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If you have sold or transferred all your shares of CA Cultural Technology Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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KYOSEI-BANK CO., LTD.
(Incorporated in Japan with limited liability)



華夏文化科技集團
CA CULTURAL TECHNOLOGY GROUP
CA CULTURAL TECHNOLOGY GROUP LIMITED
華夏文化科技集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 01566)

- (1) ENTERING OF THE TERM SHEET AND THE SUBSCRIPTION AGREEMENTS;
- (2) CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE;
- (3) DEBT RESTRUCTURING;
- (4) ISSUE OF NEW SHARES;
- (5) ISSUE OF CONVERTIBLE BONDS;
- (6) APPLICATION FOR WHITEWASH WAIVER;
- (7) SCHEME'S SPECIAL DEALS;
- (8) SPECIAL DEAL IN RELATION TO DEED OF SETTLEMENT; AND
- (9) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

VEDA | CAPITAL
智 略 資 本

Independent Financial Adviser to the Independent Board Committee

 **軟庫中華 SBI China**

Capitalized term used in this cover shall have the same meanings as those defined in this circular unless the context otherwise requires.

A notice convening the EGM of the Company to be held at 10:00 a.m. on Monday, 18 May 2026 at Room 2905, 29th Floor, China Resources Building, No. 26 Harbour Road, Wan Chai, Hong Kong and a form of proxy are despatched together with this circular. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event no later than 10:00 a.m. on Saturday, 16 May 2026, or not less than 48 hours before the time appointed for holding of any adjourned meeting. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed revoked.

27 April 2026

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EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Capital Reorganisation and Change in Board Lot Size. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Capital Reorganisation and is therefore for indicative purpose only. Any change to the expected timetable will be announced by the Company as and when appropriate. All times and dates in this circular refer to the Hong Kong local times and dates.

Event	Time and Date
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2026

Despatch date of this circular with notice of the EGM with form of proxy	Monday, 27 April
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Latest time for lodging share transfer in order to qualify for attending and voting at the EGM.	4:30 p.m. on Monday, 11 May
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Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive)	Tuesday, 12 May – Monday, 18 May
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Latest time for lodging forms of proxy for the EGM (not less than 48 hours prior to time of the EGM)	10:00 a.m. on Saturday, 16 May
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Record date for attendance and voting at the EGM	Monday, 18 May
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Date and time of the EGM	10:00 a.m. on Monday, 18 May
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Announcement of voting results of the EGM	Monday, 18 May
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The following events are conditional on the results of the EGM and registration of the Capital Reorganisation by the Cayman Companies Registrar and therefore the dates are tentative:

Time and Date

2026

Effective date of the Capital Reorganisation	Monday, 8 June
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EXPECTED TIMETABLE

Commencement of dealings in the New Shares.	9:00 a.m. on Monday, 8 June
First day of free exchange of existing share certificates for new share certificates for the New Shares	Monday, 8 June
Original counter for trading in the Existing Shares in board lots of 1,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 8 June
Temporary counter for trading in the New Shares in board lots of 100 New Shares (in the form of existing share certificates) opens.	9:00 a.m. on Monday, 8 June
Original counter for trading in the New Shares in board lots of 8,000 New Shares (in the form of new share certificates for the New Shares) re-opens	9:00 a.m. on Tuesday, 23 June
Parallel trading in the New Shares (in the form of new share certificates for the New Shares and existing share certificates) commences	9:00 a.m. on Tuesday, 23 June
Designated broker starts to stand in the market to provide matching services for odd lots of the New Shares.	9:00 a.m. on Tuesday, 23 June
Designated broker ceases to stand in the market to provide matching services for odd lots of the New Shares.	4:00 p.m. on Tuesday, 14 July
Temporary counter for trading in the New Shares in board lots of 100 New Shares (in the form of existing share certificates) closes	4:10 p.m. on Tuesday, 14 July

EXPECTED TIMETABLE

Parallel trading in the New Shares (in the form of new share certificates for the New Shares and existing share certificates) ends 4:10 p.m. on Tuesday, 14 July

Last day for free exchange of existing certificates of the Shares for new certificates for the New Shares 4:30 p.m. on Thursday, 16 July

Based on the above, it is expected that the Creditors' Scheme will become effective around late July 2026. Therefore, it is estimated that the Company will be able to identify whether there are any connected transactions involved in respect of the issuance of the Scheme Shares to the Creditors by mid October 2026. In view of the above, the following events are illustrated on the assumption that the Company has identified certain connected transactions involved in respect of the issuance of the Scheme Shares to the Creditors for indicative purpose only, and therefore, may or may not materialise:

**Date
2026**

Publication of announcements and supplemental circular in relation to the connected transactions involved in respect of the issuance of the Scheme Shares to the Creditors mid-November

General meeting to seek for independent Shareholders' approval in relation to the connected transactions involved in respect of the issuance of the Scheme Shares to the Creditors early December

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“2022/23 Bonds”	the bonds issued by the Company during the period from 31 March 2022 and up to 30 April 2023 to settle for its outstanding debts and the service fees payable for the services as mentioned under the section headed “Issuing of the 2022/23 Bonds” in this circular with an aggregated principal amount of approximately HK\$319.0 million with maturity periods of 1 to 2 years
“2022/23 Bonds Holders”	the parties whom the Company issued the 2022/23 Bonds to, being the Investor, Zhao Dan, Zing, SZ Tianquan, Bun Tsubomi and Precedent Japan
“Accounts Receivable Committee”	the accounts receivable collection committee, comprising two independent non-executive Directors and one lawyer from a PRC law firm, set up by the Company in December 2022 to monitor the status of, and provide advices on the collection of, the receivables of the Group
“ACCP Global”	ACCP Global Limited, beneficially owned by Lau Wang Chi, Barry, is the subscriber of the ACCP Subscription and is currently involved in a lawsuit with the Company in relation to its failure of payment of the consideration for the ACCP Subscription details of which are mentioned under the sub-section headed “Litigation” in Appendix III of this circular
“ACCP Subscription”	the subscription of 86,000,000 Shares at the subscription price of HK\$2.50 per Share that eventually got cancelled as ACCP Global, being the subscriber, did not make the subscription consideration to the Company in accordance to the terms of the ACCP Subscription Agreement, details of the ACCP Subscription were set out in the Company’s announcement dated 1 September 2021

