY2025.

The Group's operation and investments were financed principally by cash generated from its business operations, bank borrowings and equity contribution from shareholders. As at 31 March 2025, the Group had net current assets of approximately HK\$50.2 million (31 March 2024: net current assets of approximately HK\$43.1 million), net assets of approximately HK\$51.7 million (31 March 2024: net assets of approximately HK\$45.8 million), bank balances and cash of approximately HK\$12.7 million (31 March 2024: approximately HK\$14.7 million) and pledged bank deposit of approximately HK\$0.9 million (31 March 2024: approximately HK\$0.9 million). The gearing ratio of the Group as at 31 March 2025, which was the net debt of the Group divided by its total equity, was 1.011 (31 March 2024: 0.931).

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

As disclosed in the Board Letter, assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date and the Rights Shares are fully subscribed, it is expected that the gross proceeds from the Rights Issue will be HK\$17.6

million and the estimated net proceeds from the Rights Issue, after the deduction of the costs and expenses relating to the Rights Issue, will be approximately HK\$16.4 million (equivalent to a net price of approximately HK\$0.1025 per Rights Share).

With reference to the Board Letter, the Company intend to apply the net proceeds as follows:

- (1) approximately HK\$13.7 million for participating some contracting service projects which requires financial resources; and
- (2) approximately HK\$2.7 million as general working capital of the Group.

In the event that there is an undersubscription of the Rights Issue, and the Unsubscribed Shares and the ES Unsold Shares are not fully placed, the net proceeds of the Rights Issue will be utilized in proportion to the above uses. As at the Latest Practicable Date, the Company has no intention to conduct further fundraising activities in near future.

Based on our review on the 2025 Annual Report, we note that the Group recorded positive net cash generated from operating activities for FY2024 and FY2025 and the Group will continue focusing on the opportunities in renovation works and fitting-out works in Hong Kong, especially renovation projects of entertainment industry such as cinema or museums and leisure facilities such as private club houses. Meanwhile, based on our discussion with the Management, we understand that the Board is optimistic about the growth of the business and will continue to tender for new fitting-out projects including those for mainland based property developers which are currently very active in new properties development in Hong Kong. During FY2025, the Group submitted tenders amounting to approximately HK\$1,380.5 million (FY2024: approximately HK\$1,981.5 million) which included 2 projects were awarded (FY2024: 3 projects were awarded) amounted to approximately HK\$65.7 million (FY2024: approximately HK\$221.7 million) included design and build of on-site sales office for the proposed residential development in Kai Tak; and fitting out works to clubhouse and entrance lobbies in Kwu Tung. The Group is renowned for its service quality and project management efficiency, such that most of the tenders were invited by the sizeable property developers in Hong Kong and sizeable PRC property developers in Hong Kong.

We further noted from the 2025 Annual Report that the Group recorded liabilities of approximately HK\$109.4 million and current liabilities of approximately HK\$104.9 million as at 31 March 2025. As at 31 March 2025, the Group's liabilities mainly comprised of account and other payables of approximately HK\$40.9 million and borrowings from the bank and independent third parties of approximately HK\$60.0 million.

Based on our discussions with the Management, the Group generally engages subcontractors to perform most of the site works and materials suppliers to supply materials for its projects.

As at the Latest Practicable Date, the Group has been awarded one project recently from property developer through tendering but had not yet commenced, with an aggregate contract sum of approximately HK\$52.3 million. The following table sets forth the project but had not yet commenced as at the Latest Practicable Date.

Project	Scope of works	Expected project duration	Contract sum	Estimated amount of upfront costs
A residential project in Kwu Tung	responsible for of fitting out works to clubhouse and entrance lobbies	1 year	HK\$52.3 million	HK\$10.3 million

Based on the Group's estimated construction schedule for the above-mentioned project, the estimated payment requirement for the upfront costs for subcontractors and materials suppliers and provision of surety bonds for this project is approximately HK\$10.3 million for the period from November 2025 to March 2026. As at the Latest Practicable Date, the Group is participating in certain ongoing contracting service projects, with outstanding payment obligations to certain subcontractors and materials suppliers.

The Company further stated that, as at 31 August 2025, the Group held only approximately HK\$1.2 million in cash and bank balances, which was insufficient to settle payables to subcontractors and materials suppliers for these ongoing contracting service projects that were already due as at the Latest Practicable Date.

In light of the above, the Board is of the view that it is crucial to fulfill the payments obligations for the above mentioned recently awarded and ongoing participating contracting service projects in order to avoid the risk of affecting the progress and implementation, the Group intends to use approximately (i) HK\$10.3 million for Kwu Tung project; and (ii) HK\$3.4 million to settle the outstanding payment to subcontractors and materials suppliers, representing approximately 83.5% of the net proceeds from the Rights Issue accordingly upon receipt of the proceeds from the Rights Issue.

