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24 November 2025

To: the Independent Board Committee and the Independent Shareholders of Synertone Communication Corporation

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 24 November 2025 (the "**Circular**"), of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 15 October 2025, the Company announced the Rights Issue. The Company proposed to raise gross proceeds of up to approximately HK$121.2 million before expenses (assuming full subscription under the Rights Issue) by issuing up to 897,482,880 Rights Shares (assuming no further issue or repurchase of the Shares on or before the Record Date) by way of rights issue at the Subscription Price of HK$0.135 per Rights Share, on the basis of two Rights Shares for every one Share held on the Record Date and payable in full on acceptance.

Assuming there is no change in the number of issued Shares on or before the Record Date, 897,482,880 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 200.00% of the total number of issued Shares; and (ii) approximately 66.67% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares immediately after the completion of the Rights Issue.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to the independent Placees under the Compensatory Arrangements. Any Unsubscribed 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.

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any). The Qualifying Shareholders must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholders in order to qualify for the Rights Issue.

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of this Circular and up to the Latest Practicable Date, the Rights Issue is conditional upon the minority Shareholders' approval at the EGM, and any controlling shareholders and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution effect of the Rights Issue complies to Rule 7.27B of the Listing Rules.

The Company will seek approval from the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder by way of a poll at the EGM. As at the Latest Practicable Date, the Company has no controlling shareholder. However, as at the Latest Practicable Date, (i) Excel Time Investments Limited ("**Excel Time**"), which is wholly and beneficially owned by Mr. Han Weining holds 43,414,331 Shares, representing approximately 9.68% of the issued Shares; (ii) Hong Kong Able Trillion Group Limited ("**Able Trillion**"), which is wholly and beneficially owned by Mr. Han Weining holds 11,800,000 Shares, representing approximately 2.63% of the issued Shares; (iii) Mr. Han Weining holds 1,632,000 Shares, representing approximately 0.36% of the issued Shares; and (iv) Mr. Han Weining, the executive Director of the Company, has a beneficial interest in aggregate of 56,846,331 Shares and controls over the voting right in respect of his Shares, representing approximately 12.67% of the issued Shares. Consequently, Mr. Han Weining, Excel Time and Able Trillion are required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transaction contemplated thereunder at the EGM. Save as Mr. Han Weining, Excel Time and Able Trillion, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Rights Issue and will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Ms. Li Mingqi, Mr. Xu Wei and Mr. Xu Dongsen, has been formed to advise the Independent Shareholders on whether the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendation of the Independent Financial Adviser.

OUR INDEPENDENCE

We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. During the past two years immediately preceding the Latest Practicable Date, we did not act as the financial adviser or the independent financial adviser of the Company. Save for this appointment as the Independent Financial Adviser in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, there were no other engagements between the Company and us during the past two years immediately preceding the Latest Practicable Date. Apart from normal professional fees for our services to the Company in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, or its substantial Shareholders, Directors, chief executive, or any of their respective associates. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular, the information and representations provided to us by the Company, the Directors and the management of the Company and our review of the relevant public information. 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 material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date. Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of us to ensure that such information are true, accurate and complete in all material respects and not misleading or deceptive and has been correctly extracted from the relevant sources.

The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

As stated in the Company's annual report for the year ended 31 March 2025 (the "**Annual Report 2025**"), the Group are principally engaged (i) design, development and sales of automation control systems and solutions (the "**Control System Business**"), (ii) design, research and development, manufacture and sales of intelligent systems and other related products including video intercom and surveillance systems for residential homes and buildings (the "**Building Intelligence Business**"), (iii) the rental and maintenance in relation to computer equipment and machines, information technology infrastructure, and other related services (the "**Data Centre Maintenance Business**"); and (iv) smartphone distribution business (the "**Smartphone Distribution Business**").

The table below summarises the general financial information of the Group for the financial years ended 31 March 2023, 2024 and 2025 which are extracted from the Company's annual report for the year ended 31 March 2024 (the "**Annual Report 2024**") and the Annual Report 2025:

	For the year ended 31 March		
	2023	**2024**	**2025**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Control System Business	33,977	38,030	29,499
Building Intelligence Business	25,766	24,305	1,553
Data Centre Maintenance Business	795	246	12
Smartphone Distribution Business	–	–	85,869
Total revenue	60,538	62,581	116,933
Gross profit	8,948	24,757	15,909
Loss for the year	(43,679)	(17,768)	(35,831)

	As at 31 March		
	2023	**2024**	**2025**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents	2,345	33,373	11,030
Total assets	226,023	223,095	221,444
Total liabilities	157,654	106,884	113,728
Net assets	68,369	116,211	107,716
	HK$	*HK$*	*HK$*
Net asset value ("**NAV**") per Share	0.263 *(Note 1)*	0.323 *(Note 2)*	0.240 *(Note 3)*

Notes:

1. Based on the audited consolidated NAV of the Group of approximately HK$68.4 million as at 31 March 2023 and the number of Shares in issue as at 31 March 2023 (i.e. 260,312,640 Shares);

2. Based on the audited consolidated NAV of the Group of approximately HK$116.2 million as at 31 March 2024 and the number of Shares in issue as at 31 March 2024 (i.e. 360,312,640 Shares); and

3. Based on the audited consolidated NAV of the Group of approximately HK$107.7 million as at 31 March 2025 and the number of Shares in issue as at 31 March 2025 (i.e. 448,741,440 Shares).

1.1 Annual results of the Group for the year ended 31 March 2024

The Group's revenue generated from (i) the Control System Business amounted to approximately HK$34.0 million and HK$38.0 million for the year ended 31 March 2023 ("**FY2023**") and 31 March 2024 ("**FY2024**"), representing approximately 56.1% and 60.8% of the total revenue respectively; (ii) the Building Intelligence Business amounted to approximately HK$25.8 million and HK$24.3 million for FY2023 and FY2024, representing approximately 42.6% and 38.8% of the total revenue respectively; and (iii) the Data Centre Maintenance Business amounted to approximately HK$0.8 million and HK$0.2 million for FY2023 and FY2024, representing approximately 1.3% and 0.4% of the total revenue respectively.

The Group's total revenue slightly increased from approximately HK$60.5 million for FY2023 to approximately HK$62.6 million for FY2024, representing an increase of approximately 3.5%. According to the Annual Report 2024 and the management of the Company, such increase was mainly due to the increase in revenue from the Control System Business from approximately 34.0 million for FY2023 to approximately HK$38.0 million for FY2024 mainly caused by the increase in market demand; and partially offset by the decrease in revenue from the Building Intelligence Business from approximately HK$25.8 million for FY2023 to approximately HK$24.3 million for FY2024.

The Group's gross profit increased from approximately HK$8.9 million for FY2023 to approximately HK$24.8 million for FY2024, representing an increase of approximately 178.7%. The Group's gross profit margin also increased from approximately 14.8% for FY2023 to approximately 39.6% for FY2024. Pursuant to the Annual Report 2024 and the management of the Company, such increase in gross profit and gross profit margin was mainly attributable to new products from the Building Intelligence Business with higher gross profit margin were launched and sold to the customers during FY2024 in which their related research and development costs were recorded under research and development expenditure during the past few years.

The Group' loss for the year narrowed from approximately HK$43.7 million for FY2023 to approximately HK$17.8 million for FY2024. As stated in the Annual Report 2024, such improvement in loss for the year was mainly attributable to (i) the increase in gross profit from approximately HK$8.9 million for FY2023 to approximately HK$24.8 million for FY2024; and (ii) the increase in other gains, net from approximately HK$1.8 million for FY2023 to approximately HK$4.8 million for FY2024.

1.2 Annual results of the Group for the year ended 31 March 2025

The Group's revenue generated from (i) the Control System Business amounted to approximately HK$38.0 million and HK$29.5 million for FY2024 and the year ended 31 March 2025 ("**FY2025**"), representing approximately 60.8% and 25.2% of the total revenue respectively; (ii) the Building Intelligence Business amounted to approximately HK$24.3 million and HK$1.6 million for FY2024 and FY2025, representing approximately 38.8% and 1.2% of the total revenue respectively; (iii) the Data Centre Maintenance Business amounted to approximately HK$0.2 million and HK$12,000 for FY2024 and FY2025, representing approximately 0.4% and 0.1% of the total revenue respectively; and (iv) the Smartphone Distribution Business amount to approximately HK$85.9 million for FY2025 (FY2024: nil).

The Group's total revenue significantly increased from approximately HK$62.6 million for FY2024 to approximately HK$116.9 million for FY2025, representing an increase of approximately 86.7%. According to the Annual Report 2025 and the management of the Company, such increase was mainly due to the successful launch of the Smartphone Distribution Business to serve as a distributor of Xiaomi-branded smartphones, ecosystem products and related equipment, resulting in generating revenue of approximately HK$85.9 million for FY2025 and partially offset by the decrease in revenue from the Building Intelligence Business from approximately HK$24.3 million for FY2024 to approximately HK$1.6 million for FY2025. As advised by the management of the Company, the Group typically procures Xiaomi-branded smartphones, ecosystem products and related equipment from an authorised distributor and sells those products directly to wholesalers in Hong Kong and Australia.