DEFINITIONS

“ACCP Subscription Agreement”	the share subscription agreement dated 1 September 2021 entered into between the Company as the issuer and ACCP Global as the subscriber in relation to the ACCP Subscription
“Admitted Claims”	all Claims of the Creditors against the Company which would be admissible to prove in a winding up of the Company if an order for the winding up of the Company were made on the Effective Date and which have been admitted by the Scheme Administrators in accordance with the terms of the Creditors’ Scheme
“Arto Design”	Arto Design Construction Limited* (雅圖設計工程有限公司), one of the Park Constructors, and a purchaser of the Group’s intangible assets, a company principally engaged in renovation engineering, games development and multimedia
“Assigned Debt”	the debt/settlement due from the Company to Mr. Lam in the amount of approximately HK\$37.79 million as at 30 April 2024 as a result of the Assignment
“Assigned Shares”	the 20,000,000 Shares assigned to Mr. Lam as a result of the Assignment
“Assignment”	Maxx Capital having assigned the Assigned Debt and the Assigned Shares to Mr. Lam according to a transfer agreement entered into between Maxx Capital and Mr. Lam on 9 February 2024
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds

DEFINITIONS

“Bun Tsubomi”	Bun Tsubomi Co. Ltd 文蓄株式會社, one of the Service Providers in relation to the 2022/23 Bonds appointed by the Group to provide applications and websites development services for the development of the New Projects as mentioned in the sub-section headed “Issuing of the 2022/23 Bonds” in this circular
“Business Day(s)”	a day on which commercial banks are open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.)
“BVL”	Big Vantage Limited, a company principally engaged in commercial and cultural entertainment real estate development
“Capital Reduction”	the proposed reduction of the par value of the Consolidated Shares from HK\$1.00 each to HK\$0.01 each by the reduction of HK\$0.99, giving rise to a credit balance of approximately HK\$117,022,158 to set off part of the consolidated accumulated loss of the Company
“Capital Reorganisation”	the capital reorganisation of the Company which comprises the Share Consolidation, the Increase in Authorised Share Capital and the Capital Reduction
“Cash Consideration”	an amount allocated from the net proceeds from the Subscriptions (after deducting costs and expenses in connection with or incidental to the Proposed Restructuring) of not less than HK\$160,000,000
“Cayman Court”	the Grand Court of the Cayman Islands
“CB Conversion Price”	the initial conversion price of the Convertible Bonds, being HK\$0.1772 per Conversion Share (subject to adjustments pursuant to the terms of the instrument of the Convertible Bonds)

DEFINITIONS

“CB Conversion Share(s)”	New Share(s) to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“CB Maturity Date”	the date falling on the 3rd anniversary of the date of issue of the Convertible Bonds; and if that is not a Business Day, the Business Day immediately after such date
“CB Subscription”	the subscription of the Convertible Bonds by the Investor pursuant to the terms of the Term Sheet and the CB Subscription Agreement
“CB Subscription Agreement”	the subscription agreement dated 26 January 2023 (as supplemented by the Supplemental CB Subscription Agreements) entered into between the Company and the Investor in relation to the CB Subscription
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the change in board lot size for trading in the Shares from 1,000 Existing Shares to 8,000 New Shares after and conditional upon the Capital Reorganisation having become effective
“Claim”	any debt, liability or obligation of the Company as at the Effective Date, whether known or unknown, whether present or future, whether certain or contingent, whether liquidated or unliquidated and which includes without limitation a debt or liability to pay money or money’s worth, any liability under any statute or enactment, any liability for breach of trust, any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution which would be admissible to proof in a compulsory winding-up of the Company under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) or, if required, the Companies Act, and any liability arising out of any legal claims, whether certain or contingent, against various third parties who have been identified

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
“Company”	CA Cultural Technology Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1566)
“Completion”	completion of the Proposed Restructuring
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consolidated Share(s)”	consolidated Share(s) of a par value of HK\$1.00 each of the Company upon the Share Consolidation having become effective
“Construction Services”	the construction and renovation related services to be performed by the Park Constructors on behalf of the Group to establish new theme parks for the Group, the details of which are referred in the sub-section headed “1. The Theme-Park Business” in this circular
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Convertible Bonds”	the unsecured convertible bonds in the principal amount of approximately HK\$160.94 million to be issued by the Company to the Investor pursuant to the Term Sheet and the CB Subscription Agreement
“Covid-19”	outbreak of the COVID-19 pandemic
“Creditor(s)”	the creditors of the Company as set out in the Scheme Document, who has a Claim as at 31 March 2023 based on the Company’s record that has been deemed eligible by the Company and the Scheme Administrator and is not a preferential claim (and where the Claim is only in part a preferential claim, then the person is a Creditor only to the extent of the non-preferential portion of the Claim)

