

31 December 2025

To the Shareholders,

Dear Sir or Madam,

**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

References are made to the Circular.

At the EGM, the resolutions for approving, among other things, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, were duly passed by the Independent Shareholders by way of poll. Mr. Han Weining, who is an executive Director, has a beneficial interest in 56,846,331 Shares and controls over the voting right in respect of his Shares. Consequently, Mr. Han Weining were abstained from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

The purpose of this Prospectus is to provide you with, among other things, (i) further information on the Rights Issue; and (ii) other certain financial and other general information of the Group as required under the Listing Rules.

1. RIGHTS ISSUE

The terms of the Rights Issue are set out below:

Rights Issue statistics

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders as the close of business on the Record Date
Subscription Price:	HK\$0.135 per Rights Share
Net Subscription Price (after expenses):	HK\$0.133 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	448,741,440 Shares
Number of Rights Shares:	Up to 897,482,880 Rights Shares (assuming there is no change to the total issued share capital of the Company between the Latest Practicable Date and the Record Date)
Aggregate nominal value of the Rights Shares to be issued:	HK\$89,748,288
Total number of Shares in issue upon completion of the Rights Issue:	Up to 1,346,224,320 Shares (assuming that no new Shares (other than the Rights Issue) will be allotted and issued on or before the completion of the Rights Issue)
Gross proceeds from the Rights Issue:	Up to approximately HK\$121.2 million before expenses (assuming there is no further issue or repurchase of new Shares between the Latest Practicable Date and the Record Date and all Rights Shares are taken up by the Qualifying Shareholders or the Unsubscribed Rights Shares are successfully placed by the Placing Agent under the Placing)

Assuming there is no change to the total issued capital of the Company on or before the Record Date, 897,482,880 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 200% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 66.67% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon the Completion.

As at the Latest Practicable Date, there are 10,790,400 outstanding and vested share options entitling the holders thereof (the “**Holders**”) to subscribe for up to an aggregate of 10,790,400 Shares under the Share Option Scheme. The Company did not receive any request or indication from the Holders to exercise the share options on or before the Record Date. Save as disclosed, as at the Latest Practicable Date, the Company has no outstanding share options, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

Undertakings

The Company has not received any information or irrevocable undertaking from any substantial shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue as at the Latest Practicable Date.

Qualifying Shareholders

The Rights Issue is available to the Qualifying Shareholders only and the Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, for information only, the Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Overseas Letter together with the Prospectus.

To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date be registered on the registers of members of the Company, and not be the Non-Qualifying Shareholders.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company.

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

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.

Closure of register of members

The register of members of the Company was closed from Monday, 22 December 2025 to Tuesday, 30 December 2025 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares was registered during this period.

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.

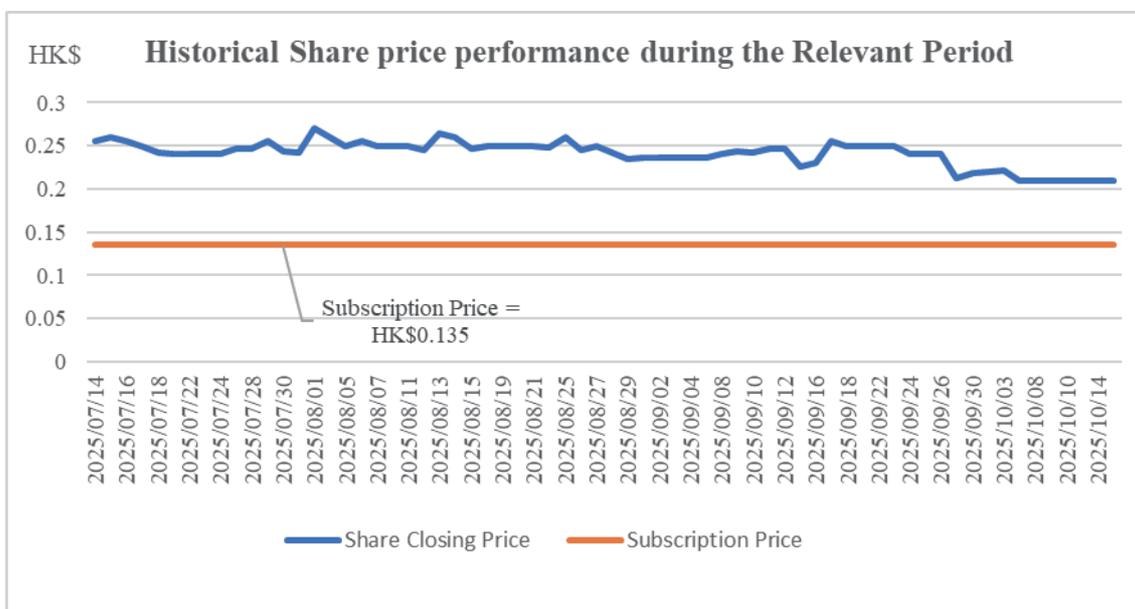
The Subscription Price represents:

- (i) a discount of approximately 25.41% to the closing price of HK\$0.1810 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 per Share as quoted on Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 35.71% to the average closing price of approximately HK\$0.2100 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (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 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 as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.2100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (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 theoretical diluted price of approximately 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 the Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day); and
- (vii) a discount of approximately 43.75% to the audited net asset value per Share of approximately HK\$0.2400 based on the latest audited consolidated net asset value 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).

The Board would like to clarify a typographical error in the Circular regarding point (v) above. The closing price per Share, as quoted on the Stock Exchange on the Last Trading Day, was incorrectly stated as HK\$0.3200. This price was meant to be compared to the theoretical ex-rights price, which is approximately HK\$0.1600 per Share after accounting for the effects of the Rights Issue. The Board has corrected this error, and the accurate closing price in point (v) is now stated as HK\$0.2100 per Share. Aside from this correction, all other information in the Circular remains unchanged, and all figures mentioned are consistent with those provided in the Circular.

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 (as detailed below). The Rights Issue offers the Group the opportunity to strengthen its capital structure 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.

In determining the Subscription Price, the Directors have considered, among other thing 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.



During the Relevant Period, the Shares listed on the Stock Exchange reached a peak closing price of HK\$0.27 on 1 August 2025. The lowest closing price was recorded at HK\$0.21 between 6 October 2025, and the Last Trading Day. After reviewing the Company’s announcement, the Directors did not identify any specific reasons for the price fluctuations observed during this period.

Additionally, the Directors conducted a review of the trading volume and liquidity of the Shares throughout the Relevant Period. The monthly trading volume of the Shares during the Relevant Period is summarised in the following table:

Month	Monthly trading volume	Approximate Percentage of the monthly trading volume to the total issued Shares at the end of each month
14 July 2025 to 31 July 2025	5,331,648	1.19%
1 August 2025 to 31 August 2025	5,276,608	1.18%
1 September 2025 to 30 September 2025	7,491,912	1.67%
1 October 2025 to 15 October 2025 (being the Last Trading Day)	3,074,112	0.69%

During the Relevant Period, the monthly trading volumes were consistently below 2% of the total issued shares at the end of each month. This relatively low average daily trading volume indicates a lack of liquidity and demand for the shares.

Based on the observation, the Directors have determined that the low trading volume may pose challenges for Shareholders in selling their Shares on time and at a more favourable price. Furthermore, the Company may encounter difficulties in raising equity funds from external parties without necessitating a substantial discount to the current Share price. As a result, the Directors believe that the limited liquidity of the Shares observed during the Relevant Period suggests the potential for a significant discount to the Subscription Price.

Apart from the above, the Directors identified an exhaustive list of 22 transactions conducted by companies listed on the Stock Exchange (the “**Comparables**”) using information available from the Stock Exchange’s website. The criteria for selecting these Comparables were established as follows:

- (a) the companies must be listed on the Stock Exchange; and
- (b) the proposed rights issues must have been announced during the Relevant Period.