The Group's gross profit decreased from approximately HK$24.8 million for FY2024 to approximately HK$15.9 million for FY2025, representing a decrease of approximately 35.9%. The Group's gross profit margin also decreased from approximately 39.6% for FY2024 to approximately 13.6% for FY2025. Pursuant to the Annual Report 2025, such decrease in gross profit and gross profit margin was mainly due to the Group's new business segment in Smartphone Distribution Business which contributed a lower gross profit margin during FY2025 in order to gain the market share.

The Group' loss for the year widened from approximately HK$17.8 million for FY2024 to approximately HK$35.8 million for FY2025. According to the Annual Report 2025 and the management of the Company, such widen in loss for the year was mainly due to the combined effect of (i) the decrease in gross profit from approximately HK$24.8 million for FY2024 to approximately HK$15.9 million for FY2025; (ii) the recognition of fair value loss on financial asset at fair value though profit or loss of approximately HK$9.2 million for FY2025 (FY2024: nil); (iii) the increase in administrative and other operating expenses from approximately HK$27.5 million for FY2024 to approximately HK$36.0 million for FY2025 mainly caused by the recognition of share-based payment expenses of approximately HK$4.9 million for FY2025 (FY2024: nil); and partially offset by the decrease in allowance for expected credit loss, net from approximately HK$7.5 million for FY2024 to approximately HK$2.5 million for FY2025.

1.3 Financial position of the Group

The cash and cash equivalents of the Group amounted to approximately HK$2.3 million, HK$33.4 million and HK$11.0 million as at 31 March 2023, 31 March 2024 and 31 March 2025 respectively.

The cash and cash equivalents of the Group increased from approximately HK$2.3 million as at 31 March 2023 to approximately HK$33.4 million as at 31 March 2024, representing an increase of approximately 1,352.2%. As advised by the management of the Company, such substantial increase in the cash and cash equivalents of the Group was mainly attributable to the following combined effect:

(i) the net cash flows from financing activities of approximately HK$50.8 million for FY2024. Such cash inflows from financing activities mainly comprised of (a) net proceeds from the placing of new Shares under general mandate of approximately HK$14.7 million completed on 19 May 2023 (the "**Placing 2023**") (Please refer to the Company's announcements dated 3 May 2023 and 19 May 2023 for details); (b) net proceeds from the placing of new Shares under general mandate of approximately HK$23.8 million completed on 27 March 2024 (the "**First Placing 2024**") (Please refer to the Company's announcements dated 6 March 2024 and 27 March 2024 for details); and (c) the net proceeds from the allotment and issue of shares in Mox Group Limited (a subsidiary of the Company) to Hong Kong Haoxuan Co., Limited of approximately HK$27.2 million completed on 24 July 2023 (the "**MOX Subscription 2023**") (Please refer to the Company's announcement dated 23 June 2023 for details); and partially offset by

(ii) the net cash flows used in operating activities of approximately HK$17.5 million for FY2024; and

(iii) the net cash flows used in investing activities of approximately HK$2.7 million for FY2024.

The cash and cash equivalents of the Group decreased from approximately HK$33.4 million as at 31 March 2024 to approximately HK$11.0 million as at 31 March 2025, representing a decrease of approximately 67.1%. As advised by the management of the Company, such decrease in the cash and cash equivalents of the Group was mainly due to the following combined effect:

(i) the net cash flows used in operating activities of approximately HK$38.2 million for FY2025. Such cash outflows from operating activities mainly caused by the increase in trade and other receivables of approximately HK$38.6 million for FY2025 which was derived from the launch of the Smartphone Distribution Business;

(ii) the net cash flows used in investing activities of approximately HK$0.6 million for FY2025; and partially offset by

(iii) the net cash flows from financing activities of approximately HK$17.6 million for FY2025. Such cash inflows from financing activities mainly came from net proceeds from the subscription of new Shares under general mandate of approximately HK$20.7 million completed on 29 November 2024 (the "**Second Placing 2024**") (Please refer to the Company's announcements dated 5 November 2024 and 29 November 2024 for details)

Total assets of the Group as at 31 March 2025 amounted to approximately HK$221.4 million whereas total liabilities of the Group amounted to approximately HK$113.7 million, resulting in a net assets position of approximately HK$107.7 million. The NAV per Share increased from approximately HK$0.263 per Share as at 31 March 2023 to approximately HK$0.323 per Share as at 31 March 2024 and dropped back to HK$0.240 per Share as at 31 March 2025 which is in line with the fluctuation of the Group's cash and cash equivalents in the past three years.

1.4 Our view

After considering that, (i) by excluding the revenue generated from the Smartphone Distribution Business during FY2025, the Group's revenue from the core business of the Control System Business, the Building Intelligence Business and the Data Centre Maintenance Business demonstrated an instability position in the past three years and even represented a substantial drop from approximately HK$62.6 million for FY2024 to approximately HK$31.1 million for FY2025 which reflected the decreasing in demand for these businesses in the PRC, the principal geographical location of the Group's revenue; (ii) the continuous loss-making positions of the Group in the past three years; (iii) the instability of the Group's cash and cash equivalents' position in the past three years; and (iv) the safeguarded funding needs to support the Group's expansion of the Control System Business and the Building Intelligence Business as detailed under the paragraph headed "2. Reasons for and benefits of the Rights Issue and intended use of proceeds" below in this letter, we are of the view that the Rights Issue is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

2. Reasons for and benefits of the Rights Issue and intended use of proceeds

2.1 Background of the Rights Issue

Pursuant to the Letter from the Board, throughout the year, the Group has remained dedicated to (i) providing customers with automation control systems and solutions, representing the Control System Business; and (ii) selling intelligent systems and related products, including video intercoms and surveillance systems designed for residential properties and buildings, representing the Building Intelligence Business.

As analyzed in the paragraph headed "1. Background and financial information of the Group" above in this letter, the Group's revenue from the core business of the Control System Business, the Building Intelligence Business and the Data Centre Maintenance Business demonstrated an instability position in the past three years and even represented a substantial drop from approximately HK$62.6 million for FY2024 to approximately HK$31.1 million for FY2025. Specifically, revenue from the Building Intelligence Business decreased from approximately HK$24.3 million for FY2024 to approximately HK$1.6 million for FY2025, representing a substantial decrease of approximately 93.4%. Meanwhile, revenue from the Control System Business declined from approximately HK$38.0 million for FY2024 to approximately HK$29.5 million for FY2025, representing a decrease of approximately 22.4%. We have discussed with the Directors and be advised that the primary reason for the revenue decline was the reduced demand for building intelligence operations systems in the PRC. The Directors also advised us that the real estate sector in the PRC, which is a significant driver of building intelligence operations systems adoption, is currently facing unprecedented financial challenges. These include widespread defaults and a substantial oversupply of unsold properties, resulting in a drastic reduction in construction and investment activity. This situation has been further exacerbated by strict government debt financing limits, which have negatively impacted on the source of funds for the property developers, resulting in delays and significant reduction in new construction projects, and shifted market sentiment toward a more cautious approach. Consequently, there has been a decline in the motivation to invest in building intelligence operations systems in the PRC.

Furthermore, the Directors noted that the Group's focus on providing products and services primarily in the PRC has made it particularly vulnerable to recent unfavorable macroeconomic changes in the PRC market. To address these challenges, the Directors concluded that the Group should leverage its extensive product knowledge and industry experience to explore and develop opportunities in alternative geographical markets. This strategic initiative aims to reduce the Group's concentration risk and establish a foundation for sustained long-term growth, ultimately improving the Group's financial performance.

On 25 July 2025, 31 July 2025 and 30 September 2025, the Company announced the successful completion of the disposal (the "**Disposal**") of MOX Group Limited and its subsidiaries (the "**Disposal Group**"). The Directors would like to further elaborate that before the completion of the Disposal, the Group experienced a notable decline in revenue, and operations in the PRC were trending downward, as previously explained. In response to this situation, the Directors undertook a comprehensive operational review, which led to the decision to realign the business strategies of both the Building Intelligence Business and the Control System Business. This restructuring initiative involved carving out the capital-intensive production facility in the PRC and the associated bank borrowings. Moving forward, the Group plans to further restructure its operations by relocating production facilities to Australia as described in the paragraphs below. Therefore, there will be no overlap between the business operations of the Disposal Group and the Group's expansion strategy following the completion of the Disposal.

To implement the Group's development strategy, the Group plans to take an initial step by relocating production from the PRC to an alternative location, such as Australia. Currently, the Group operates production facilities in the PRC to support its operations. The Group sources all components from the PRC suppliers and utilises its design, assembly, and testing expertise in Australia. Finally, production occurs in the PRC, and the final products are labeled as "Made in China" and primarily marketed in the PRC. However, the Directors have recognised that there are significant challenges in selling these products directly to the global market. These challenges primarily arise from geopolitical tensions, national security concerns regarding intelligent buildings with monitoring and security features, restrictions on market access, and tariffs imposed by the United States of America, all of which have adversely affected several of the Company's competitive advantages. To address these challenges, the Group plans to leverage its extensive product knowledge and industry expertise, combined with its established supply chain network, to establish production facilities in Australia. This strategic approach will enable the development and production of products that meet the highest international standards.

The primary objective of this strategy is to create a framework that ensures compliance of the PRC electronics and communication product components with global standards, facilitating their distribution in international markets. As a result, the Group will continue to employ its expertise to design, assemble, and test electronics and communications equipment in Australia, while sourcing all necessary components for production from the PRC. The Group will ensure that source code compilation and installation (including firmware and software) occur in Australia, and that data storage complies with the standards set by the Australian government. The goal is to procure that the final products are labeled as "Made in Australia" and distributing them to other Western markets, with Australia as the first target for distribution.