DEFINITIONS

“Creditors’ Scheme”	the scheme of arrangement to be entered into between the Company and the Creditor(s) pursuant to Sections 670, 671, 673 and 674 of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) together with or subject to, any modification, addition or conditions approved or imposed by the High Court for the Creditors’ Scheme of Hong Kong
“Debt Restructuring”	debt restructuring of the Company by way of the Creditors’ Scheme
“Deed of Settlement”	the deed of settlement dated 9 September 2024 entered into between the Company and Mr. Lam to settle the Assigned Debt, details of which were set out in the Settlement Announcement
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Creditors’ Scheme become effective being the latest of (i) the date of delivery of an office copy of the order of the High Court sanctioning the Creditors’ Scheme to the Registrar of Companies in Hong Kong for registration; (ii) the date of the completion of the transfer of the Cash Consideration to the SchemeCo; and (iii) the date of the completion of the transfer of the Scheme Shares to the SchemeCo
“EGM”	an extraordinary general meeting of the Company to be convened and held at 10:00 a.m. on Monday, 18 May 2026 at Room 2905, 29 th Floor, China Resources Building, No. 26 Harbour Road, Wan Chai, Hong Kong for the purposes of, among other things, considering and, if thought fit, approving, among others, the Capital Reorganisation, the Creditors’ Scheme, the Subscriptions, the Whitewash Waiver and the Special Deals

DEFINITIONS

“Escrowed Consideration”	the funds in the amount of JPY3,520,000,000 (which is equivalent to approximately HK\$211.2 million as at the date of the Subscription Agreements based on an exchange rate of JPY 1 = HK\$0.060) deposited by the Investor in a bank account which is currently being held in escrow for the purpose of settling the consideration of the Subscriptions
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Existing Share(s)”	Share(s) of a par value of HK\$0.10 each in the share capital of the Company before the Capital Reorganisation becoming effective
“Green Metro”	Green Metro Holdings Limited* (翠都控股有限公司), one of the Park Constructors, a company principally engaged in renovation engineering
“Group”	the Company and its subsidiaries
“GZCA”	Guangzhou Bideli New Energy Co., Ltd* (廣州彼德力新能源科技) (formerly known as Guangzhou Chuan'an Electrical and Mechanical Co., Ltd* (廣州市傳安電氣機械有限責任公司), beneficially owned as to 75% by Xie Keli* (謝克立), 15% by Yang Qu* (楊渠) and 10% by Huang Guowen* (黃國文) (previously owned as to 50% by Huang Guowen* (黃國文) and 50% by Liang Yingtao* (梁應滔), at the time when it entered into an investment agreement) together with GZLC with the Group in 2015 to set up and operate in a company engages in the VR Industry

DEFINITIONS

“GZLC”	Guangzhou Lechuang Electronic Technology Co., Ltd.* (廣州市樂創電子科技有限公司), beneficially owned as to 50% by Feng Jinxuan* (馮錦旋) and 50% by Liang Jinqiang* (梁錦強) (previously owned as to 50% by Feng Jinxuan* (馮錦旋) and 50% by Liang Yingtao* (梁應滔), at the time when it entered into an investment agreement) together with GZCA with the Group in 2015 to set up and operate in a company engages in the VR Industry
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“High Court”	The High Court of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hua Teng Chang”	Hui Zhou Hua Teng Chang Toy Co., Ltd.* (惠州市華騰昌玩具有限公司), a company principally engaged in designing, producing, developing and sales of derivatives production in the PRC
“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$500,000,000 divided into 5,000,000,000 Existing Shares of par value HK\$0.1 each to HK\$10,000,000,000 divided into 1,000,000,000,000 New Shares of par value HK\$0.01 each
“Independent Board Committee”	an independent committee of the Board formed in compliance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders in relation to the Proposed Restructuring, the Whitewash Waiver, the Scheme’s Special Deals and Mr. Lam’s Special Deal, comprising all the independent non-executive Directors who has no direct or indirect interest in the Proposed Restructuring, the Whitewash Waiver and the Special Deals

DEFINITIONS

“Independent Financial Adviser”	SBI China Capital Hong Kong Securities Limited, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) is the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Restructuring, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than (a) the Investor, its ultimate beneficial owners and any parties acting in concert with them and their associates; (b) those who are interested in or involved in the Proposed Restructuring, Whitewash Waiver, the Special Deals and transactions contemplated thereunder; and (c) those who will abstain from voting on the resolutions to approve the Proposed Restructuring, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder at the EGM
“Independent Third Party(ies)”	a third party independent of and not connected with the Company and/or its subsidiaries and their respective connected persons
“Investor”	Kyosei-Bank Co., Ltd., a company incorporated under the laws of Japan
“Investor Bond A”	a bond issued by the Company to the Investor in the principal amount of HK\$20 million on 1 November 2022 with a coupon rate of 11.48% and a maturity date on 31 December 2024 that was used by the Group on expenses related to the Proposed Restructuring; and pursuant to the Investor Bond Confirmation Deed, the maturity date of this bond falls on a date to be agreed by the Investor and the Company, which has not been agreed upon as the Latest Practicable Date

DEFINITIONS

“Investor Bond B”	a bond issued by the Company to the Investor in the principal amount of HK\$5 million on 8 December 2022 with a coupon rate of 10.00% and a maturity date on 31 December 2024 to be used as deposit for the CB Subscription; and pursuant to the Investor Bond Confirmation Deed, the maturity date of this bond falls on a date to be agreed by the Investor and the Company, which has not been agreed upon as the Latest Practicable Date
“Investor Bond Confirmation Deed”	a confirmation deed dated 6 August 2023 entered into between the Investor and the Company to amend the respective maturity date of the Investor Bond A and the Investor Bond B
“Investor Bonds”	the Investor Bond A and the Investor Bond B, with a total principal amount of HK\$25 million and when the Company may proceed with the transactions under the Proposed Restructuring, instead of repaying the Investor, the HK\$25 million will be utilized as the consideration for the Subscriptions
“Investor Loan”	a loan provided by the Investor to the Group in the amount of HK\$25 million on 22 February 2023 as sourced from the Escrowed Consideration and shall be due when the Proposed Restructuring is completed and offset with the Subscription Consideration or due one year after the Proposed Restructuring is for whatsoever reasons terminated
“IPs”	abbreviation for intellectual properties
“Jinfeng”	Huizhou Jinfeng Construction Engineering Co., Ltd.* (惠州金豐建築工程有限公司), one of the Park Constructors, a company principally engaged in construction and decoration engineering