As advised by the Management, the Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

In assessing the fairness and reasonableness of the proposed uses of the net proceeds, we have also reviewed the projections provided by the Company, which detail the estimated additional amounts to be utilized for forthcoming projects, together with the timeline for usage of the proceeds from the Rights Issue. We consider these projections to be aligned with the Group's operational needs, which supports the potential for efficient deployment of funds to enhance revenue growth and reduce reliance on borrowings.

In addition, to assess the sector outlook and market trends in Hong Kong's premise enhancement solution services, we have reviewed publicly available industry reports and market analyses. As stated in the report titled "Savills Projects Office Fit Out Guide 2025" (<https://pdf.savills.asia/fit-out-guide/savills-projects-office-fitout-v5-2.pdf>), published in 2025 and produced by Savills Property Services Company Limited, a global real estate services firm offering a comprehensive range of professional services, including property management, leasing, investment advice, and valuation, the construction market in Hong Kong has undergone significant changes over the past five years, particularly in office fit-out projects. From 2019 to 2020, the average cost per square foot was relatively high. This period marked the beginning of a steady increase in construction costs. Between 2021 and 2022, costs surged significantly. The trend continued into 2023 and 2024, with costs reaching even higher levels. Several factors contributed to these trends, including increased material prices, labour shortages, and heightened demand for construction services. Additionally, the government's focus on infrastructure development and urban renewal projects has driven up costs. In summary, the construction market in Hong Kong has experienced rising expenses. These trends highlight the increasing financial demands of office fit-out projects in the region. Project stakeholders should be prepared for these financial challenges and plan accordingly to manage their budgets effectively. Among the report, it anticipates increase in upfront capital expenditure incorporating sustainability and wellness certification for new office spaces in response to environmental, social and governance (ESG) focus in recent years. Moreover, technology integration driving addition costs and variables to budgeting in areas of information technology, audiovisual systems and security. As such, we consider that allocating the proceeds to support participation in additional projects amid these rising costs is fair and reasonable.

Considering the above, we concur with the view of the Company that the Rights Issue represents an opportunity to raise additional funds for the Company to participate in additional contracting service projects, which is in line with the Group's long-term development goals and business development strategies, and are in the interests of the Company and the Shareholders as a whole and the intended use of proceeds is fair and reasonable.

3 OTHER FINANCING ALTERNATIVES

Based on our discussion with the Management, the Board has considered various fundraising alternatives before resolving to the Rights Issue, including debt financing and equity financing alternatives such as open offer and placing of new shares.

The Board is of the view that additional debt financing will increase the gearing ratio of the Group and result in on-going interest expenses of the Group which may in turn adversely affect the liquidity position of the Group. In assessing the fairness and reasonableness of the alternative financing methods as compared to the Rights Issue, we have reviewed a summary of the Group's existing loans outstanding and available facilities, which indicate that they bear significant interest rates and some are subject to specific usage restrictions, thereby limiting flexibility and potentially increasing financial burdens through higher interest incurred and covenant compliance obligations. We consider that additional debt financing would further elevate the Group's gearing ratio, impose ongoing interest expenses that could adversely impact cash flows and profitability, and expose the Group to interest rate volatility and refinancing risks.

With respect to equity financing alternatives, the Board considers that placing of new Shares would be a sub-optimal fundraising means as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company. Given placing of new Shares under general or specific mandate is way of equity funding by issuing shares to specific investors, we concur with the view of the Company that it is less favourable than the Rights Issue as it would dilute the shareholdings of all existing Shareholders without providing them any opportunity to participate or maintain their pro-rata interests.

As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. We concur with the view of the Company that an open offer is less favourable than the Rights Issue as Qualifying Shareholders who do not intend to participate cannot renounce or trade their entitlements in the open market to realize any potential value from the rights (as nil-paid rights in a rights issue), resulting in pure dilution without compensation, which could be particularly disadvantageous in markets where rights may have trading value.

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

Having considered the above, we concur with the view of the Directors that the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4 PRINCIPAL TERMS OF THE RIGHTS ISSUE

Set out below is a summary of the principal terms of the Rights Issue, further details of which are set out in the Board Letter:

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.110 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	80,000,000 Shares
Number of Rights Shares to be issued under the Rights Issue	:	Up to 160,000,000 Rights Shares with an aggregate nominal value of US\$1.6 million, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Maximum number of Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	Up to 240,000,000 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Maximum gross amount to be raised	:	Up to HK\$17.6 million before expenses, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Maximum net amount to be raised	:	Up to approximately HK\$16.4 million after expenses, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.1025 per Rights Share, if fully subscribed

As at the Latest Practicable Date, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Assuming that there is no change in the total number of Shares in issue on or before the Record Date and that no Shares (other than the Rights Shares) will be allotted, issued and/or repurchase on or before completion of the Rights Issue, the maximum 160,000,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represent (i) 200.0% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 66.7% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. There will be no excess application arrangements in relation to the Rights Issue as stipulated under GEM Listing Rule 10.31(1)(a) of the GEM Listing Rules. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders, which do not include any Rights Shares to be provisionally allotted to Mr. Chan for which subscription of Rights Shares will be subject to the Shareholder Irrevocable Undertaking as set out in the section headed “The Shareholder Irrevocable Undertaking” in the Board Letter, will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which (i) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules; and (ii) does not cause the Company failing to meet the public float requirement under Rule 11.23(7) of the GEM Listing Rules.