As disclosed in the Letter from the Board, the Directors would like to emphasise that the business model is well-established, with no significant changes to the existing framework. The know-how gained from the Group will play a crucial role in the development of the new strategy. In light of this, we have reviewed the past annual reports of the Company and noted that (i) according to the Company's annual report for the year ended 31 March 2017, the Group has made progress in the home automation markets of the Building Intelligence Business, both in the PRC and overseas such as Australia; and (ii) according to the Annual Report 2025, Mr. Han Weining, the substantial shareholder and executive Director of the Company, (a) serves as an executive director of MOX Group in Australia; and (b) has been elected as a member of the Institution of Engineers in Australia since 1994. The abovementioned professional qualification, knowledge and experience of Mr. Han Weining demonstrate that the Group has adequate knowledge and experience in the management and development for relocating production from the PRC to Australia. According to the Letter from the Board, as at the Latest Practicable Date,

(i) the Group executed memorandum of understanding with its existing PRC supplier where such supplier has indicated its willingness to continue supplying essential components to support the Group's operations; and

(ii) the Group has formed collaborations with three companies in Australia, each possessing extensive customer networks. These companies have expressed their readiness to serve as official sales channels for marketing the Group's products within Australia and for facilitating exports to other international markets.

Given that (i) Mr. Han Weining, the substantial shareholder and executive Director of the Company has adequate business knowledge and experience in managing and developing the Building Intelligence Business in Australia; and (ii) the Group actively performed preliminary actions in expanding its business to Australia, including the signing of memorandum of understanding with its existing PRC supplier and forming collaborations with three companies in Australia who possess extensive customer networks, we concur with the Directors' view that the Group's business model is well-established, with no significant changes to the existing framework.

2.2 The intended use of proceeds from the Rights Issue

As stated in the Letter from the Board, the net proceeds from the Rights Issue (the "**Net Proceeds**"), if fully subscribed, (after deducting all estimated expenses payable by the Group) are estimated to be approximately HK$119.3 million (assuming no change in the number of Shares in issue on or before the Record Date), of which the Company intends to apply the Net Proceeds as to:

(i) approximately 74.9% of the Net Proceeds, or approximately HK$89.3 million, will be allocated to meet the genuine needs identified for the expansion of the Group's Control System Business and Building Intelligence Business; and

(ii) approximately 25.1% of the Net Proceeds, or approximately HK$30.0 million, will be allocated for general working capital and general corporate purposes.

Pursuant to the Letter from the Board, in the event that there is an undersubscription of the Rights Issue, and the Unsubscribed Rights Shares are not fully placed, the Net Proceeds will be utilised in proportion to the above uses.

According to the Letter from the Board, in respect of utilising the item (i) above of the Net Proceeds, the planned allocation of these funds is detailed as follows:

(1) approximately HK$61.9 million, approximately 51.9% of the Net Proceeds, will be allocated for the lease of a new production plant in Australia, of which (a) approximately HK$6.3 million will be used for leasing of a production facility in Australia; and (b) approximately HK$55.6 million will be used to set up production lines, where this setup will include the purchase of assembly machines, molding machines, automated inspection machines, other essential machinery and equipment needed, and preparation for and readiness of the production environment for the new plant;

(2) approximately HK$24.5 million, approximately 20.6% of the Net Proceeds, will be allocated to facilitate the recruitment of qualified personnel, including a minimum of ten (10) factory workers, eight (8) software engineers, three (3) operation managers, and eight (8) hardware engineers. Each candidate will be selected based on their extensive industry experience to ensure the efficient operation of the new production facilities; and

(3) approximately HK$2.9 million, approximately 2.4% of the Net Proceeds, will be allocated to expanding the Group's sales and marketing network. This initiative includes (a) recruiting sales personnel to enhance the Group's online presence; (b) increasing investment in advertising; and (c) launching marketing activities for the Group's services and products. These activities will also involve organizing offline events, such as product launches, to further promote the Group's offerings and engage with the target audience.

As stated in the Letter from the Board, based on the existing business plan, the above-planned use of the Net Proceeds for item (i) is expected to be fully utilised by the Group within twelve months following the completion of the Rights Issue. According to the business plan provided by the Directors, the Group is projected to secure a suitable site for the construction of the production facility in the first quarter of 2026, following the completion of the Rights Issue. It is anticipated that by the second quarter of 2026, the company aims to acquire approximately 15 production lines, including the necessary assembly, moulding, and inspection machines. Production is scheduled to commence in the third quarter of 2026. Consequently, it is anticipated that the funding will be fully utilised within 12 months. The production plan is expected to be finalised in the second half of 2026, with a target to launch the product and begin sales by the end of 2026.

According to the Letter from the Board, in respect of utilising the item (ii) above of the Net Proceeds, the planned allocation of these funds is detailed as follows:

(1) approximately HK$17.0 million, approximately 14.2% of the Net Proceeds, will be utilised for employee salaries and related costs;

(2) approximately HK$6.0 million, approximately 5.0% of the Net Proceeds, will be utilised for legal and professional fees;

(3) approximately HK$2.0 million, approximately 1.7% of the Net Proceeds, will be utilised for rental payment; and

(4) approximately HK$5.0 million, approximately 4.2% of the Net Proceeds, will be utilised for other administrative costs.

As stated in the Letter from the Board, based on the existing business plan, the above-planned use of the Net Proceeds for item (ii) is expected to be fully utilised by the Group within twelve months following the completion of the Rights Issue.

In assessing the fairness and reasonableness of the proposed uses of the Net Proceeds, we have also obtained and reviewed the projections provided by the Company, which detail (i) the estimated amounts to be utilised for meeting the genuine needs identified for the expansion of the Group's Control System Business and Building Intelligence Business, including but not limited to leasing of production facility in Australia, setting up production lines, facilitating the recruitment of qualified personnel and expanding the Group's sales and marketing network and the Group's general working capital and general corporate purposes; and (ii) the timeline for usage of the Net Proceeds. We consider these projections to be aligned with the Group's expansion and operational needs, which support the likelihood of significant rise in the operating expenses to facilitate the expansion and maintaining the Group's existing business operations.

Reference to the financial information of the Group in the paragraph headed "1. Background and financial information of the Group" above in this letter, we noted that there was a fluctuation of the Group's cash and cash equivalents in the past three years, in tandem with the fluctuation of the Group's net assets in the past three years. As analyzed in the paragraph headed "1. Background and financial information of the Group" above in this letter, the Group's source of net cash flows in the past three years mainly came from the financing activities of equity fund-raising of the Placing 2023, the MOX Subscription 2023, the First Placing 2024 and the Second Placing 2024. However, as reference to the Annual Report 2024, the Annual Report 2025 and the management of the Company, the Group continuously recorded a net cash flows used in operating activities of approximately HK$2.7 million, HK$17.5 million and HK$38.2 million for FY2023, FY2024 and FY2025 respectively which is mainly due to the continuous loss-making positions for FY2023, FY2024 and FY2025 respectively. Such net cash flows used in operating activities of the Group primarily offset the fund-raised from equity financing in the past three years.

Based on (i) the existing the financial position of the Group; and (ii) the expected Group's expansion of the Building Intelligence Business in Australia, we concur with the Directors' view that there is a likelihood of significant rise in the operating expenses to facilitate the expansion and maintaining the Group's existing business operations. Accordingly, we concur with the Directors' view that the Group has immediate funding needs to conduct the Rights Issue for funding the use of proceeds from the Rights Issue set out above.

2.3 Overview and outlook of Control System Business and Building Intelligence Business

According to the Letter from the Board and the Directors, the demand for the Group's products in Control System Business and Building Intelligence Business is highly correlated with the level of property market in the region/nation. As mentioned above in this paragraph, the main Net Proceeds is to be used for meeting the genuine needs identified for the expansion of the Group's Control System Business and Building Intelligence Business in Australia. As discussed with the Directors, we also understand that the Group would like to firstly distribute the products of the Control System Business and Building Intelligence Business in Australia. In light of this, we have researched and studied the data from Australian Bureau of Statistics.

Statistics of private new capital expenditure of building and structures (non-mining) in Australia

	2020	2021	2022	2023	2024	Compound annual growth rate	First half of 2024	First half of 2025	Growth rate
	AUD (billion)	*AUD (billion)*	*AUD (billion)*	*AUD (billion)*	*AUD (billion)*	*(%)*	*AUD (billion)*	*AUD (billion)*	*(%)*
	40	43	48	57	61	11.1	29	32	10.3
Year-on-year change (%)	7.5	11.6	18.7	7.0					

Source: Website of Australian Bureau of Statistics (https://www.abs.gov.au/)

As shown in the above table, the private new capital expenditure of building and structures (non-mining) in Australia increased from approximately AUD40 billion for the year of 2020 to approximately AUD61 billion for the year of 2024, representing a compound annual growth rate of approximately 11.1%. For the six months ended 30 June 2025, the private new capital expenditure of building and structures (non-mining) in Australia was approximately AUD32 billion, representing an increase of approximately 10.3% as compared with that of the same period of 2024. Such growths in private new capital expenditure of building and structures (non-mining) in Australia demonstrate that the investment in city development and construction would remain positive and drive the growth of investment in the property market in Australia.