The Directors believe that the Comparables serve as a reliable reference for recent rights issues. The table below presents the findings of this analysis.

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price over/to the closing share price on the last trading day	Premium/ (Discount) of subscription price over/to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of the subscription price over/to the latest net asset value per share
23/07/2025	Future Machine Limited	1401	1 for 2	(72.28%)	(72.28%)	(28.61%)
25/07/2025	Shin Hwa World Limited	582	1 for 1	(34.21%)	(33.07%)	(97.12%)
31/07/2025	Da Yu Financial Holdings Limited	1073	1 for 2	(16.67%)	(18.92%)	(45.45%)
04/08/2025	Tomo Holdings Limited	6928	1 for 2	(62.10%)	(63.20%)	25.00%
06/08/2025	Value Convergence Holdings Limited	821	2 for 1	(4.26%)	(5.86%)	(71.06%)
13/08/2025	Capital VC Limited	2324	1 for 1	(27.30%)	(24.80%)	(82.00%)
13/08/2025	China Information Technology Development Limited	8178	3 for 8	(55.05%)	(55.24%)	(63.00%)
14/08/2025	China Energy Development Holdings Limited	228	1 for 2	(19.90%)	(19.90%)	(73.34%)
26/08/2025	Jisheng Group Holdings Limited	8133	3 for 1	(14.29%)	(14.29%)	(45.45%)
04/09/2025	Many Idea Cloud Holdings Limited	6696	6 for 1	(22.08%)	(24.56%)	(90.53%)
04/09/2025	Aeso Holding Limited	8341	2 for 1	(25.70%)	(23.10%)	(83.00%)
10/09/2025	China Automotive Interior Decoration Holdings Limited	48	3 for 2	(29.73%)	(29.73%)	(88.13%)
15/09/2025	Zhong Jia Guo Xin Holdings Company Limited	899	2 for 1	(33.64%)	(35.23%)	(97.87%)

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price over/to the closing share price on the last trading day	Premium/ (Discount) of subscription price over/to the closing price for the five consecutive trading days up to and including the last trading day	Premium/ (Discount) of the subscription price over/to the latest net asset value per share
19/09/2025	Immunotech Biopharm Ltd	6978	1 for 5	(47.70%)	(47.79%)	Net liabilities
22/09/2025	Gameone Holdings Limited	8282	1 for 2	1.69%	(0.99%)	(3.23%)
26/09/2025	Perfectech International Holdings Limited	765	1 for 2	(18.06%)	(20.70%)	152.14%
02/10/2025	CHINA NEW ECONOMY FUND LIMITED	80	1 for 2	(29.29%)	(27.23%)	775.00%
03/10/2025	Macau Legend Development Limited	1680	1 for 2	(45.45%)	(44.44%)	88.46%
05/10/2025	Fire Rock Holdings Limited	1909	1 for 2	(20.20%)	(27.85%)	195.74%
09/10/2025	CCIAM Future Energy Limited	145	1 for 2	(18.62%)	(19.05%)	(6.13%)
09/10/2025	Hao Bai International (Cayman) Limited	8431	4 for 1	(19.23%)	(27.08%)	59.09%
15/10/2025	Winshine Science Company Limited	209	7 for 1	(23.50%)	(24.30%)	Net liabilities
			maximum	1.69%	(0.99%)	775.00%
			average	(28.98%)	(29.98%)	21.03%
			median	(24.60%)	(25.94%)	(45.45%)
			minimum	(72.28%)	(72.28%)	(97.87%)
15/10/2025	Synertone Communication Corporation	1613	2 for 1	(35.71%)	(35.71%)	(43.75%)

The table above provides a clear overview of the subscription prices of the Comparables relative to their closing prices on the last trading day. These prices varied significantly, ranging from a discount of approximately 72.28% to a premium of approximately 1.69%.