For further details on the principal terms of the Rights Issue, please refer to the section headed “PROPOSED RIGHTS ISSUE” in the Board Letter.

Assessment of the principal terms of the Rights Issue

The Subscription Price

The Subscription Price of HK\$0.110 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price of HK\$0.110 per Rights Share represents:

- (i) a discount of approximately 28.57% to the closing price of HK\$0.154 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 25.7% to the closing price of HK\$0.148 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 10.35% to the theoretical ex-rights price of approximately HK\$0.1227 per Share based on the closing price of HK\$0.148 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 23.1% to the average of the closing prices of approximately HK\$0.143 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 26.0% to the average of the closing prices of approximately HK\$0.1486 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 83.0% to the audited net asset value per Share as at 31 March 2025 of approximately HK\$0.6468; and
- (vii) theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 17.12%, based on the theoretical diluted price of approximately HK\$0.1227 per Share to the benchmarked price of approximately HK\$0.148 per Share, taking into account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day.

The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

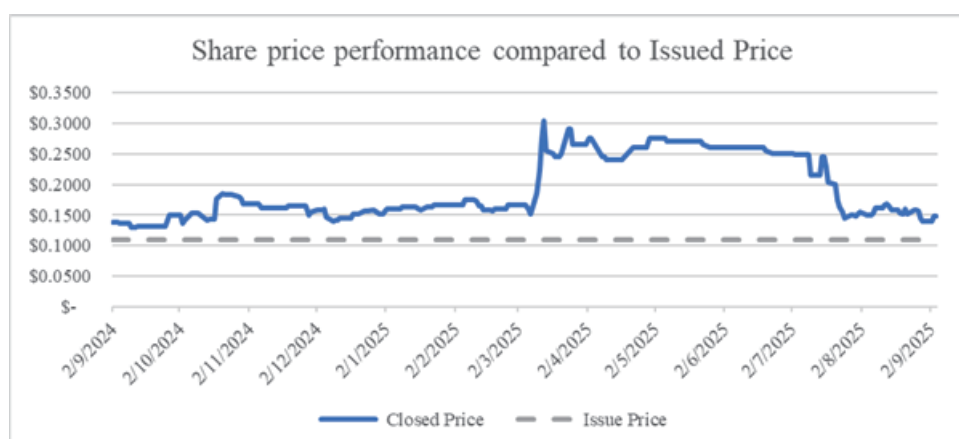
As disclosed in the Board Letter, the Subscription Price was determined by the Company taking into account, among other things, (i) the recent market price of the Shares that fluctuated at between HK\$0.136 per Share and HK\$0.194 per Share since August 2025 and up to the date of the First Announcement; (ii) the price performance of the Shares was not generally in line with the growth of the prevailing market conditions and the aforesaid recent price range of the Shares is still relatively low when comparing with the Share price since the listing of the Company (which means the Share price has underperformed and larger discount is required to attract investors to participate in the Rights Issue); (iii) the average discount of the subscription price to the closing price on the respective last trading day as disclosed by 17 companies listed on the Stock Exchange (the “Comparable Cases” as listed in the Board Letter) in recent rights issue in the market of around 25% (which is comparable to the Rights Issue); and (iv) the amount of funds and capital needs and the reasons for the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS” in the Board Letter. All Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date so as to maintain their proportionate interests in the Company and participate in the future growth of the Group.

Please refer to the section headed “PROPOSED RIGHTS ISSUE – Subscription Price” in the Board Letter for further information of the assessment by the Board on the determination of the Subscription Price.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares.

Comparison with historical closing prices of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 1 September 2024 up to and including the Last Trading Day (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the adjusted daily closing price per the Share (“**Closing Price**”) versus the Subscription Price of HK\$0.110 per Rights Share during the Review Period:



Source: website of the Stock Exchange

As shown in the chart above, during the Review Period, the average closing price was approximately HK\$0.192 per Share (the “**Average Closing Price**”). The daily closing price ranged from HK\$0.130 per Share recorded during the period from 10 September 2024 to 12 September 2024 (the “**Lowest Closing Price**”) to HK\$0.305 per Share recorded on 13 March 2025 (the “**Highest Closing Price**”). We note that Shares were traded above the Subscription Price in the whole Review Period. The Subscription Price of HK\$0.110 represents (i) a discount of approximately 15.4% to the Lowest Closing Price; (ii) a discount of approximately 63.9% to the Highest Closing Price; and (iii) a discount of approximately 42.8% to the Average Closing Price. As discussed in the section headed “Comparison with recent rights issues transactions” below, we note that it is a common practice (22 out of 26 Comparables) to set the subscription price at a discount to the prevailing trading prices of the relevant shares in order to increase the attractiveness and encourage shareholders to participate in the right issues.