Statistics of new residential units approved in Australia

	2020	2021	2022	2023	2024	Compound annual growth rate	First half of 2024	First half of 2025	Growth rate
	(units)	*(units)*	*(units)*	*(units)*	*(units)*	*(%)*	*(units)*	*(units)*	*(%)*
Number of new residential units approved	186,400	228,119	190,437	162,878	172,878	(1.87)	79,175	92,087	16.3
Year-on-year change (%)		22.4	(16.5)	(14.5)	6.1				
	AUD (billion)	*AUD (billion)*	*AUD (billion)*	*AUD (billion)*	*AUD (billion)*	*(%)*	*AUD (billion)*	*AUD (billion)*	*(%)*
Amount of new residential units approved	62	80	79	75	85	8.2	38	47	23.7
Year-on-year change (%)		29.0	(1.3)	(5.1)	13.3				

Source: Website of Australian Bureau of Statistics (https://www.abs.gov.au/)

As shown in the above table, the number of new residential units approved firstly increased from 186,400 units for the year of 2020 to 228,119 units for the year of 2021, representing a growth of approximately 22.4%. Also, the amount of new residential units approved firstly increased from approximately AUD62 billion for the year of 2020 to approximately AUD80 billion for the year of 2021, representing an increase of approximately 29.0%.

However, during the years of 2022 and 2023, the number and amount of new residential units approved demonstrated a decline in the residential property market in Australia. The number of new residential units approved decreased from 228,119 units for the year of 2021 to 190,437 units for the year of 2022 and further dropped to 162,878 units for the year of 2023. The amount of new residential units approved also decreased from approximately AUD80 billion for the year of 2021 to approximately AUD79 billion for the year of 2022 and further dropped to approximately AUD75 billion for the year of 2023. Such decrease in the number and amount of new residential units approved during the years of 2022 and 2023 was mainly due to the continuous increase in interest rate of Australian dollars announced by Reserve Bank of Australia. The interest rate of Australian dollars started increasing from approximately 0.10% in January 2022 to 0.35% in May 2022 and further rose to approximately 3.10% in December 2022. For the year of 2023, the interest rate of Australian dollars continuously increased from approximately 3.10% in January 2023 to 4.35% in December 2023. After that, the interest rate of Australian dollars remained constant at 4.35% for the year of 2024 and started decreasing from approximately 4.35% in December 2024 to 3.60% in November 2025.

Therefore, we noted that the number and amount of new residential units approved started recovering since 2024. The number of new residential units approved increased from 162,878 units for the year of 2023 to 172,878 units for the year of 2024, representing an increase of approximately 6.1%. The amount of new residential units approved also recovered from approximately AUD75 billion for the year of 2023 to approximately AUD85 billion for the year of 2024, representing an increase of approximately 13.3%.

For the six months ended 30 June 2025, (i) the number of new residential units approved was 92,087 units, representing an increase of approximately 16.3% as compared with that of the same period of 2024 (i.e. 79,175 units); and (ii) the amount of new residential units approved was approximately AUD47 billion, representing an increase of approximately 23.7% as compared with that of the same period of 2024 (i.e. approximately AUD38 billion).

Despite there was a drop in number and amount of new residential units approved during the years of 2022 and 2023 caused by the increase in interest rate of Australian dollars during that period, having considered, (i) the private new capital expenditure of building and structures (non-mining) in Australia kept increasing in the past five years and remained growth for the first half of 2025; (ii) the interest rate of Australian dollars has remained constant for the year of 2023 and even has fallen down since January 2025; and (iii) the number and amount of new residential units approved has recovered for the year of 2024 and remained growth for the first half of 2025, we consider that the property market in Australia would remain positive and give positive aspect for the demand of the Group’s products in Control System Business and Building Intelligence Business.

2.4 Other financing alternatives

We have also made enquiry to the Directors, other financing alternatives, including debt financing, and other forms of equity financing such as open offer, placing have been considered.

The Directors advised us that debt financing and bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. The Directors also advised that debt financing may require lengthy due-diligence and negotiation process and may not be achievable on favourable terms in a timely manner. We have also reviewed the Annual Report 2025 and noted that as at 31 March 2025, the Group has bank borrowings of approximately HK$43.0 million which was already pledged by the buildings under property, plant and equipment of approximately HK$19.2 million (representing approximately 95.6% of the property, plant and equipment) and a leasehold land under right-of-use assets of approximately HK$6.7 million (representing approximately 89.4% of the right-of-use assets). The Group does not have other material tangible assets which may be satisfactory to the banks to be served as collaterals. Based on the current financial position of the Company, the Directors consider that it is difficult to raise fund by debt financing.

In addition to debt financing, we understand that the Directors had considered to conduct other equity financing such as open offer. According to the Directors, open offer while it is similar to a rights issue, offering the Qualifying Shareholders to participate in the fund-raising activity. In terms of the theoretical value dilution effect of fund-raising, open offer and rights issue would not have any difference if the principal terms (including the discount represented by the subscription price to the closing price of shares, number of offer shares/rights shares to be issued and the size of fund-raising) are the same. The Rights Issue allows the Qualifying Shareholders to (i) increase their respective interests in the shareholding of the Company by acquiring additional nil-paid Rights Shares in the market; or (ii) reduce their respective interests in the shareholding of the Company by disposing of their nil-paid Rights Shares in the market. The Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell their nil-paid Rights Shares in the market. However, an open offer does not allow free trading of rights entitlements in the open market. Therefore, the Directors consider that the Rights Issue would be more preferrable to an open offer as it offers the Qualifying Shareholders an option to sell their nil-paid Rights Shares in the market.

According to the Directors, placing of new Shares would lead to direct and immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. If the placing of new Shares is conducted on a general mandate, it is relatively smaller in scale as compared to fund-raising through the Rights Issue. If the placing of new Shares is conducted on a specific mandate, shall the fund-raising size be similar as the Rights Issue to meet the funding needs as mentioned in the sub-paragraph headed "2.2 The intended use of proceeds from the Rights Issue" above in this paragraph, it may lead to direct and high dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. For illustration purpose only, based on (i) the Subscription Price and the benchmarked price of HK$0.2100 per Share; and (ii) the number of 897,482,880 Rights Shares, if the Company conducts a placing of new Shares under specific mandate, placing of such amount of new Shares (a) would directly dilute the shareholding of the existing public Shareholders from approximately 64.62% to 21.54%; and (b) would create a direct theoretical value dilution effect of approximately 23.81% to the existing Shareholders. Furthermore, we consider that it would be difficult in procuring placees given the size of the funding needs under the thin liquidity of the Share as discussed in the paragraph headed "3. Principal terms of the Rights Issue – 3.3 Trading liquidity of the Shares" below in this letter.

In view of the above, the Directors considered that the Rights Issue is the most suitable equity financing method available to the Group as:

(i) the Qualifying Shareholders have the option to subscribe for the Rights Shares at their sole discretion;

(ii) the Qualifying Shareholders who do not take up their entitlements can sell the nil-paid Rights Shares in the market; and

(iii) the Rights Issue offers all the Qualifying Shareholders equal opportunities to participate in the enlargement of the Group's capital base and enables the Shareholders to maintain their proportionate interests in the Company and continue to participate in development of the Company in the future should they wish to do so.

Shall the Rights Issue create a theoretical value dilution effect if the Qualifying Shareholders do not take up their entitlements in full of the Rights Shares, after considering that (i) debt financing would increase the Group's interest burden and may require the provision of security and creditors will rank before the Shareholders; (ii) the dilutive nature in the shareholding and theoretical value dilution effect to the Shareholders are inherent for both open offer and rights issue under the same principal terms (including the discount represented by the subscription price to the closing price of shares, number of offer shares/rights shares to be issued and the size of fund-raising); (iii) open offer does not offer the Qualifying Shareholders the option to sell the nil-paid Rights Shares in the market; (iv) placing of new shares without first offering the existing Shareholders the opportunity to participate in the Company's equity fund-raising exercise would even result in direct dilution of shareholding of the existing Shareholders and a direct theoretical value dilution effect to the existing Shareholders; (v) the Rights Issue will enable the Shareholders to maintain their proportionate interests in the Company should they so wish; and (vi) for those Qualifying Shareholders who do not wish to take up their entitlements in full of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market, we concur with the Directors' view that the Rights Issue is the best option of fund-raising activity.

2.5 Our view

Taking into account,

(i) the Group's home automation markets of Building Intelligence Business in Australia is part of the ordinary and usual course of the Group's business;

(ii) the Group and Mr. Han Weining, the substantial shareholder and executive Director of the Company demonstrate adequate knowledge and experience in the development of the Building Intelligence Business in Australia;

(iii) the recent preliminary actions performed by the Group show the clear intention of the Group to expand its business to Australia so as to reduce the Group's concentration risk in the PRC's business, establish a foundation for the sustainable growth and ultimately to improve the Group's financial performance;

(iv) the prospect of the Group's products in Control System Business and Building Intelligence Business would remain positive as discussed above in this paragraph;

(v) the continuous loss-making positions of the Group in the past three years;

(vi) the instability of the Group's cash and cash equivalents' position in the past three years;

(vii) the Net Proceeds from the Rights Issue would strengthen the capital base and financial position of the Group and support the expected Group's expansion of the Building Intelligence Business in Australia;

(viii) other financing alternatives may not be feasible as discussed above in this paragraph; and

(ix) the Rights Issue offers all the Qualifying Shareholders equal opportunities to participate in the enlargement of the Group's capital base and continue to participate in development of the Company,

we concur with the Directors' view that the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

3. Principal terms of the Rights Issue

The Company proposed to raise gross proceeds of up to approximately HK$121.2 million before expenses (assuming full subscription under the Rights Issue) by issuing up to 897,482,880 Rights Shares (assuming no further issue or repurchase of the Shares on or before the Record Date) by way of rights issue at the Subscription Price of HK$0.135 per Rights Share, on the basis of two Rights Shares for every one Share held on the Record Date and payable in full on acceptance.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to the independent Placees under the Compensatory Arrangements. Any Unsubscribed 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. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any). Qualifying Shareholders must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholders in order to qualify for the Rights Issue.