DEFINITIONS

“Joint Announcement”	the announcement dated 15 March 2023 jointly issued by the Company and the Investor in relation to, among other things, the Proposed Restructuring, the Special Deals and the Whitewash Waiver
“Joypolis”	CA Sega Joypolis, the brand name for the large-sized indoor amusement theme parks of the Group
“Last Trading Day”	12 December 2022, being the last day on which the Shares were traded on the Stock Exchange prior to the Joint Announcement
“Latest Practicable Date”	24 April 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Lechuang Group”	collectively, GZLC, GZCA and LCHK (as defined under the sub-section headed “D. Other developments of the Group in relation to the VR and Games Investment since 2015” in this circular
“Legal Proceedings”	ongoing claims and legal proceedings between the Company and Maxx Capital, details of which are set out in the Settlement Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2026 or such later date as the Parties may from time to time agree in writing
“Maxx Capital”	Maxx Capital Finance Limited, a company incorporated under the laws of Hong Kong and previously a Shareholder prior to the Assignment

DEFINITIONS

“Meijiating”	Shenzhen Meijiating Decoration Co, Ltd.* (深圳市美佳庭裝飾有限公司), one of the Park Constructors, a company principally engaged in research and development of renovation engineering technology, design of renovation engineering, domestic trade, import and export of goods and technologies
“MEL”	Merit Energy Limited, a company principally engaged in commercial real estate development
“Mr. Kenichi”	Mr. Kenichi Yanase, the sole shareholder and the ultimate beneficial owner of the Investor
“Mr. Lam”	Mr. Lam Siu Leung, who became a creditor of the Company after the Creditors’ Scheme having been sanctioned as a result of the Assignment, is the ultimate beneficial owner of the Assigned Debt and the Assigned Shares
“Mr. Lam’s Settlement Sum”	the amount equivalent to the Assigned Debt multiplied by the rate of recovery to the Creditors
“Mr. Lam’s Special Deal”	the proposed settlement under the Deed of Settlement between the Company and Mr. Lam, which will constitute a special deal under Note 5 to Rule 25 of the Takeovers Code
“New Projects”	collectively, the seven new projects being developed by the Group, the details of these projects (Project 1 to Project 7) are set out in the sub-section headed “Issuing of the 2022/23 Bonds” in this circular
“New Share(s)”	Share(s) of a par value of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation having become effective

DEFINITIONS

“Other Lender(s)”	the lenders to the Group and a Creditor under the Creditors’ Scheme comprising (i) China Sun Group Holdings; (ii) Ms. Chow Wai Man Grace; (iii) Wong Yu Man James and Wong Lau Chui Chui Priscilla; (iv) Starluxe Mortgage Limited, whose respective Claims have been included in the Creditors’ Scheme as referred in, among others, the sub-section headed “4.2 Background of the Creditors” in this circular
“Park Constructor(s)”	the constructors/contractors engaged by the Group to perform Construction Services for its theme parks comprising (i) Arto Design; (ii) Green Metro; (iii) Jinfeng; (iv) Meijiating; (v) Toyo; and (vi) Wealth Gather as referred in, among others, the section headed under “6.1 How the Group’s Businesses were affected at the material time” in this circular
“Parties”	the parties to the Term Sheet and the Subscription Agreements, being the Company and the Investor
“PPE”	the properties, plant and equipment of the Group
“PPSP Services”	the provision of pre-project start package services
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Precedent Japan”	Precedent Japan 株式會社, one of the Service Providers in relation to the 2022/23 Bonds appointed by the Group to provide various IT-related services for the development of the New Projects as mentioned in the sub-section headed “Issuing of the 2022/23 Bonds” in this circular

DEFINITIONS

“Proposed Restructuring”	the proposed restructuring transactions referred under the Term Sheet and the Subscription Agreements, comprising of the Capital Reorganisation, the Change in Board Lot Size, the Debt Restructuring by way of the Creditors’ Scheme and the Subscriptions
“Red Perfect”	Red Perfect International Limited* (彤富國際有限公司), a purchaser of the Group’s intangible assets, a company principally engaged in games development and multimedia entertainment business in Japan and the PRC
“Relevant Documents”	the two documents entered into between the Company and Maxx Capital, being (i) the deed of guarantee and indemnity dated 9 September 2024 and (ii) the deed of settlement dated 31 May 2022, the details of which are set out in the Settlement Announcement
“Relevant Period”	the period from 31 July 2022, being the date six months before the date of the the first announcement of possible Whitewash Waiver (i.e. 31 January 2023), up to and including the Latest Practicable Date
“Scheme Administrators”	the administrators of the Creditors’ Scheme
“Scheme Assets”	the assets (comprising the Cash Consideration, the Scheme Shares and the Scheme Receivables) to be transferred to the SchemeCo from time to time for the benefits of the Scheme Creditors
“Scheme Costs”	costs, charges, expenses and disbursements properly incurred after the Effective Date in connection with the administration and implementation of the Creditors’ Scheme including the fees and remuneration of the Scheme Administrators and the adjudicator estimated to be around HK\$3.5 million to HK\$5.0 million
“Scheme Creditors”	all Creditors with Admitted Claims