Historical trading liquidity of the Shares

Month/period	Total trading volume (no. of shares)	No. of trading days	Average daily trading volume (no. of shares)	Percentage of the average daily trading volume to the total number of issued Shares (Note 1)
2024				
September	130,000	19	6,842	0.0086%
October	652,500	21	31,071	0.0388%
November	72,000	21	3,429	0.0043%
December	145,000	20	7,250	0.0091%
2025				
January	135,000	19	7,105	0.0089%
February	90,000	20	4,500	0.0056%
March	3,942,000	21	187,714	0.2346%
April	109,000	19	5,737	0.0072%
May	–	20	–	0.0000%
June	3,000	21	143	0.0002%
July	3,308,500	22	150,386	0.1880%
August	4,248,000	21	202,286	0.2529%
September (up to the Last Trading Day)	285,500	4	71,375	0.0892%

Source: website of the Stock Exchange

Note:

1. Based on the number of total issued Shares during the Review Period, i.e. 80,000,000 Shares.

As shown in the table above, the average daily trading volume of the Shares in each month ranged from nil Shares in May 2025 to 202,286 Shares in August 2025 during the Review Period, representing approximately nil to approximately 0.2529% of the total number of issued shares as at the end of the month/period, respectively.

Given such relatively thin liquidity of the Shares during the Review Period, it would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market without exerting a significant impact on the Share price. We consider that the prices, liquidity and general price trend of the Shares during the Review Period should have reflected market evaluation of the recent business performance of the Group.

In view of the above, we consider that it is fair and reasonable for the Company to determine the Subscription Price with reference to among others, (i) the recent market price of the Shares that fluctuated at between HK\$0.136 per Share and HK\$0.194 per Share since August 2025 and up to the date of the First Announcement; (ii) the price performance of the Shares was not generally in line with the growth of the prevailing market conditions and the aforesaid recent price range of the Shares is still relatively low when comparing with the Share price since the listing of the Company (which means the Share price has underperformed and larger discount is required to attract investors to participate in the Rights Issue); (iii) the average discount of the subscription price to the closing price on the respective last trading day as disclosed by the Comparable Cases in recent rights issue in the market of around 25% (which is comparable to the Rights Issue); and (iv) the amount of funds and capital needs and the reasons for the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS” in the Board Letter.

Comparison with recent rights issue transactions

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue exercises, announced by the companies listed on the Stock Exchange during the period from 1 May 2025 (i.e. approximately 4 months prior to the Last Trading Day) to the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. Based on our research, we have identified a total of 26 rights issue comparables (the “**Comparables**”) during the Comparison Period.

Although the Comparables include rights issues in different scale, engaged in different business or have different financial performance and funding needs from the Company, having considered (i) all of the Comparables and the Group are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issues and we are not aware of any established evidence showing any correlation between scale of the rights issue and its underlying principal terms; (iii) including transactions conducted by the Comparables with different funding needs and business represents a more

comprehensive overall market sentiment in our comparable analysis; (iv) a 4-month period for the selection of the Comparables has generated a reasonable and meaningful number of sample size of 26 Hong Kong listed issuers to reflect the market practice regarding recent rights issue; and (v) the 26 Comparables identified during the aforementioned period were exhaustively included without any artificial selection or filtering on our part so the Comparables represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers, we consider that the Comparables are fair and representative samples.

Based on the above, we are of the view that our comparable analysis based on the above criteria is meaningful for us to form our view regarding the fairness and reasonableness of the Subscription Price. To the best of our knowledge and as far as we are aware of, the Comparables represent an exhaustive list of all relevant companies fitting our search criterion as mentioned above, and we consider that such Comparables can provide a reference on the recent rights issues given the sufficient number of transactions in such period resulting in a reasonable sample size.

It should be noted that all the subject companies constituting the Comparables may have different principal activities, market capitalization, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the rights issues may also be different from that of the Company.