After a detailed analysis of subscription prices for comparable companies, the Directors noted that these prices were in line with the average closing prices over the five trading days prior to the last trading day, with prices varying from a discount of approximately 72.28% to a discount of approximately 0.99%.

When comparing the subscription prices of the Comparables to their respective latest net asset values per share, the Directors noted that these prices varied from a discount of approximately 97.87% to a premium of approximately 775.00%.

As a result, the Directors observed that the Subscription Price, which represents (i) a discount of approximately 35.71% relative to the closing share price of HK\$0.2100 per share, as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 35.71% compared to the average closing share price of HK\$0.2100 per share for the five consecutive trading days preceding the Last Trading Day; and (iii) a discount of approximately 43.75% to the audited net asset value per share based on the latest audited consolidated net asset value of the Group as of 31 March 2025, aligns with the established range of Comparables.

Therefore, the Directors determined that the Subscription Price was set within an acceptable range. However, although the Subscription Price is lower than all closing Share Prices during the Relevant Period, the Directors considered the following additional factors to ensure that the Subscription Price remains fair and reasonable:

- (i) the limited liquidity of the Shares during the Relevant Period, indicates the potential for a significant discount to the Subscription Price. This adjustment could serve to encourage participation from the Qualifying Shareholders in the Rights Issue;
- (ii) the Rights Issue will be accessible to all Qualifying Shareholders, and their interests will not be adversely affected by the discount on the Subscription Price as long as they are afforded an equal opportunity to participate and subscribe for the Rights Shares;
- (iii) Qualifying Shareholders who opt not to subscribe for their pro-rata entitlement of the Rights Shares may still derive economic benefits by selling their nil-paid Rights Shares in the market; and
- (iv) the insights provided in the section titled “REASONS FOR THE RIGHTS ISSUE AND THE INTENDED USE OF PROCEEDS” outlined in this letter.

Considering the factors mentioned above, the Directors believe that the benefits outweigh the significant discount applied to the Subscription Price. The Directors want to highlight the Company's commitment to prioritising the involvement of Qualifying Shareholders in the Rights Shares. To strike a balance between the Company's cash flow needs and the interests of its Shareholders, the Company has set a substantial discount to encourage participation in the Rights Issue. As a result, the Directors consider the substantial discount to be fair and reasonable. This substantial discount is intended to prioritise the Qualifying Shareholders' participation in the Company's development and to encourage their involvement.

In consideration of the above factors, the Board is of the view that the Subscription Price should act as a market catalyst to attract Shareholders and investors to participate in the Rights Issue.

The Directors (excluding the independent non-executive Directors) consider that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

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

Basis of provisional allotments

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Qualifying Shareholders may apply for all or any part of their respective provisional allotment by lodging a duly completed PAL(s) and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of the Overseas Shareholders

The Prospectus Documents are not intended to be, have not been and will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue.

According to the register of members of the Company as of the Latest Practicable Date, there were four Shareholders with registered address situated in the PRC, who held 13,843,200 Shares in aggregate, representing approximately 3.08% of the issued share capital of the Company as at the Latest Practicable Date, and one Shareholder with registered address situated in the BVI, who held 74,176,000 Shares, representing approximately 16.53% of the issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors have conducted inquiries into the feasibility of extending the Rights Issue to Overseas Shareholders with registered addresses in the listed jurisdictions. The Company has obtained legal advice from legal advisers in the PRC and BVI and has been informed that, according to the relevant legislation in the PRC and BVI, there are no regulatory restrictions or requirements from any regulatory body or stock exchange regarding the extension of the Rights Issue to Overseas Shareholders in the relevant jurisdiction.

It is the responsibility of the Shareholders, including the Overseas Shareholders, wishing to make an application for the Rights Shares, to satisfy himself/herself/itself before taking up his/her/its provisional allotments under the Rights Issue, as to the observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such jurisdiction in connection with the taking up and onward sale of the Rights Shares.