DEFINITIONS

“Scheme Document”	the scheme document setting out the Creditors’ Scheme issued by the Company to the Creditors dated 6 June 2023 and despatched to the Creditors
“Scheme Receivables”	the three account receivables due and owing from debtors to the Company and/or to the related parties assigned by the Company to the Creditors’ Scheme as one of the Scheme Assets, details of which are set out under the sub-section headed “Details and breakdown of the Scheme Receivables” with a total full recovery amount of approximately HK\$227,858,600
“Scheme Share(s)”	the 59,000,000 New Shares to be allotted and issued to the SchemeCo upon Completion as part of the Scheme Assets and for the benefits of the Scheme Creditors having considered the net liabilities position of the Company
“Scheme’s Special Deals”	the proposed settlement of the indebtedness due to each of the Creditors who are also Shareholders under the Creditors’ Scheme, namely, China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui and Mr. Ho Chi Ping, which will constitute special deals under Note 5 to Rule 25 of the Takeovers Code
“SchemeCo”	a special purpose vehicle to be established in Hong Kong and entirely held and controlled by the scheme administrators to hold the Scheme Assets
“Service Provider(s)”	the service providers engaged by the Group to perform services on the development of the New Projects comprising (i) Zing; (ii) SZ Tianquan; (iii) Bun Tsubomi; and (iv) Precedent Japan, as referred in the section headed “6.2 Material expenses of the Group devoted to expand its businesses” in the Letter from the Board
“Settlement Announcement”	the announcement dated 9 September 2024 issued by the Company in relation to, among other things, the entering into of the Deed of Settlement with Mr. Lam

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of the Company from time to time
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share Consolidation”	the proposed consolidation of every 10 issued Existing Shares of par value of HK\$0.10 each into one (1) issued Consolidated Share of par value of HK\$1.00
“Share Option Scheme”	the Company’s share option scheme adopted pursuant to a resolution passed on 16 February 2015
“Share Subscription”	the subscription of the Subscription Shares by the Investor pursuant to the terms of the Term Sheet and the Share Subscription Agreement
“Share Subscription Agreement”	the subscription agreement dated 26 January 2023 (as supplemented by the Supplemental Share Subscription Agreements) entered into between the Company and the Investor in relation to the Share Subscription
“Share Subscription Price”	the price of HK\$0.1772 per Subscription Share
“Special Deals”	collectively, the Scheme’s Special Deals and Mr. Lam’s Special Deal
“Specific Mandate”	the specific mandate to the Directors to be obtained from the Independent Shareholders at the EGM for the allotment and issue of the Scheme Shares, the Subscription Shares and the CB Conversion Shares
“State Shine”	State Shine (HK) Limited* (邦晴(香港)有限公司), a purchaser of the Group’s intangible assets, a company principally engaged in games development and multimedia entertainment business in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Agreements”	formal agreements which have been entered into by the Parties as extensions of the Term Sheet, including, the Share Subscription Agreement (as supplemented by the Supplemental Share Subscription Agreements) and the CB Subscription Agreement (as supplemented by the Supplemental CB Subscription Agreements)
“Subscription Consideration”	the consideration payable by the Investor to the Company for the Share Subscription in the sum of approximately HK\$94.06 million
“Subscription Share(s)”	the 530,800,000 New Shares to be subscribed by the Investor under the Share Subscription
“Subscriptions”	collectively, the Share Subscription and the CB Subscription
“Subsidiary Creditors”	China Theme Park Limited, Animate China Technology Limited, Grand Peaceful Global Limited and China Animation IP Limited, all being wholly-owned subsidiaries of the Company which are also the Creditors
“Supplemental CB Subscription Agreements”	the supplemental agreements entered into by the Parties on 21 February 2024, 16 January 2025, 31 August 2025, 31 December 2025, 3 February 2026 and 13 April 2026 to extend the Long Stop Date set out in the CB Subscription Agreement
“Supplemental Share Subscription Agreements”	the supplemental agreements entered into by the Parties on 21 February 2024, 16 January 2025, 31 August 2025, 31 December 2025, 3 February 2026 and 13 April 2026 to extend the Long Stop Date set out in the Share Subscription Agreement

DEFINITIONS

“SZ Tianquan”	Tianquan Air Water Intelligent Technology Co., Ltd. (深圳市天泉空氣水智能科技股份有限公司), one of the Service Providers in relation to the 2022/23 Bonds appointed by the Group to provide smart-water machines and data collection services for the development of the New Projects as mentioned in the sub-section headed “Issuing of the 2022/23 Bonds” in this circular
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Term Sheet”	the legally binding term sheet dated 12 December 2022 entered into between the Parties in relation to the Proposed Restructuring
“Toyo”	Hong Kong Toyo Alumi Company Limited* (香港東洋鋁業有限公司), one of the Park Constructors, a company principally engaged in decorating engineering and management
“Unadmitted Claims”	Claims which have not been admitted or rejected by the Scheme Administrators
“US\$”	United States dollar, the lawful currency of the United States of America
“VR”	abbreviation for virtual reality
“VR Industry”	the VR industry in the PRC
“Wealth Gather”	Wealth Gather Enterprise Limited* (集豐企業有限公司), one of the Park Constructors, and a purchaser of the Group’s PPE a company principally engaged in renovation engineering, theme parks equipment manufacturing and consultancy for theme park business