The following table sets forth the relevant details of the Comparables:

Company name	Stock Code	Date of announcement	Market capitalization as at the date of the respective announcement	Basis of entitlement	(Discount)/premium of subscription price (to)/over the closing price on the date of announcement (%)	(Discount)/premium of subscription price (to)/over the closing price of 5-day average (%)	(Discount)/premium of subscription price (to)/over the consolidated net asset value per share (%)	Theoretical dilution effect	Potential maximum dilution of shareholding (%)	Gross proceed (HK\$ million)	Excess application	Fully Underwritten	Placing Commission (%)	Status of the respective rights issue as at the Last Trading Date
(Note 1)														
May Ilea Cloud Holdings Limited	6696	2025-09-04	58.56	6 for 1	(22.08)	(24.56)	(90.53)	(20.63)	85.71	273.80	N	N	0.2	In progress
Jisheng Group Holdings Limited	8133	2025-08-26	13.36	3 for 1	(14.29)	(14.29)	(45.45)	(10.57)	75.00	54.37	N	N	1.5	In progress
China Energy Development Holdings Limited	228	2025-08-14	596.10	1 for 2	(19.90)	(19.90)	(73.34)	(6.63)	33.33	238.70	Y	N	N/A	In progress
China Information Technology Development Limited	8178	2025-08-13	210.27	3 for 8	(55.05)	(55.24)	(63.00)	(15.12)	27.27	38.04	Y	Y	7.07	Completed
Capital VC Limited	2324	2025-08-13	74.27	1 for 1	(27.30)	(24.80)	(82.00)	(13.60)	50.00	54.00	N	N	3.0	In progress
Value Convergence Holdings Limited	821	2025-08-06	116.26	2 for 1	(4.26)	(5.86)	(71.06)	(3.11)	66.67	245.10	Y	N	2.5	In progress
TOMO Holdings Limited	6928	2025-08-04	213.75	1 for 2	(62.10)	(63.20)	25.00	(21.30)	33.33	40.50	N	N	1.0	In progress
Da Yu Financial Holdings Limited	1073	2025-07-30	338.13	1 for 2	(16.67)	(18.02)	(45.45)	(6.67)	33.33	136.70	Y	N	N/A	In progress
Shin Hwa World Limited	582	2025-07-25	277.51	1 for 1	(34.21)	(33.07)	(97.30)	(17.11)	50.00	182.57	Y	Y	1.0	In progress
Fume Machine Limited	1401	2025-07-23	1,003.00	1 for 2	(72.28)	(72.28)	(28.61)	(24.09)	33.33	140.00	N	N	1.0	In progress
XJ International Holdings Co., Ltd.	1765	2025-07-10	1,554.52	1 for 8	5.82	6.95	(83.61)	N/A	11.11	205.62	N	Y	0.0	In progress
Aleo Holdings Limited	328	2025-07-08	458.23	4 for 1	(19.00)	(19.00)	N/A	(15.52)	80.00	148.47	N	N	1.5	In progress
Saneey Group Limited	2459	2025-07-07	205.20	1 for 2	(55.60)	(56.30)	(89.00)	(18.80)	33.33	45.60	N	N	3.5	Completed
Sino Syntek Holdings Limited	8006	2025-06-25	13.28	3 for 2	(11.10)	(12.10)	(52.40)	(6.67)	60.00	17.70	N	N	2.5	In progress
Rusecomm Group Holdings Limited	1679	2025-06-17	32.99	5 for 1	(22.48)	(21.63)	N/A	(18.73)	83.33	127.86	N	N	0.5	In progress
Greenheart Group Limited	94	2025-06-10	74.20	1 for 2	(9.25)	(4.97)	(88.80)	(3.00)	33.33	33.67	N	N	2.0	Completed
Prestone Capital Limited	804	2025-06-10	68.22	3 for 2	(40.71)	(41.55)	N/A	(24.93)	60.00	60.70	N	N	5.0	In progress
Hwbangtech International Holding Limited	2440	2025-06-04	615.75	1 for 2	(49.70)	(50.00)	50.20	(16.70)	33.33	154.80	Y	N	N/A	Completed
Lyji Technology Holdings Inc.	1745	2025-06-02	447.11	1 for 2	(32.10)	(33.10)	(72.60)	(11.30)	33.33	151.80	Y	Y	N/A	Completed
Grand Talents Group Holdings Limited	8516	2025-05-23	16.44	5 for 2	(33.00)	(33.00)	(38.15)	(23.57)	71.43	27.50	N	N	3.0	In progress
China Health Group Limited	673	2025-05-22	68.83	3 for 10	(28.60)	(37.10)	12.40	(23.60)	23.08	14.98	N	Y	2.0	In progress
Zhongzheng International Company Limited	943	2025-05-15	128.24	1 for 2	0.00	0.00	(54.50)	N/A	33.33	114.60	N	Y	2.0	Completed