Based upon such advice, the Directors have decided to extend the Rights Issue to the Overseas Shareholders having registered addresses in the PRC and BVI, who are, therefore, Qualifying Shareholders. As such, based upon the register of members of the Company as of the Latest Practicable Date, there was no Non-Qualifying Shareholder.

The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will, if possible, be placed by the Placing Agent under the Compensatory Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

No fractional entitlement

On the basis of the entitlement to subscribe two (2) Rights Share for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise from the Rights Issue.

Application for listing

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

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 6,400 Rights Shares.

Rights Shares will be eligible for admission into CCASS

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

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

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of (i) stamp duty, (ii) the Stock Exchange trading fee, (iii) SFC transaction levy and (iv) any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Monday, 16 February 2026. Those entitled, except HKSCC Nominees Limited, and in the case of joint Qualifying Shareholders, the first-named Qualifying Shareholder, will receive one share certificate for all the Rights Shares in fully-paid form, allotted and issued thereto.

If the Rights Issue does not become unconditional, refund cheques are expected to be despatched on or before Monday, 16 February 2026 by ordinary post at the respective Shareholders' own risk.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent places 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.

As the Rights Issue will proceed on a non-underwritten basis, Shareholder(s) who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code and/or potentially result in the Company's non-compliance of the Public Float Requirement of the Listing Rules. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down by the Company to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code and the Company to ensure the compliance of the requirements of the sufficient public float be maintained upon the Completion in accordance to the note to Rule 7.19(5) and 8.08 of the Listing Rules.

Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares

Qualifying Shareholders will find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein.

If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Thursday, 15 January 2026 (or, under bad weather and/or extreme conditions, such later date and/or time as mentioned in the section headed “Expected Timetable – Effect of Bad Weather and/or Extreme Conditions on the Latest Time for Acceptance of and Payment for the Rights Shares” on the Latest Time of Acceptance in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “TRICOR INVESTOR SERVICES LIMITED – A/C NO. 57” and crossed “**ACCOUNT PAYEE ONLY**”. Such payment will constitute acceptance of the provisional allotment of Rights Shares on the terms of the Prospectus Documents and subject to the memorandum and articles of association of the Company. Any payments for the Rights Shares should be rounded up to nearest cent.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Thursday, 15 January 2026 (or, under bad weather and/or extreme conditions, such later date and/or time as mentioned in the section headed “Expected Timetable – Effect of Bad Weather and/or Extreme Conditions on the Latest Time for Acceptance of and Payment for the Rights Shares” on the Latest Time of Acceptance in this Prospectus), whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer all or part of their rights to more than one person (not as joint holders), the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Wednesday, 7 January 2026 to the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company is not obliged to but may (at its sole and absolute discretion) treat PAL(s) as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require the relevant person(s) to complete such incomplete PAL(s) at a later stage.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

All cheques or cashier's orders accompanying completed PALs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order in payment for the Rights Shares whether by a Qualifying Shareholder or any nominated transferee, will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation, and in that event the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. Qualifying Shareholders must pay the exact amount payable upon application for Rights Shares, and any underpaid application will be rejected. In the event of an overpaid application, a refund cheque, without interest, will be made out to such applicant only if the overpaid amount is HK\$100 or above.

No receipt will be given in respect of any PAL and/or relevant application monies received. If any of the conditions of the Rights Issue as set out in the section headed "Letter from the Board – The Rights Issue – Conditions of the Rights Issue" is not fulfilled at or before 6:00 p.m. on Wednesday, 11 February 2026 (or such later date as the Company may determine), the Rights Issue will not proceed. Under such circumstances, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person, without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, on or before Monday, 16 February 2026 .