For details of the Rights Issue, please refer to the paragraph headed "Proposed Rights Issue" in the Letter from the Board.

3.1 The Subscription Price

The Subscription Price of HK$0.135 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 33.50% to the closing price of HK$0.2030 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 35.71% to the closing price of HK$0.2100 as quoted on the Stock Exchange on the Last Trading Day (the "**LTD Discount**");

(iii) a discount of approximately 35.71% to the average closing price of HK$0.2100 as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day (the "**5 Days Discount**");

(iv) a discount of approximately 36.68% to the average closing price of approximately HK$0.2132 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 15.63% to the theoretical ex-rights price of approximately HK$0.1600 per Share based on the closing price of HK$0.2100 per Share as quoted on the Stock Exchange on the Last Trading Day and number of Shares in issue as at the date of the Announcement (the "**TERP Discount**");

(vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 23.81%, which is calculated based on the benchmarked price of HK$0.2100 per Share (as defined under Rule 7.27B of the Listing Rules, taking account the higher of (i) the closing price of HK$0.2100 per Share as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of HK$0.2100 per Share as quoted on the Stock Exchange for the previous five consecutive trading days prior the Last Trading Day); and

(vii) a discount of approximately 43.75% to the audited NAV per Share of approximately HK$0.2400 based on the latest audited consolidated NAV of the Group of approximately HK$107.7 million as at 31 March 2025 and the number of Shares in issue as at the Latest Practicable Date (i.e. 448,741,440 Shares).

According to the Directors, the net price per Rights Share (i.e. Subscription Price with cost and expenses incurred in the Rights Issue deducted) upon full acceptance of the provisional allotment of Rights Shares is estimated to be approximately HK$0.133.

As stated in the Letter from the Board, the benchmarked price, and theoretical dilution effect for the Rights Issue are approximately HK$0.2100 per Share and 23.81%, respectively. Despite the theoretical dilution effect of 23.81%, it is the combined effect of achieving the fund-raising requirement and the determination of the Subscription Price to attract Shareholders in participating in the Rights Issue. The Directors consider that the Rights Issue offers the Group an opportunity to strengthen its capital base by raising additional funds, thereby improving financial performance and facilitating potential business expansion. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution effect of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

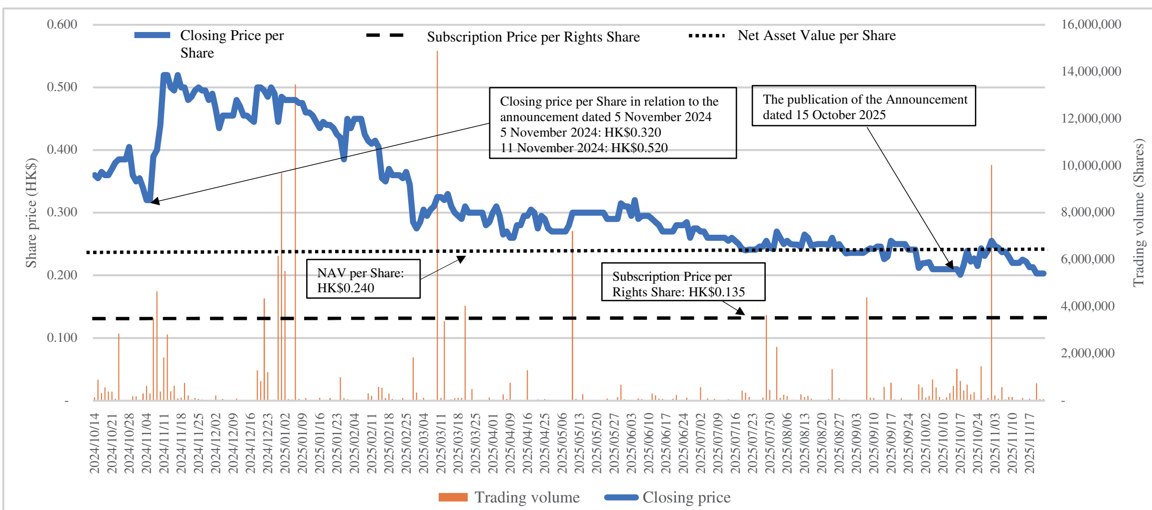
Pursuant to the Letter from the Board, the Subscription Price was arrived at after an arm's length negotiation, based on, among other things, the prevailing market price of the Shares and the Group's financial conditions. As the Rights Shares are offered to all the Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would encourage the Qualifying Shareholders to participate in the Rights Issue. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/it's existing shareholding in the Company. In determining the Subscription Price, the Directors have considered, among other things as mentioned above, the closing price in the past three months from 14 July 2025 to the Last Trading Day (the "**Relevant Period**"), as a benchmark to reflect the prevailing market conditions and recent market sentiment. The Subscription Price represents a discount of approximately 44.01% to the average closing price of the Shares of approximately HK$0.2411 per Share under the Relevant Period. Shareholders (including Independent Shareholders) are reminded to read the detailed analysis of the Directors' basis for pricing of the Subscription Price as set out in the paragraph headed "Proposed Rights Issue – Subscription Price" in the Letter from the Board and our analysis on the fairness and reasonableness of the Subscription Price below in this paragraph.

On the other hand, (i) the daily closing price of the Share during the period from 14 October 2024 to 15 October 2025, being the twelve-month period prior to the Last Trading Day (i.e. 15 October 2025) (the "**Pre Announcement Review Period**") range from the highest of HK$0.520 per Share to the lowest of HK$0.210 per Share, with an average of approximately HK$0.330 per Share; (ii) the closing price of the Share on the Last Trading Day was HK$0.210 per Share; and (iii) the daily closing price of the Share during the period from 16 October 2025 to the Latest Practicable Date (the "**Post Announcement Review Period**") range from the highest of HK$0.255 per Share to the lowest of HK$0.201 per Share, with an average of approximately HK$0.225 per Share. We consider that the review period as mentioned above is fair and reasonable to illustrate the general trend and movement of recent closing prices of the Shares.

3.2 *Historical Share price performance*

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the Shares (the "**Closing Price(s)**") during the Pre Announcement Review Period and the Post Announcement Review Period (collectively, the "**Review Periods**"). We consider the Review Periods is adequate to illustrate the recent price movement of the Shares which reflect prevailing market sentiments and the comparison among the Closing Prices, the Subscription Price and the NAV per Share. The chart below illustrates the historical Closing Prices during the Review Periods:

Historical daily closing price of the Share during the Review Periods



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

Set out below is the comparison between (a) the Subscription Price and the Closing Prices; and (b) the NAV per Share and the Closing Prices during the Review Periods:

Period		**Premium/ (Discount) of the Subscription Price over/(to) the respective closing price** *(%)*	**Premium/ (Discount) of the NAV per Share as at 31 March 2025 over/(to) the respective closing price** *(%)*
Pre Announcement Review Period	Lowest closing price of HK$0.210 during the period from 6 October 2025 to the Last Trading Day	(35.71)	14.29
	Highest closing price of HK$0.520 on 11 November 2024, 12 November 2024 and 15 November 2024	(74.04)	(53.85)
	Average closing price of approximately HK$0.330	(59.09)	(27.27)
Last Trading Day	Closing price of HK$0.210	(35.71)	14.29
Post Announcement Review Period	Lowest closing price of HK$0.201 on 17 October 2025	(32.84)	19.40
	Highest closing price of HK$0.255 on 31 October 2025	(47.06)	(5.88)
	Average closing price of approximately HK$0.225	(40.00)	6.67

Period		Premium/ (Discount) of the Subscription Price over/(to) the respective closing price *(%)*	Premium/ (Discount) of the NAV per Share as at 31 March 2025 over/(to) the respective closing price *(%)*
Review Periods	Lowest closing price of HK$0.201 on 17 October 2025	(32.84)	19.40
	Highest closing price of HK$0.520 on 11 November 2024, 12 November 2024 and 15 November 2024	(74.04)	(53.85)
	Average closing price of approximately HK$0.320	(57.81)	(25.00)
Latest Practicable Date	Closing price of HK$0.203	(33.50)	18.23

During the Pre Announcement Review Period, the highest and the lowest Closing Prices were HK$0.520 on 11, 12 and 15 November 2024 and HK$0.210 during the period from 6 October 2025 to 15 October 2025 respectively, with an average closing price of approximately HK$0.330.