Company name	Stock Code	Date of announcement	Market capitalization as at the date of the respective announcement	Basis of entitlement	(Discount)/ premium of subscription price (to/over the closing price on the date of announcement) (%)	(Discount)/ premium of subscription price (to/over the closing price of 5-day average) (%)	(Discount)/ premium of subscription price (to/over the consolidated net asset value per share) (%)	Theoretical dilution effect	Potential maximum dilution of shareholding (%)	Gross proceed (HK\$ million)	Excess application	Fully Underwritten	Placing Commission (%)	Status of the respective rights issue as at the Last Trading Date
					(Note 1)			(Note 2 & 3)						
Shougang Century Holdings Limited	103	2025-05-13	951.77	3 for 20	12.30	14.30	(40.10)	N/A	13.04	160.00	Y	N	N/A	Completed
Capital Realm Financial Holdings Group Limited	204	2025-05-13	49.81	3 for 1	4.17	21.36	(86.28)	N/A	75.00	135.70	N	N	3.0	Completed
China Sci-Tech Industrial Investment Group Limited	339	2025-05-09	35.42	1 for 2	(43.10)	(47.40)	N/A	(16.20)	33.33	10.08	N	N	1.5	Completed
SEEC Media Group Limited	205	2025-05-07	106.00	1 for 2	(23.61)	(26.17)	(53.78)	N/A	33.33	40.50	N	N	3.0	Completed
				Average	(25.93)	(25.84)	(53.11)	(15.14)	46.09				2.23	
				Maximum	12.30	21.36	50.20	(3.60)	85.71				7.07	
				Minimum	(72.28)	(72.28)	(97.30)	(24.93)	11.11				0.00	
				Median	(23.05)	(24.68)	(58.75)	(16.20)	33.33				2.00	
The Company		2025-09-04		2 for 1	(25.70)	(23.10)	(83.00)	(17.12)	66.67		N	N	2.5	

Source: website of the Stock Exchange

Note:

- the market capitalization of the respective comparables at as the date of the respective announcement equals to the respective shares in issued times the respective closing price per share as quoted on the Stock Exchange on the respective last trading day,
- As defined under Rule 10.44A of the GEM Listing Rules or Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).
- If the respective “theoretical diluted price” (as defined under Rule 10.44A of the GEM Listing Rules of Rule 7.27B of the Listing Rules) of the respective comparables is equal to or a premium to the respective “benchmark price” (as defined under Rule 10.44A of the GEM Listing Rules of Rule 7.27B of the Listing Rules), there is no theoretical dilution effect of the respective comparables. It will then be marked as “N/A” in the comparables table and will not take into account in the respective calculation.

As illustrated in the table above, we note that the subscription price to the closing price on the respective last trading day of the respective Comparables ranges from a discount of approximately 72.28% to a premium of approximately 12.30%, with an average and median figure being a discount of approximately 25.93% and 23.05% respectively, and a standard deviation of approximately 21.71%. As all Comparables lie within +/- three (3) standard deviations from the average (i.e., from approximately discount of approximately 91.06% to a premium of approximately 39.20%), we consider there are no outliers among the Comparables. The Subscription Price's discount to closing price on the Last Trading Day of approximately 25.70% therefore falls within the range of the discount to the last trading day of the Comparables and represents a similar discount as compared to the average and median figure thereof and is far lower than the maximum discount figure thereof.

We note that the subscription price to the average closing price of the last five trading days of the respective Comparables ranges from a discount of approximately 72.28% to a premium of approximately 21.36%, with an average and median figure being a discount of approximately 25.84% and 24.68% respectively. The Subscription Price's discount to the average closing price for the five consecutive trading days up to and including the Last Trading Day of approximately 23.10% therefore falls within the range of discount to the average closing price of the last five trading day of the Comparables and represents a similar discount as compared to the average and median figure thereof and is far lower than the maximum discount figure thereof.

On the other hand, we note that the subscription price to the consolidated net asset value per share of the respective Comparables ranges from a discount of approximately 97.30% to a premium of approximately 50.20%, with an average and median figure being a discount of approximately 53.01% and 58.75% respectively. The Subscription Price's discount to the consolidated net asset value per share of approximately 83.00% therefore falls within the range of discount to the consolidated net asset value per share of the Comparables. In addition, we note that 5 out of 26 Comparables (representing approximately 19.23%) have a discount to the consolidated net asset value per share higher than that of the Rights Issue of the Company, representing nearly one-fifth of the Comparables, emphasizing that a discount of this magnitude is representative of a substantial subset of recent market transactions and not an outlier, which we consider to be a meaningful proportion of the Comparables and demonstrates that such a level of discount is not uncommon in the market, thereby supporting the fairness and reasonableness of the Subscription Price despite it being higher than the average and median of the Comparables.

The Management further expresses that although the Subscription Price appears to be at a substantial discount to net asset value per Share as at 31 March 2025, the Board considers that it is not the most relevant benchmark to assess the Subscription Price as (i) substantial portion (around two-third) of the Company's total assets is contract assets; and (ii) closing prices of the Shares have been generally at significant discount to the net asset value per Share in the open market ranging from approximately 57.5% to 78.5% after the financial year ended 31 March 2023 which indicates that the market has already imputed a significant discount on the price of the Shares to the Company's net asset value making it a less relevant benchmark for pricing the Rights Issue. Given the recent market price of the Shares have already reflected the expectations of the investors to the Company such as financial results and corporate actions of the Company and the recent market sentiment, the Board considers that recent market price of the Shares to be relevant for our assessment to the fairness and reasonableness of the Subscription Price.