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent places for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

On 15 October 2025, the Company entered into the Placing Agreement with the Placing Agent (as supplemented by the Supplemental Placing Agreement) in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best effort basis. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Friday, 6 February 2026, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares. Any Unsubscribed Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

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

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

The Placing Agreement

Principal terms of the Placing Agreement (as supplemented by the Supplemental Placing Agreement) are summarised as below:

Date	:	15 October 2025
Issuer	:	The Company
Placing Agent	:	Watson Securities International Limited

As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Period	:	The period from Friday, 23 January 2026 up to 4:00 p.m. on Friday, 6 February 2026, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.
Placing Price	:	The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process.
Placing Commission	:	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 (the “ Commission Rate ”)
Placees	:	<p>The Placing Agent shall procure that not less than six placees will take up the Placing Shares. The placees shall be professional, institutional and other investors. The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s), shall be third party(ies) independent of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.</p> <p>In any event if the number of placee(s) is less than six, the Company shall complete the Placing and disclose the identity of such placee(s) in accordance with the applicable Listing Rules.</p>
Ranking of the Unsubscribed Rights Shares	:	The placed Unsubscribed Rights Shares (when allotted, issued and fully-paid, if any) shall rank <i>pari passu</i> in all respects among themselves and with the Shares in issue as at the date of completion of the Placing.
Conditions Precedent of the Placing Agreement	:	<p>The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions being fulfilled:</p> <p>i) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares;</p>

- ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- iii) Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

For the avoidance of doubt, if all the Rights Shares are fully subscribed under the Rights Issue, the Placing will not proceed.

The Company shall use its best endeavour to procure the fulfilment of the conditions to the Placing and undertakes to inform the Placing Agent promptly of any matter or circumstance which comes to the attention of it and indicating that any of such conditions being unable or fail to fulfil. If any of such conditions have not been fulfilled by the Placing Long Stop Date (as defined below) or become incapable of being fulfilled (unless extended by mutual consent of the Company and the Placing Agent), then all respective rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement and none of the parties thereto shall have any claim against any other in respect of the Placing.

Termination : If any of the following events occur at any time prior to 6:00 p.m. on the third Business Day after the last day of the Placing Period (the “**Placing Long Stop Date**”), the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time prior to the date of completion of the Placing provided that such notice is received by the Company prior to 6:00 p.m. on the Placing Long Stop Date, terminate the Placing Agreement without liability to the other parties and, subject to clauses in the Placing Agreement which survives termination, the Placing Agreement shall thereupon cease to have effect and none of the parties to the Placing Agreement shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:

- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material breach of any of the representations and warranties by the Company comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the date of completion of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (d) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances; or
- (e) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

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

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

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

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

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions:

- (1) the passing of the necessary resolutions by the Shareholders (or as the case may be, the Independent Shareholders) at the EGM approving, among other things, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Posting Date of a certificate authorising registration of the Prospectus with the Registrar of Companies in Hong Kong;
- (2) the delivery to the Stock Exchange and the filing and registration with the Registrar in Hong Kong respectively one duly certified copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having being approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Posting Date;
- (3) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders (and where applicable, the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purposes only) and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Posting Date;
- (4) the grant of listing of the Rights Shares by the Stock Exchange (either unconditionally or subject only to the allotment and despatch of the share certificates in respect thereof) and the grant of permission to deal in the nil-paid Rights and the Rights Shares by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked);
- (5) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (6) all other necessary waivers, consents and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue, the Placing Agreement and the transactions contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent can be waived. If any of the conditions referred to above are not fulfilled at or before 6:00 p.m. on Wednesday, 11 February 2026 (or such later date as the Company may determine), the Rights Issue will not proceed.

As at the Latest Practicable Date, condition (i) above has been fulfilled.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

REASONS FOR THE RIGHTS ISSUE AND THE INTENDED USE OF PROCEEDS

The Directors believe that the Rights Issue will raise the Group's corporate profile and enhance its capital base, enabling it to expand the scale and scope of its operations further.