DEFINITIONS

“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Investor to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Investor and any parties acting in concert with it which would otherwise arise as a result of the completion of the Share Subscription
“Wonder Forest”	CA Sega Wonder Forest, referring to small-sized children amusement theme park of the Group
“Zing”	ZING Co, LTD., one of the service providers in relation to the 2022/23 Bonds appointed by the Group to provide various IT-related and visual enhancement services for the development of the New Projects as mentioned in the sub-section headed “Issuing of the 2022/23 Bonds” in this circular
“%”	per cent

** for identification purpose only*

LETTER FROM THE BOARD



華夏文化科技集團
CA CULTURAL TECHNOLOGY GROUP

CA CULTURAL TECHNOLOGY GROUP LIMITED

華夏文化科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01566)

Executive Directors:

Mr. CHONG Heung Chung Jason
(Chairman and Chief Executive Officer)
Ms. LIU Moxiang

Independent Non-executive Directors:

Mr. Ni Zhenliang
Mr. Wang Guozhen
Mr. Hung Muk Ming

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head office and principal place of business:

2905, 29/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

27 April 2026

To the Shareholders

Dear Sir or Madam,

- (1) ENTERING OF THE TERM SHEET AND
THE SUBSCRIPTION AGREEMENTS;**
- (2) CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE;**
- (3) DEBT RESTRUCTURING;**
- (4) ISSUE OF NEW SHARES;**
- (5) ISSUE OF CONVERTIBLE BONDS;**
- (6) APPLICATION FOR WHITEWASH WAIVER;**
- (7) SCHEME'S SPECIAL DEALS;**
- (8) SPECIAL DEAL IN RELATION TO DEED OF SETTLEMENT; AND**
- (9) NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the Joint Announcement and the Settlement Announcement.

The purpose of this circular is to provide you with, among other things, (i) the Capital Reorganisation; (ii) the Change in Board Lot Size; (iii) the transactions under the Proposed Restructuring and the Specific Mandate; (iv) application for the Whitewash Waiver; (v) the Special Deals; (vi) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Proposed Restructuring, the Whitewash Waiver and the Special Deals ; (vii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Proposed Restructuring, the Whitewash Waiver and the Special Deals; and (viii) a notice convening the EGM.

2. BACKGROUND

2.1 The Term Sheet for the Proposed Restructuring

On 12 December 2022 (after trading hours), the Company and the Investor have entered into the Term Sheet to set out the in-principle understanding of the Company and the Investor with regard to the Proposed Restructuring which involves the basis and proposal for the implementations of transactions to be contemplated thereunder which include, among other things, the Capital Reorganisation and Change in Board Lot Size, the Debt Restructuring by way of the Creditors' Scheme and the Subscriptions.

The Term Sheet is legally-binding, the signing of which implies that the Company and the Investor have conditionally agreed, and are obligated, to complete all the transactions contemplated thereunder, subject to the fulfilment of their respective conditions precedent. Upon signing of the Term Sheet, trading in the Shares has been halted with effect from 9:00 a.m. on 13 December 2022 at the request of the Company. Upon the issue of the Joint Announcement, trading in the Shares has been resumed with effect from 9:00 a.m. 16 March 2023.

2.2 The Capital Reorganisation and Change in Board Lot Size

As part of the Proposed Restructuring and to facilitate the transactions contemplated under the Term Sheet, the Company shall implement (i) the Capital Reorganisation which involves the Share Consolidation, the Capital Reduction and the Increase in Authorised Share Capital; and (ii) the Change in Board Lot Size.

LETTER FROM THE BOARD

2.3 The Debt Restructuring by way of the Creditors' Scheme

Pursuant to the Term Sheet, the Company shall proceed with the Debt Restructuring by way of the Creditors' Scheme and the Subscriptions. The Subscriptions will ultimately result in a change in control of the Company, and the Investor has applied for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance.

2.4 The Subscriptions

The Subscription Agreements have been entered into on 26 January 2023 and are principally the same as the Term Sheet in substance. Therefore, the Subscription Agreements are considered as extensions of the Term Sheet reflecting the terms and conditions of the transactions proposed under the Debt Restructuring.

2.5 Updates on the Creditors' Scheme

On 27 June 2023, the Creditors' Scheme was approved in the creditors' meeting by the requisite majorities of the Creditors and on 19 March 2024, such approval has become valid after the Creditors' Scheme having been sanctioned by the High Court. There is no fixed timetable for the Creditors' Scheme to become effective after the High Court's sanction. Its effectiveness is conditional solely upon the satisfaction of the conditions precedent stipulated in the Creditors' Scheme.

Set out below is the sequence of the transactions of the Proposed Restructuring upon the Creditors' Scheme having been sanctioned by the High Court:

- (i) EGM to be convened to obtain approval from the Shareholders for the Capital Reorganisation, the Debt Restructuring by way of the Creditors' Scheme, the Subscriptions and their respective transactions contemplated thereunder;
- (ii) the Capital Reorganisation having become effective;
- (iii) the Change in Board Lot Size having become effective;
- (iv) simultaneous completions of the Share Subscription and the CB Subscription;

LETTER FROM THE BOARD

- (v) completions of the transfer of the Cash Consideration and the Scheme Shares to the SchemeCo;
- (vi) the Creditors' Scheme having become effective; and
- (vii) all the debts and liabilities of the Company to the Creditors will be discharged and released in full.

Further details of the Capital Reorganisation and the Change in Board Lot Size and their respective terms and conditions are set out in the section headed "3. THE CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE" in this circular. Further details of the Debt Restructuring by way of the Creditors' Scheme and its terms and conditions are set out in the section headed "4. THE DEBT RESTRUCTURING BY WAY OF THE CREDITORS' SCHEME" in this circular. Further details of the Share Subscription and the CB Subscription and their respective terms and conditions are set out in the section headed "5. THE SUBSCRIPTIONS" in this circular.