With reference to our analysis as stated in the section headed "Comparison with historical closing prices of the Shares" above in this letter, we note that during the whole Review Period, the price of the Shares persistently lay below the consolidated net asset value per Share of the Company (i.e. HK\$0.6468 per Share), which (i) the Highest Closing Price (i.e. HK\$0.3050) represents a discount of approximately 52.8% to the net asset value per Share; (ii) the Lowest Closing Price (i.e. HK\$0.1300) represents a discount of approximately 79.9% to the net asset value per Share; and (iii) the Average Closing Price (i.e. HK\$0.1920) represents a discount of approximately 70.3% to the net asset value per Share. Given that the price of the Shares is already trading at a substantial discount during the Review Period, with an average of approximately 70.3%, we consider that such consistent discount to the net asset value per Share reflects the market's view on the price of the Shares after taking into account of the Company's assets and indicate that the market has already imputed a significant discount on the price of the Shares to the Company's net asset value, making the net asset value a less relevant benchmark for pricing the Rights Issue compared to recent market prices.

In determining the current subscription ratio and the Subscription Price, as advised by the Management, we understand that the Subscription Price was determined by the Company taking into account, among other things, (i) the recent market price of the Shares that fluctuated at between HK\$0.136 per Share and HK\$0.194 per Share since August 2025 and up to the date of the First Announcement; (ii) the price performance of the Shares was not generally in line with the growth of the prevailing market conditions and the aforesaid recent price range of the Shares is still relatively low when comparing with the Share price since the listing of the Company (which means the Share price has underperformed and larger discount is required to attract investors to participate in the Rights Issue); (iii) the average discount of the subscription price to the closing price on the respective last trading day as disclosed by the Comparable Cases in recent rights issue in the market of around

25% (which is comparable to the Rights Issue); and (iv) the amount of funds and capital needs and the reasons for the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS” in the Board Letter.

Based on our discussion with the Management, the Company is of the view that (i) as it is a common practice for listed companies to issue rights shares at a discount to the prevailing market price in order to enhance the attractiveness of the rights issue, it is beneficial to the Company to follow the market practice to set the Subscription Price at a discount to the prevailing market price of the Shares to encourage the Shareholders to participate in the future growth of the Group; and (ii) as the Rights Shares are offered to all Qualifying Shareholders and each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, it is reasonable to set the Subscription Price at a discount to the recent market price of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

It is noted that the potential maximum dilution on shareholding of the Comparables ranged from approximately 11.11% to approximately 83.30% with an average of approximately 43.23% and a median of approximately 33.33%. The potential maximum dilution effect of the Rights Issue of approximately 75.00% therefore falls within the range of the Comparables, we consider the potential maximum dilution effect of the Rights Issue acceptable.

Based on our discussion with the Management, in view of the basis of determination of the Subscription Price and the imminent need of capital for the purposes as detailed in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS” in the Board Letter, the Board considers that it is necessary to set the Rights Issue on a 2-to-1 ratio in order to raise sufficient equity capital. As the theoretical dilution effect is resulted from the basis of entitlement (i.e. the number of Rights Shares available for subscription.) and the discount of the Subscription Price to the benchmarked price, the Board has also reviewed the theoretical dilution effect in the Comparable Cases immediately before the day of the First Announcement and noted that the theoretical dilution effect of the Rights Issue of approximately 17.12% is within the range of the Comparable Cases from nil to approximately 24.85% but slightly above the median of approximately 16.20% for the Comparable Cases. Given such theoretical dilution effect is necessitated by the Company’s funding needs and below 25% as required under the GEM Listing Rules, the Board considers that it is justifiable even slightly above the market median.

Among our analysis on the Comparables, it is noted that the theoretical dilution effect (as defined in Rule 10.44A of the GEM Listing Rules) of the Comparables ranged from a discount of approximately 24.93% to a discount of approximately 3.00% (Comparables with no theoretical dilution effect are exclude) with an average discount of approximately 15.14% and a median discount of approximately 16.20%. The Rights Issue’s theoretical

dilution effect of a discount of approximately 17.12% therefore falls within the range and represents a slightly higher discount than the average and median figure thereof. As the theoretical dilution effect of the Rights Issue is below 25%, it is in compliance with Rule 10.44A of the GEM Listing Rules. In addition, given that the Rights Issue's theoretical dilution effect of a discount of approximately 17.12% falls within the respective range of the Comparables, we consider that such theoretical dilution effect is in line with the market practice, is not out of the ordinary and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the above, we consider that the principal terms of the Rights Issue (including the Subscription Price) and potential dilution effect of the Rights Issue are fair and reasonable to the Shareholders and in the interest of the Company and the Shareholders as a whole.