The net proceeds of the Rights Issue (the "**Net Proceeds**") to be received by the Company after deducting all estimated expenses payable by the Group and assuming full acceptance of the Rights Issue and no new Shares will be allotted or issued on or before the Record Date are estimated to be up to approximately HK\$119.3 million. The Directors plan to use such proceeds as follows:

- (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 (as defined below) and Building Intelligence Business (as defined below); 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.

In the event that there is an undersubscription of the Rights Issue, and the Unsubscribed Rights Shares are not fully placed, the net proceeds of the Rights Issue will be utilised in proportion to the above uses. Based on the existing business plan, the above-planned proceeds are expected to be fully utilised by the Group within twelve months following the Completion.

Expansion of the Control System Business and the Building Intelligence Business

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

Following the release of the Group's annual financial results for the year ended 31 March 2025, the Directors have identified a significant decline in revenue across the Building Intelligence Business and the Control System Business. Specifically, revenue from the Building Intelligence Business decreased from approximately HK\$24.3 million for the year ended 31 March 2024 to approximately HK\$1.6 million for the year ended 31 March 2025. Meanwhile, revenue from the Control System Business declined from approximately HK\$38.0 million to approximately HK\$29.5 million over the same period.

Upon thorough analysis, the Directors recognised that the primary reason for the revenue decline was the reduced demand for building intelligence operations (the “**B-IO**”) systems. The real estate sector in China, which is a significant driver of B-IO system 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 limits, which have negatively impacted developers’ finances, caused 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 B-IO systems in China.

Additionally, the Directors noted that the Group’s focus on providing services and products primarily in China has made it particularly vulnerable to recent unfavorable macroeconomic changes in that market. To address these challenges, the Board 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 and 31 July 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 China 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 China 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 its development strategy, the Group plans to take an initial step by relocating production from China to an alternative location, such as Australia. Currently, the Group operates production facilities in China to support its operations. The Group sources all components from Chinese suppliers and utilises its design, assembly, and testing expertise in Australia. Finally, production occurs in China, and the final products are labeled as “Made in China” and primarily marketed in China.

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, all of which have adversely affected several of the Company’s competitive advantages. To address these challenges, the Company 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 Chinese 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 China. 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.

The Board 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. Moreover, after discussions, the Group executed memorandum of understanding with its existing Chinese supplier where such supplier has indicated its willingness to continue supplying essential components to support the Group’s operations.

Furthermore, 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. As a result, the Board is confident that the proposed plan can be executed as intended, provided that the necessary funding is secured.

According to the plan outlined above, the Company intends to allocate approximately HK\$89.3 million from the Net Proceeds for the development and expansion of its Building Intelligence Business. The planned allocation of these funds is detailed as follows:

- (i) 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;
- (ii) 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
- (iii) 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 organising offline events, such as product launches, to further promote the Group’s offerings and engage with the target audience.

According to the business plan, 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.

General working capital and general corporate purposes

In preparation for the expected growth in the Company's business activities, the Directors have acknowledged the likelihood of a significant rise in operating expenses to facilitate this expansion. Consequently, after referencing the financial information of the Group for the year ended 31 March 2025, including the administrative and other operating expenses, and the cash resources, the Directors have determined to allocate HK\$30.0 million from the Net Proceeds specifically to address these operating expenses. This budget is anticipated to cover approximately HK\$17.0 million for employee salaries and related costs, approximately HK\$6.0 million for legal and professional fees, HK\$2.0 million for rental payment, and approximately HK\$5.0 million for other administrative costs.

Other fund-raising alternatives

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders, and placings will dilute the interests of the Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Considering the abovementioned alternatives, the Directors consider raising funds through a Rights Issue more attractive in the current market conditions. The Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position while allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

As at the Latest Practicable Date, save as disclosed in this Prospectus, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Rights Issue.

Furthermore, as at the Latest Practicable Date, the Company has no intention, understanding, negotiation, or arrangement to downsize, discontinue, or divest any part of its existing business.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholder(s), if any, should note that their shareholdings will be diluted.