The closing prices of the Shares demonstrated a short fluctuation, ranging from the lowest Closing Price of HK$0.320 on 4 and 5 November 2024 to the highest Closing Price of HK$0.405 on 28 October 2024, with an average Closing Price of approximately HK$0.362 during the period from 14 October 2024 to 5 November 2024. Then, the closing prices of the Shares demonstrated a surge from HK$0.320 on 5 November 2024 to HK$0.520 on 11 November 2024, representing an increase of approximately 62.5% (the "**Share Price Surge**"). Save for the publication of the announcement in relation to the subscription of new Shares under general mandate on 5 November 2024, no particular news or announcement were made by the Company on that period, and the Directors are not aware of any reason for the Share Price Surge. After that, the closing prices of the Shares demonstrated a generally decreasing trend from HK$0.520 per Share on 11 November 2024 to HK$0.210 per Share on the Last Trading Day.

After the publication of the Announcement, the closing prices of Shares fluctuated from HK$0.201 on 17 October 2025 to HK$0.255 on 31 October 2025 during the Post Announcement Review Period and closed at HK$0.203 on the Latest Practicable Date.

We noted that the Subscription Price of HK$0.135 per Rights Share is below all the Closing Prices during the Review Periods. The Subscription Price represents (i) a discount of approximately 74.04% to the highest Closing Price of HK$0.520 on 11, 12 and 15 November 2024 during the Pre Announcement Review Period; (ii) a discount of approximately 35.71% to the lowest Closing Price of HK$0.210 during the period from 6 October 2025 to 15 October 2025 during the Pre Announcement Review Period; (iii) a discount of approximately 59.09% to the average Closing Price of approximately HK$0.330 during the Pre Announcement Review Period; (iv) a discount of approximately 32.84% to the lowest closing price of HK$0.201 on 17 October 2025 during the Post Announcement Review Period; (v) a discount of approximately 47.06% to the highest closing price of HK$0.255 on 31 October 2025 during the Post Announcement Review Period; (vi) a discount of approximately 40.00% to the average closing price of approximately HK$0.225 during the Post Announcement Review Period; and (vii) a discount of approximately 33.50% to the closing price of HK$0.203 on the Latest Practicable Date.

We also noted that the Closing Prices were generally above the NAV per Share as at 31 March 2025 during the period from 14 October 2024 to 21 July 2025, representing the majority of the Pre Announcement Review Period. The Company's annual results announcement for FY2025 was published on 30 June 2025, representing the first day of disclosing the NAV per Share as at 31 March 2025. After 30 June 2025, the Closing Prices started decreasing from HK$0.275 on 30 June 2025 to HK$0.240 on 21 July 2025, representing less than one month of time for such decrease in the Share price and moving toward the NAV per Share as at 31 March 2025 (the "**Second Downward Adjustment**"). During the period from 21 July 2025 to the Last Trading Day, the Closing Prices were close to the NAV per Share as at 31 March 2025, ranging from HK$0.210 per Share to HK$0.270 per Share, with an average of approximately HK$0.240 per Share. During the Post Announcement Review Period, the Closing Prices were continuously close to the NAV per Share as at 31 March 2025, ranging from HK$0.201 per Share to HK$0.255 per Share, with an average of approximately HK$0.225 per Share.

To further assess the trading behaviour of Shareholders and the investors, we have further reviewed the Company's interim results announcement for the six months ended 30 September 2024 which was published on 29 November 2024, representing the first day of disclosing the NAV per Share as at 30 September 2024. We assessed that the unaudited NAV per Share as at 30 September 2024 was approximately HK$0.287 per Share which is based on the unaudited consolidated NAV of the Group of approximately HK$106.5 million as at 30 September 2024 and the number of Shares in issue as at 30 September 2024 (i.e. 370,968,640 Shares). During the period from 29 November 2024 to 24 December 2024, the Closing Prices remained fluctuating from HK$0.435 to HK$0.500, with an average of approximately HK$0.469. After that, the Closing Prices started decreasing from HK$0.500 on 24 December 2024 to HK$0.285 on 27 February 2025, representing two months of time for such decrease in Share price and moving toward the NAV per Share as at 30 September 2024 (the "**First Downward Adjustment**"). During the period from 27 February 2025 to 30 June 2025, the Closing Prices were close to the NAV per Share as at 30 September 2024, ranging from HK$0.260 per Share to HK$0.330 per Share, with an average of approximately HK$0.291 per Share.

As mentioned above in this paragraph, save for the publication of the announcement in relation to the subscription of new Shares under general mandate on 5 November 2024, no particular news or announcement were made by the Company during the period from 5 November 2024 to 11 November 2024, and the Directors are not aware of any reason for the Share Price Surge, causing the Share price to be traded above the NAV per Share as at 30 September 2024.

Despite the NAV per Share amounted to approximately HK$0.287 and HK$0.240 as at 30 September 2024 and 31 March 2025 respectively which represents a discount to the majority of the Closing Prices during the Pre Announcement Review Period, having considered that (i) except for the Share Price Surge, the closing price of the Shares was on a generally downward trend during the Pre Announcement Review Period; and (ii) the Share Price Surge, the time needed for the First Downard Adjustment and the time needed for the Second Downard Adjustment demonstrate that no clear pattern and consistent direction are seen for the valuation of Shares by using the NAV per Share, we are of the view that Shareholders and the investors might not value the Shares based on the Group's financial position.

Instead, as mentioned the paragraph headed "Proposed Rights Issue – Subscription Price" in the Letter from the Board, the Directors have considered, among other things, the closing price in the Relevant Period, as a benchmark to reflect the prevailing market conditions and recent market sentiment when determining the Subscription Price. Also, with reference to the sub-paragraph headed "3.4 Market comparables analysis" below in this paragraph, we noted that it is a common market practice that the subscription price of a rights issue is set at a discount to the prevailing market prices of the relevant shares to encourage the existing shareholders to participate in a rights issue as to meet the need of equity fund-raising. We concur with the Directors' view that the Subscription Price, which is set at a discount to the prevailing market prices of the Shares by the LTD Discount, the 5 Days Discount and the TERP Discount, is in line with the general market practice and thus acceptable.

3.3 Trading liquidity of the Shares

We also considered the trading liquidity of the Shares from the average daily trading volume (the "**ADTV**") as a percentage to (i) the total number of issued Shares as at the end of the corresponding months/periods; and (ii) the total number of issued Shares held by public Shareholders as at the end of the corresponding months/periods.

Months/Periods	**Number of trading days**	**ADTV of Shares during the months/ periods**	**Percentage of ADTV to the issued Shares**	**Percentage of ADTV to the issued Shares held by public Shareholders**
			%	*%*
			(Note 1)	*(Note 2)*
2024				
From 14 October 2024 to 31 October 2024	14	428,869	0.116	0.141
November	21	810,288	0.181	0.264
December	20	1,202,794	0.268	0.391
2025				
January	19	1,095,030	0.244	0.356
February	20	233,820	0.052	0.076
March	21	1,134,811	0.253	0.357
April	19	145,809	0.032	0.046
May	20	431,300	0.096	0.136
June	21	69,315	0.015	0.022
July	22	277,795	0.062	0.087
August	21	251,267	0.056	0.079
September	22	340,541	0.076	0.107
From 2 October 2025 to 15 October 2025	9	341,568	0.076	0.108
		Maximum	0.268	0.391
		Minimum	0.015	0.022
		Mean	0.117	0.167
The Pre Announcement Review Period	249	526,888	0.117	0.166
From 16 October 2025 to 31 October 2025	11	1,417,670	0.316	0.446
From 3 November 2025 to the Latest Practicable Date	15	154,065	0.034	0.048
The Post Announcement Review Period	26	688,667	0.153	0.217

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

Notes:

1. It is calculated by dividing the ADTV of Shares for the month/period by the total number of Shares in issue at the end of month/period.; and

2. It is calculated by dividing the ADTV of Shares for the month/period by the total number of Shares in issue held by the public Shareholders at the end of month/period.

As illustrated in the above table, the ADTV of the Shares during the Pre Announcement Review Period ranged from approximately 69,315 Shares to approximately 1,202,794 Shares, representing (i) from approximately 0.015% to approximately 0.268% of the total number of the Shares in issue; or (ii) from approximately 0.022% to approximately 0.391% of the total number of the Shares held by public Shareholders, with an average of approximately 526,888 Shares, representing (i) approximately 0.117% of the total number of the Shares in issue; or (ii) approximately 0.166% of the total number of the Shares held by public Shareholders. We noted from the above table that the liquidity of the Shares was generally thin during the Pre Announcement Review Period. During the Post Announcement Review Period, the ADTV of the Shares remained generally thin at approximately 688,667 Shares, representing (i) approximately 0.153% of the total number of the Shares in issue; or (ii) approximately 0.217% of the total number of the Shares held by public Shareholders.

As aforementioned, the Subscription Price of HK$0.135 is below all the Closing Prices throughout the Review Periods. Given that (i) the generally thin liquidity of the Shares during the Review Periods; and (ii) the general decreasing trend of the Closing Prices from HK$0.520 per Share on 11 November 2024 to HK$0.210 per Share on the Last Trading Day, representing the majority of the Pre Announcement Review Period, we consider that it is reasonable to offer a discount for the Subscription Price to encourage the Qualifying Shareholders to subscribe for the Rights Shares; or the Unsubscribed Rights Shares to the independent Placee(s) pursuant to the Placing Agreement (as supplemented by the Supplemental Placing Agreement).