Absence of excess application arrangement

As mentioned in the Board Letter, Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. Based on our analysis on the Comparables, we noted that 18 out of 26 Comparables, did not offer excess application as part of the rights issue. On this basis, we consider the absence of excess application to be not uncommon market practice. Furthermore, the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rate shareholding interests in the Company, for Qualifying Shareholders who accept their respective entitlements under the Rights Issue in full, they would be able to maintain their respective existing shareholdings in the Company after completion of the Rights Issue. As such, we considered that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

Placing commission

As set out in the Board Letter and as advised by the Management, the terms of the Placing Agreement, including the rate of placing commission, were determined after arm's length negotiation between the Company and the Placing Agent with reference to the market comparable, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. For further details of the principal terms of the Placing Agreement, please refer to section headed "THE PLACING AGREEMENT" in the Board Letter. The Placing Agent to the Company will receive a 2.50% of the amount which is equal to the Placing Price multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement. According to the Comparables as set out in the above table, the placing commission of the Comparables ranged from 0.00% to 7.07%, with the average and median of 2.23% and 2.00%, respectively. As the placing commission is in between the range of the Comparables, we

consider that the placing commission of 2.50% borne by the Company in the Rights Issue is in line with market practice. Based on the above, we are of the view that the placing commission is in the interests of the Company and Independent Shareholders as a whole.

5 DILUTION EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING OF THE COMPANY

As at the Latest Practicable Date, the Company has 80,000,000 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Chan who has provided the Shareholder Irrevocable Undertaking and none of any of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Chan who has provided the Shareholder Irrevocable Undertaking and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

Shareholders	As at the Latest Practicable Date and immediately prior to completion of the Rights Issue		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Chan who has provided the Shareholder Irrevocable Undertaking and none of any of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Chan who has provided the Shareholder Irrevocable Undertaking and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Approximate		Approximate		Approximate		Approximate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
		(note)		(note)		(note)		(note)
Mr. Chan	10,600,000	13.25	31,800,000	13.25	29,728,696	29.99	31,800,000	13.25
Public Shareholders	69,400,000	86.75	208,200,000	86.75	69,400,000	70.01	69,400,000	28.92
Independent places	—	—	—	—	—	—	138,800,000	57.83
Total	80,000,000	100.00	240,000,000	100.00	99,128,696	100.00	240,000,000	100.00

Note: The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

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

For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue and the Placing will be diluted by up to a maximum of approximately 57.83%.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; and (ii) the Qualifying Shareholders have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable and justifiable.

6 POSSIBLE FINANCIAL EFFECT OF THE RIGHTS ISSUE

Net tangible assets

According to the "UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP" set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company was approximately HK\$51.744 million as at 31 March 2025, while the unaudited consolidated net tangible asset per share before completion of the Rights Issue was approximately HK\$0.65; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately HK\$68.144 million, while the unaudited pro forma adjusted consolidated net tangible asset per share immediately after completion of the Rights Issue was approximately HK\$0.28.

Such a decrease in net tangible asset per share is primarily due to the increase in the number of shares outstanding upon completion of the Rights Issue. Given that the Rights Share are issued at Subscription Price, which are at a discount as compared to the unaudited consolidated net tangible asset per existing share before completion of the Rights Issue, upon the completion of the Rights Issue, the share base of the Company shall increase and dilute the net tangible asset value per share. It is worth noting that while the net tangible

asset per share immediately after completion of the Rights Issue shall decrease, the overall net tangible assets of the Group attributable to the owners of the Company shall increase and indicate an expansion in total equity of the Company.

As such, we are of the view that despite the decrease in net tangible assets per share as a result of the Rights Issue, the Rights Issue is expected to have a positive impact on the financial position of the Group.

Liquidity

According to the 2025 Annual Report Results, as at 31 March 2025, the Group's bank balances and cash of approximately HK\$12.7 million and the Group had net current assets of approximately HK\$50.2 million. Immediately upon completion of the Rights Issue, the bank balances and cash and the net current asset of the Group are expected to increase by the expected net proceeds from the Rights Issue of approximately HK\$16.4 million. As such, the liquidity of the Group will be improved upon the completion of the Rights Issue.

After taking into consideration the above, particularly the improvement in liquidity position of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Company as at 31 March 2025 or any future date; or (ii) the net assets per Share of the Company as at 31 March 2025 or any future date.

OPINION AND RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including:

- (i) the proceeds from the Rights Issue for supporting the Group to participate in additional contracting service projects which required financial resources, under section headed "2. REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" above in this letter;
- (ii) taking into account the benefits and cost of each of the alternatives, the Rights Issue represents a more cost effective, efficient and beneficial mean to the Company and the Shareholders as a whole as compared to raising fund by other means as stated under the paragraph headed "3. OTHER FINANCING ALTERNATIVES" above in this letter;

- (iii) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier sections headed “4 PRINCIPAL TERMS OF THE RIGHTS ISSUE” in this letter; and
- (iv) the Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares,

we are of the view that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Draco Capital Limited



Kevin Choi
Managing Director



Leon Au Yeung
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 regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 14 and 12 years of experience in the corporate finance industry, respectively.