3. THE CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

3.1 The Capital Reorganisation

The Board has proposed the Capital Reorganisation which will involve the Share Consolidation, the Capital Reduction and the Increase in Authorised Share Capital.

The Share Consolidation

Every ten (10) issued Existing Shares of par value HK\$0.10 each in the share capital of the Company will be consolidated into one (1) issued Consolidated Share of par value HK\$1.00 each.

The Capital Reduction

The share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.99 on each of the then issued new Consolidated Shares such that the par value of each issued new Consolidated Share will be reduced from HK\$1.00 to HK\$0.01.

According to the audited consolidated financial statements of the Company for the year ended 31 March 2024, the accumulated loss of the Company was approximately HK\$1,479,067,000.

LETTER FROM THE BOARD

The credit arising from the Capital Reduction in the amount of approximately HK\$117,022,158 will be fully applied to set off part of the consolidated accumulated loss of the Company.

The Increase in Authorised Share Capital

The authorised share capital of the Company will be increased from HK\$500,000,000 divided into 5,000,000,000 Existing Shares of par value HK\$0.1 each to HK\$10,000,000,000 divided into 1,000,000,000,000 New Shares of par value HK\$0.01 each.

Other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position (save for the credit arising from the Capital Reduction which will be fully applied to set off part of the consolidated accumulated loss of the Company) of the Company.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Effects of the Capital Reorganisation

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, before and after the Capital Reorganisation becoming effective (assuming no Shares are issued or repurchased from the Latest Practicable Date until the effective date of the Capital Reorganisation):

	As at the Latest Practicable Date	Capital Reorganisation having become effective
Par value per Share	HK\$0.10 per Existing Share	HK\$0.01 per New Share
Amount of authorised share capital	HK\$500,000,000	HK\$10,000,000,000
Number of authorised Shares	5,000,000,000 Existing Shares	1,000,000,000,000 New Shares

LETTER FROM THE BOARD

	As at the Latest Practicable Date	Capital Reorganisation having become effective
Number of issued Shares	1,182,042,000	118,204,200
Paid up share capital	HK\$118,204,200	HK\$1,182,042

Conditions of the Capital Reorganisation

Completion of the Capital Reorganisation is conditional upon:

- (i) the special resolutions in relation to the Capital Reorganisation having been passed by the Shareholders in the EGM;
- (ii) the Cayman Court granting an order confirming the Capital Reduction;
- (iii) compliance with any conditions which the Cayman Court may impose in relation to the Capital Reduction;
- (iv) registration by the Registrar of Companies in the Cayman Islands of the order of the Cayman Court confirming the Capital Reduction and a minute approved by the Cayman Court containing the particulars required under the Companies Act (as revised) of the Cayman Islands with respect to the Capital Reduction;
- (v) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the New Shares resulting from the Capital Reorganisation; and
- (vi) compliance with the relevant legal procedures and requirements under the laws of the Cayman Islands and the Listing Rules, and the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

The Capital Reorganisation shall be completed prior to, and for the purpose of effectuating, the Debt Restructuring and the Subscriptions. The Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

LETTER FROM THE BOARD

3.2 Change in Board Lot Size

As at the Latest Practicable Date, the Shares are traded in board lots of 1,000 Existing Shares. Conditional upon the Capital Reorganisation having become effective, the Board also proposes to change the board lot size for trading on the Stock Exchange from 1,000 Existing Shares to 8,000 New Shares.

Based on the closing price of HK\$0.09 per Existing Share (equivalent to the theoretical closing price of HK\$0.90 per New Share) as quoted on the Stock Exchange on the Last Trading Day, the value of each existing board lot of 1,000 Existing Shares is HK\$90 and the theoretical value for each new board lot of 8,000 New Shares, assuming the Capital Reorganisation has become effective, would be HK\$7,200.

Based on the closing price of HK\$0.05 per Existing Share (equivalent to the theoretical closing price of HK\$0.50 per New Share) as quoted on the Stock Exchange on the Last Trading Day, the value of each existing board lot of 1,000 Existing Shares is HK\$50 and the theoretical value for each new board lot of 8,000 New Shares, assuming the Capital Reorganisation has become effective, would be HK\$4,000.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders. The Change in Board Lot Size is not subject to Shareholders' approval at the EGM.

Exchange of Share Certificates

As the hearing dates for the Capital Reduction have yet to be fixed, the effective date of the Capital Reduction and the Increase in Authorised Share Capital is not ascertainable at present. Further announcement(s) regarding the details of such free exchange of share certificates will be announced as and when appropriate in accordance with the Listing Rules. Should the Capital Reorganisation becoming effective, Shareholders may during the specified period submit share certificates in colour of purple for Existing Shares to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the New Shares in colour of yellow. After 4:30 p.m. on Thursday, 16 July 2026, certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for Existing Shares cancelled or each new share certificate issued for New Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for New Shares at any time.

LETTER FROM THE BOARD

Shareholders should note that after the prescribed time for free exchange of new share certificates, a fee of HK\$2.50 each (or such other amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Company's Hong Kong branch share registrar for exchange of new share certificates.

Fractional shares

Fractional Consolidated Shares arising from the Share Consolidation will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefits of the Company.

Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder. Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of New Shares.

Listing and dealings

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date 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 CCASS and CCASS Operational Procedures in effect from time to time.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other. All necessary arrangements will be made for the New Shares to be admitted into CCASS.