3.4 Market comparables analysis

We have further performed an analysis on the comparison between the Rights Issue and other rights issues conducted by other listed companies on the Stock Exchange which were announced from 1 January 2025 to the Last Trading Day. We identified an exhaustive list of 13 comparables (the "**Rights Issue Comparables**") based on the selection criteria that (i) the shares of the company are listed on the Stock Exchange; (ii) the market capitalisation of the company ranges from HK$50 million to HK$300 million as at the respective last trading day; and (iii) the rights issue is conducted on a non-underwritten basis. We consider that the aforementioned selection criteria of the Rights Issue Comparables from 1 January 2025 to the Last Trading Day (15 October 2025) allows us to (i) capture the Rights Issue Comparables, which could provide a general reference for the recent market practice in relation to the principal terms of rights issue; and (ii) generate a sufficient sample size for the purpose of our comparable analysis. Shall the Rights Issue Comparables be different in their principal activities, industries, business nature, market capitalisations, financial performance, financial positions and assets compositions as compared to the Company, having considered that our analysis is mainly concerned of the principal terms of the rights issues under the prevailing market condition and sentiment, we consider that the Rights Issue Comparables can provide a general reference in relation to the terms of rights issue under recent market condition and sentiment. In view of the above, we are of the view that the Rights Issue Comparables are fair and representative. Details of the Rights Issue Comparables are set out below:

No.	Name of company (stock code)	Date of initial announcement (market capitalisation as at the respective last trading day)	Basis of entitlement	Net proceeds raised/ to be raised from the rights issue *HK$'000*	Discount of the subscription price to the closing price on the last trading day *(%)*	Discount of the subscription price to the average closing price for the last five consecutive trading days up to and including the last trading day *(%)*	Discount of the subscription price to the ex-rights price based on the closing price on the last trading day *(%)*	Premium/ (Discount) of the subscription price over/(to) the NAV based on the respective latest annual report/ interim report *(%)*	Theoretical dilution effect *(%)*	Excess application/ Placing	Fixed placing fee *HK$*	Placing commission *(%)*	Maximum dilution on shareholding *(Note 1)* *(%)*	Status of the rights issue as at the Latest Practicable Date
1	Colour Life Services Group Co., Limited (1778)	27/1/2025 (HK$245 million)	1 for 4	60,360	0.00	(2.14)	0.00	(94.98)	0.43	Excess application	N	N	20.00	Completed
2	Timeless Resources Holdings Limited (8028)	27/2/2025 (HK$66 million)	1 for 2	29,000	(9.64)	(8.72)	(6.81)	(23.28)	3.21	Excess application	N	N	33.33	Completed
3	ISP Holdings Limited (2340)	11/4/2025 (HK$85 million)	1 for 2	10,130	(74.50)	(73.38)	(66.07)	(85.59)	24.85	Excess application	N	N	33.33	Completed
4	C Cheng Holdings Limited (1486)	29/4/2025 (HK$88 million)	1 for 2	13,800	(67.21)	(66.44)	(57.75)	(92.75)	22.40	Placing	N	3.00	33.33	Completed
5	SEEC Media Group Limited (205)	7/5/2025 (HK$106 million)	1 for 2	39,500	(23.61)	(26.17)	(17.29)	(53.78)	10.74	Placing	100,000	3.00	33.33	Completed

No.	Name of company (stock code)	Date of initial announcement (market capitalisation as at the respective last trading day)	Basis of entitlement	Net proceeds raised/ to be raised from the rights issue *HK$'000*	Discount of the subscription price to the closing price on the last trading day *(%)*	Discount of the subscription price to the average closing price for the last five consecutive trading days up to and including the last trading day *(%)*	Discount of the subscription price to the ex-rights price based on the closing price on the last trading day *(%)*	Premium/ (Discount) of the subscription price over/(to) the NAV based on the respective latest annual report/ interim report *(%)*	Theoretical dilution effect *(%)*	Excess application/ Placing	Fixed placing fee *HK$*	Placing commission *(%)*	Maximum dilution on shareholding *(Note 1)* *(%)*	Status of the rights issue as at the Latest Practicable Date
6	Greenheart Group Limited (94)	10/6/2025 (HK$74 million)	1 for 2	31,800	(9.25)	(4.97)	(6.44)	(88.80)	3.00	Placing	150,000	2.00	33.33	Completed
7	Pinestone Capital Limited (804)	10/6/2025 (HK$68 million)	3 for 2	57,600	(40.71)	(41.55)	(22.14)	(70.77)	24.93	Placing	N	5.00	60.00	Completed
8	Sanergy Group Limited (2459)	7/7/2025 (HK$205 million)	1 for 2	43,900	(55.60)	(56.30)	(45.50)	(89.00)	18.80	Placing	N	3.50 *(Note2)*	33.33	Completed
9	Tomo Holdings Limited (6928)	4/8/2025 (HK$214 million)	1 for 2	39,500	(62.10)	(63.20)	(52.20)	25.00	21.30	Placing	N	1.00	33.33	Completed
10	Value Convergence Holdings Limited (821)	6/8/2025 (HK$116 million)	2 for 1	34,700	(4.26)	(5.86)	(1.53)	(71.06)	3.11	Excess application	N	2.50	66.67	Completed

No.	Name of company (stock code)	Date of initial announcement (market capitalisation as at the respective last trading day)	Basis of entitlement	Net proceeds raised/ to be raised from the rights issue *HK$'000*	Discount of the subscription price to the closing price on the last trading day *(%)*	Discount of the subscription price to the average closing price for the last five consecutive trading days up to and including the last trading day *(%)*	Discount of the subscription price to the ex-rights price based on the closing price on the last trading day *(%)*	Premium/ (Discount) of the subscription price over/(to) the NAV based on the respective latest annual report/ interim report *(%)*	Theoretical dilution effect *(%)*	Excess application/ Placing	Fixed placing fee *HK$*	Placing commission *(%)*	Maximum dilution on shareholding *(Note 1)* *(%)*	Status of the rights issue as at the Latest Practicable Date
11	Capital VC Limited (2324)	13/8/2025 (HK$74 million)	1 for 1	52,900	(27.30)	(24.80)	(15.79)	(82.00)	13.60	Placing	100,000	3.00	50.00	Pending for issue of prospectus
12	Many Idea Cloud Holdings Limited (6696)	4/9/2025 (HK$58 million)	6 for 1	272,200	(22.08)	(24.56)	(4.94)	(90.53)	20.63	Placing	N	0.20	85.71	Pending for extraordinary general meeting
13	Perfectech International Holdings Limited (765)	26/9/2025 (HK$118 million)	1 for 2	46,740	(18.06)	(20.70)	(12.72)	152.14	6.99	Excess application	N	N	33.33	Acceptance period of the rights issue
				Maximum	0.00	(2.14)	0.00	152.14	24.93		150,000	5.00	85.71	
				Minimum	(74.50)	(73.38)	(66.07)	(94.98)	0.43		100,000	0.20	20.00	
				Mean	(31.87)	(32.21)	(23.78)	(51.18)	13.38		116,667	2.58	42.23	

No.	Name of company (stock code)	Date of initial announcement (market capitalisation as at the respective last trading day)	Basis of entitlement	Net proceeds raised/ to be raised from the rights issue *HK$'000*	Discount of the subscription price to the closing price on the last trading day *(%)*	Discount of the subscription price to the average closing price for the last five consecutive trading days up to and including the last trading day *(%)*	Discount of the subscription price to the ex-rights price based on the closing price on the last trading day *(%)*	Premium/ (Discount) of the subscription price over/(to) the NAV based on the respective latest annual report/ interim report *(%)*	Theoretical dilution effect *(%)*	Excess application/ Placing	Fixed placing fee *HK$*	Placing commission *(%)*	Maximum dilution on shareholding *(Note 1)* *(%)*	Status of the rights issue as at the Latest Practicable Date
	The Company (1613)	15/10/2025 (HK$94 million)	2 for 1	119,298	(35.71)	(35.71)	(15.63)	(43.75)	23.81	Placing	N	1.00	66.67	Pending for extraordinary general meeting

Source: *Website of the Stock Exchange (www.hkex.com.hk)*

Notes:

1 Calculation formula of maximum dilution effect of shareholding: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.

2 The placing agents may receive a discretionary commission up to HK$1.0 million.

As shown in the above table, we noted that 12 out of 13 Rights Issue Comparables set the subscription price at a discount to their respective last trading days. It demonstrates that it is common to set the subscription price of a rights issue at a discount to its prevailing market price in order to encourage the existing shareholders to participate the rights issue.