Conclusion

If the proceeds raised by the Rights Issue is less than the aforesaid estimated net proceeds of approximately HK\$119.3 million, the Company will allocate the use of proceeds proportionately and will further evaluate options including, amongst others, reducing the proposed investment amount or exploring other financing, and/or fund-raising alternatives. The Group is focused on improving its profitability.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date:

Date of relevant announcements	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
5 November 2024, 19 November 2024 and 29 November 2024	Subscription of new shares under general mandate	HK\$20.7 million	Procurement of inventory for the smartphone distribution business and the Group's administrative working capital.	Fully utilised as intended

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the Company's shareholding structure arising from the Rights Issue, which are for illustrative purposes only. Below is the illustration of the Company's shareholding structure, including

- (i) as of the Latest Practicable Date;
- (ii) immediately after Completion, assuming (a) all Qualifying Shareholders will take up their respective entitlements of the Rights Issue in full; and (b) there is no change to the total issued share capital of the Company on or before the Record Date (“**Scenario 1**”); and
- (iii) immediately after Completion, assuming (a) none of the Qualifying Shareholders will take up their respective entitlements of the Rights Shares; (b) the Placing Agent will successfully place all the Unsubscribed Rights Shares under the Placing, and (c) there is no change to the total issued share capital of the Company on or before the Record Date (“**Scenario 2**”).

Shareholders	As of the date of Latest Practicable Date		Scenario 1		Scenario 2 (Note 3)	
	Approximately		Approximately		Approximately	
	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding Percentage
Infinity Holding Resources Limited (Note 1)	74,176,000	16.53%	222,528,000	16.53%	74,176,000	5.51%
Mr. Han Weining and his associated companies – Excel Time Investments Limited (“ Excel Time ”) (Note 2)	43,414,331	9.68%	130,242,993	9.68%	43,414,331	3.22%
– Hong Kong Able Trillion Enterprise Limited (“ Able Trillion ”) (Note 2)	11,800,000	2.63%	35,400,000	2.63%	11,800,000	0.88%
– Mr. Han Weining	1,632,000	0.36%	4,896,000	0.36%	1,632,000	0.12%
Sub-total	56,846,331	12.67%	170,538,993	12.67%	56,846,331	4.22%
Public Shareholders						
Mr. Lam Siu Sun	34,409,280	7.67%	103,227,840	7.67%	34,409,280	2.56%
The Placees	–	–	–	–	897,482,880	66.67%
Public Shareholders	283,309,829	63.13%	849,929,487	63.13%	283,309,829	21.04%
Total	448,741,440	100.00%	1,346,224,320	100.00%	1,346,224,320	100.00%

Notes:

1. Infinity Holding Resources Limited is a company wholly-owned by Mr. Nan Yu.
2. Both Excel Time and Able Trillion are companies wholly and beneficially owned by Mr. Han Weining, the executive Director. By virtue of the Securities and Futures Ordinance, Mr. Han Weining is deemed to be interested in 43,414,331 Shares and 11,800,000 Shares held by Excel Time and Able Trillion, respectively.
3. This scenario is for illustrative purposes only. The Company has entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best-effort basis, to subscribe for the Unsubscribed Rights Shares.

The Company will take all appropriate steps to ensure that sufficient public float is maintained in compliance with Rule 8.08 of the Listing Rules. In the event that the Rights Issue would result in public float not being maintained, the Company and/or the Placing Agent will take necessary action to place down the Shares such that sufficient public float could be maintained in compliance with Rule 8.08 of the Listing Rules.

2. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Prospectus.

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

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this letter.

Shareholders and potential investors of the Company should note that if the conditions of the Rights Issue are not satisfied, the Rights Issue will not proceed. Any dealings in the Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares and/or Rights Shares in nil-paid form are recommended to consult their professional advisers.

By Order of the Board
Synertone Communication Corporation



Han Weining
Executive Director