Based on the above Rights Issue Comparables, we can also summarise our findings:

(i) the subscription price to the closing price on the respective last trading day of the Rights Issue Comparables ranged from no discount to a discount of approximately 74.50%, with an average discount of approximately 31.87%. The Subscription Price represents a discount of approximately 35.71% to the closing price per Share on the Last Trading Day, which is close to the average discount of the Rights Issue Comparables;

(ii) the subscription price to the average closing price for the last five consecutive trading days immediately prior to and including the respective last trading day of the Rights Issue Comparables ranged from a discount of approximately 2.14% to a discount of approximately 73.38%, with an average discount of approximately 32.21%. The Subscription Price represents a discount of approximately 35.71% to the average closing price per Share for the last five consecutive trading days immediately prior to and including the Last Trading Day, which is also close to the average discount of the Rights Issue Comparables;

(iii) the subscription price to the theoretical ex-rights price on the respective last trading day of the Rights Issue Comparables ranged from no discount to a discount of approximately 66.07%, with an average discount of approximately 23.78%. The Subscription Price represents a discount of approximately 15.63% to the ex-rights price per Share on the Last Trading Day, which is lower than the average discount of the Rights Issue Comparables;

(iv) the subscription price to the NAV per share of the Rights Issue Comparables ranged from a premium of approximately 152.14% to a discount of approximately 94.98%, with an average discount of approximately 51.18%. The Subscription Price represents a discount of approximately 43.75% to the audited consolidated NAV per Share as at 31 March 2025, which is lower than the average discount of the Rights Issue Comparables; and

(v) the theoretical dilution effect of the Rights Issue Comparables ranged from approximately 0.43% to 24.93%, with an average of approximately 13.38%. The theoretical dilution effect of the Rights Issue of approximately 23.81% is within the range of the Rights Issue Comparables.

3.5 Our view on the Subscription Price

Despite (a) the Subscription Price represents a discount to the audited consolidated NAV per Share as at 31 March 2025; (b) the NAV per Share represents a discount to the Closing Prices during the Pre Announcement Review Period; and (c) the theoretical dilution effect of the Rights Issue appears to be at the high end of the Rights Issue Comparables, having taken into account,

(i) it is a common market practice for the companies listed on the Stock Exchange to set the subscription price of a rights issue at a discount to the market price in order to encourage the existing shareholders to participate the rights issue;

(ii) the discounts represented by the Subscription Price to the closing price on the Last Trading Day and the average closing price per Share for the last five consecutive trading days immediately prior to and including the Last Trading Day are close to the average discounts of the Rights Issue Comparables;

(iii) the discount represented by the Subscription Price to the theoretical ex-rights price per Share is lower than the average discount of the Rights Issue Comparables;

(iv) as analysed in the paragraph headed "1. Background and financial information of the Group" above in this letter, the NAV per Share remained unstable in the past three years and even represented a deterioration from approximately HK$0.263 per Share as at 31 March 2023 to approximately HK$0.240 per Share as at 31 March 2025;

(v) as analysed in the sub-paragraph headed "3.2 Historical Share price performance" above in this paragraph, (a) given that no clear pattern and consistent direction are seen in valuation of Shares by using the NAV per Share during the Review Periods, the discount represented by the NAV per Share to the Closing Prices might not be an absolute indicator in valuing the Shares; and (b) the Closing Prices were close to the NAV per Share as at 31 March 2025 during the period from 21 July 2025 to the Latest Practicable Date. In spite of that, we would also like to emphasize that in fact, the discount represented by the Subscription Price to the NAV per Share as at 31 March 2025 is lower than the average discount and within the range of the Rights Issue Comparables which is generally in line with the market practice, and thus acceptable;

(vi) the closing price of the Shares was on a generally downward trend during the Review Periods;

(vii) the trading volume of the Shares was generally thin during the Review Periods;

(viii) the prospect of the Group's products in Control System Business and Building Intelligence Business would remain positive as discussed in the paragraph headed "2. Reasons for and benefits of the Rights Issue and intended use of proceeds" above in this letter;

(ix) it is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole to raise capital through the Rights Issue for the Group's business expansions as discussed in the paragraph headed "2. Reasons for and benefits of the Rights Issue and intended use of proceeds" above in this letter;

(x) the Rights Issue would strengthen the capital base and financial position of the Group;

(xi) other financing alternatives may not be feasible as discussed in the paragraph headed "2. Reasons for and benefits of the Rights Issue and intended use of proceeds" above in this letter;

(xii) all the Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and to take up their entitlements in full at the same price to maintain their respective shareholdings in the Company; and

(xiii) for those Qualifying Shareholders who do not wish to take up their entitlements in full of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market,

we consider that the benefits of the Rights Issue outweigh the discount represented by the Subscription Price to the NAV per Share and the deep theoretical dilution effect of the Rights Issue. We also recognise that the Company is committed to prioritising the participation of the Qualifying Shareholders in the Rights Issue. As a result, the Directors determine the Subscription Price at a discount to the prevailing market prices of the Shares by the LTD Discount, the 5 Days Discount and the TERP Discount in order to encourage the Qualifying Shareholders to participate in the Rights Issue. Accordingly, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

4. Principal terms of the Placing Agreement and the Compensatory Arrangements

On 15 October 2025, the Company entered into the Placing Agreement (as supplemented by the Supplemental Placing Agreement) with the Placing Agent, pursuant to which the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to the independent Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) on a best-effort basis. For details of the terms of the Placing Agreement (as supplemented by the Supplemental Placing Agreement) and the Compensatory Arrangements, please refer to the paragraph headed "Proposed Rights Issue – The Placing Agreement" and "Proposed Rights Issue – Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements" in the Letter from the Board respectively.

4.1 The Placing and the Compensatory Arrangements

Pursuant to the Placing Agreement (as supplemented by the Supplemental Placing Agreement), the Placing Price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price. The final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process. Given that (i) the Placing Price shall be not less than the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (ii) the Subscription Price is fair and reasonable as discussed in the paragraph headed "3. Principal terms of the Rights Issue" above in this letter, we consider that the Placing Price, which shall be not less than the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Regarding the Placing and the Compensatory Arrangements, we also note that among the Rights Issue Comparables, 8 out of 13 Rights Issue Comparables had the placing and compensatory arrangements, which suggests that it is a common market practice for such arrangement. Given that the Placing and the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares; (ii) a compensatory mechanism for No Action Shareholders and the Non-Qualifying Shareholders; and (iii) it is a common market practice for the placing and compensatory arrangements, we consider that the Placing and the Compensatory Arrangements are on normal commercial terms so far as the Independent Shareholders are concerned.

4.2 The placing commission

Pursuant to the terms of the Placing Agreement (as supplemented by the Supplemental Placing Agreement), subject to the completion of the Placing, the Company shall pay the Placing Agent a placing commission, being 1% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent.

As stated in the Letter from the Board, the term of the Placing Agreement (as supplemented by the Supplemental Placing Agreement), including the placing commission, were determined after an arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Directors considers the terms to be on normal commercial terms.

According to the Rights Issue Comparables in the sub-paragraph headed "3.4 Market comparables analysis" under the paragraph headed "3. Principal terms of the Rights Issue" above in this letter, we noted that the placing commission rate of the Rights Issue Comparables ranged from 0.20% to 5.00%, with an average of 2.58%. The placing commission rate of 1.00% under the Placing Agreement (as supplemented by the Supplemental Placing Agreement) is lower than the average placing commission rate of the Rights Issue Comparables. Furthermore, according to the Placing Agreement (as supplemented by the Supplemental Placing Agreement), there is no fixed placing fee to be payable by the Company. We are of the view that the placing commission rate of 1.00% under the Placing Agreement (as supplemented by the Supplemental Placing Agreement) is fair and reasonable so far as the Independent Shareholders are concerned.

5. Potential dilution effect of the Rights Issue on the shareholding structure of the Group

All the 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 completion of the Rights Issue. According to the paragraph headed "Effects on the shareholding structure of the Company" in the Letter from the Board, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 66.67%. It should be noted that the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, such as the results of acceptance of the Rights Issue.

We are aware of the potential dilution effects of the Rights Issue. Nonetheless, we consider that the foregoing should be balanced by the following factors:

(i) it is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole to raise capital through the Rights Issue for the Group's business expansions as discussed in the paragraph headed "2. Reasons for and benefits of the Rights Issue and intended use of proceeds" above in this letter;

(ii) the Rights Issue would strengthen the capital base and financial position of the Group;

(iii) the Qualifying Shareholders have their choices of whether to accept the Rights Issue or not;

(iv) the Qualifying Shareholders are provided an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company;

(v) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the Rights Issue entitlements;

(vi) the Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue, may, subject to availability, acquire additional nil-paid Rights Shares in the market;

(vii) the Compensatory Arrangements will provide a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders;

(viii) the maximum dilution effect on the shareholding of the Rights Issue of approximately 66.67% is within the range of the maximum dilution of the Rights Issue Comparables;

(ix) despite theoretical dilution effect of the Rights Issue of approximately 23.81% appears to be at the high end of the Rights Issue Comparables, such theoretical dilution effect of the Rights Issue is within the range of the Rights Issue Comparables, and complies with the dilution limit under the Listing Rules; and

(x) the Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue through their votes at the EGM.

Having considered the above, we are of the view that the potential dilution effect on the shareholding is acceptable.

6. Possible financial effect of the Rights Issue

Shareholders should consider the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as stated in the section headed "Appendix II Unaudited pro forma financial information of the Group" (the "**Pro Forma Information**") in this Circular.

According to the Pro Forma Information, as at 31 March 2025, the Group had audited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK$86.1 million. As stated in the Pro Forma Information, assuming completion of the Rights Issue took place on 31 March 2025, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would increase from approximately HK$86.1 million to HK$205.4 million.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATION

Having taken into consideration of the above factors and reasons, we concur with the Directors' view that the Rights Issue, the Placing Agreement and the transactions contemplated thereunder 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 (including the Independent Shareholders) as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the EGM to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Dakin Capital Limited

Tam Kin Fong
Managing Director

Note: Mr. Tam Kin Fong is a responsible officer of Dakin Capital Limited, which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.