LETTER FROM THE BOARD

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the New Shares arising from the Capital Reorganisation, the Company has appointed RaffAello Securities (HK) Limited to arrange for matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares for the period from 9:00 a.m. on Tuesday, 23 June 2026 to 4:00 p.m. on Tuesday, 14 July 2026. Holders of odd lots of the New Shares who wish to take advantage of this matching service either to dispose of their odd lots New Shares or to top up to board lots of 8,000 New Shares, may contact Mr. Elvis Lam of RaffAello Securities (HK) Limited at 1/F, E168, 166–168 Des Voeux Road Central, Hong Kong at telephone number 2545 7722 during this period.

Shareholders should note that successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot trading arrangement is recommended to consult his/her/its own professional advisors.

3.3 Reasons for the Capital Reorganisation and Change in Board Lot Size

The Directors are of the opinion that the proposed Capital Reorganisation will reduce the consolidated accumulated losses of the Company and give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future. The Increase in Authorised Share Capital will accommodate future expansion and growth of the Group and to provide the Company with greater flexibility to raise funds by allotting and issuing new Shares in the future as and when necessary. The Capital Reduction will reduce the par value of the issued Consolidated Shares from HK\$1.00 per Consolidated Share to HK\$0.01 per New Share. Under the laws of the Cayman Islands, a company may not issue shares at a discount to the par value of such shares. Accordingly, the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future.

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, pursuant to the requirements set out in "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, the expected board lot value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the Shares had been traded below HK\$0.10 on average and the Shares were trading at under HK\$2,000 per board lot over the past six months (based on the closing price per Share as quoted on the Stock Exchange), the Board proposes to

LETTER FROM THE BOARD

implement the Share Consolidation and the Change in Board Lot Size in order to comply with the trading requirements of the Listing Rules. The Share Consolidation will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares and the trading price of the Shares per board lot.

The Share Consolidation and the Change in Board Lot Size enable the Company to comply with the trading requirements under the Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade. With a corresponding upward adjustment in the trading price of the Consolidated Shares, the Board believes that the Share Consolidation will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and therefore further broaden the shareholder base of the Company.

The proposed Share Consolidation ratio and the Change in Board Lot Size would enable the share price of the Company and the value of the board lot to comply with the trading requirements under the Listing Rules.

The Directors considered that if the ratio of the Share Consolidation is set to a higher ratio, it may result in substantial reduction in the number of issued Shares or substantial increase in the theoretical share price to such an extent which may further affect the trading liquidity of the Shares in the market or may affect future fundraising activities or corporate actions of the Company. As at the Latest Practicable Date, the Company has no intention or plan to carry out other corporate actions in the next 12 months may have an effect of undermining or negating the intended purpose of the Capital Reorganisation, and the Company does not have intention or any plan to conduct any fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

Notwithstanding the costs incurred by the Company for the implementation of the Share Consolidation and the Change in Board Lot Size and the creation of odd lots to the Shareholders, the Board considers that the Share Consolidation and Change in Board Lot Size are justifiable in view of the above reasons. Also considering that the proposed Share Consolidation ratio and the Change in Board Lot Size will facilitate the execution of the Proposed Restructuring for the

LETTER FROM THE BOARD

benefits as discussed in the section below in this circular, the Board is of the view that the Share Consolidation and the Change in Board Lot Size are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Capital Reorganisation and Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

4. THE DEBT RESTRUCTURING BY WAY OF THE CREDITORS' SCHEME

The Debt Restructuring shall be implemented by way of the Creditors' Scheme.

4.1 Claims against the Company under the Creditors' Scheme

The Claims under the Creditors' Scheme (comprising those of Bondholders, Subsidiary Creditors, Other Lenders and other payables and accruals) were approved by the requisite majorities of Scheme Creditors and became effective upon sanction of the Creditors' Scheme by the High Court on 19 March 2024.

Based on the available books and records of the Company, the estimated total amount of Claims against the Company, as at 31 March 2023 (for the preparation of the Creditors Scheme) and 31 January 2026 are set out as follows,

Type of Creditors	Estimated Claims 31 March 2023		Estimated Claims 31 January 2026	
	(HK\$ million)	%	(HK\$ million)	%
A Bondholders	720.56	65.17	966.38 ^(note)	74.08
B Subsidiary Creditors	251.97	22.79	251.97	19.31
C Other Lenders	132.58	11.99	85.71 ^(note)	6.57
D Other payable and accruals	0.49	0.05	0.49	0.04
Total	1,105.60	100.00	1,304.55	100.00

Note: The amount owes by the Group to China Sun Group Holdings, one of the Other Lenders, was replaced by a bond issued by the Company and such amount, approximately HK\$88.37 million as at 31 January 2026, was subtracted from "Other Lenders" and added to the "Bondholders" under the Creditors' Scheme in the table above.

LETTER FROM THE BOARD

Save for the Claims set out above, no new or additional claims will be recognised for the purposes of distributions under the Creditors' Scheme. The Creditors' Scheme, having been sanctioned by the High Court, is final and binding in accordance with its terms and the applicable statutory provisions. Except for any accrued interest that may arise over time, no adjustment, revision, or revaluation shall be made to the amounts of the recognised Claims. The amounts of the Claims to be recognised under the Creditors' Scheme will be determined on the date the Creditors' Scheme becomes effective.

Following the Creditors' Scheme becoming effective, the Scheme Administrators will proceed to adjudicate the Claims by verifying, admitting (or rejecting) such Claims, and determining the final admitted amounts (i.e. Admitted Claims). Distributions of the Scheme Assets will then be made by the Scheme Administrators to the holders of the Admitted Claims, details of which are set out below under the sub-section headed "4.4 Distribution of Scheme Assets upon the Creditors' Scheme becomes effective".

As at the Latest Practicable Date, the Company had not entered into any side arrangement with any Creditor and none of the Creditors had any side arrangement(s) with any connected person to the Company in respect of the Creditors' Scheme.

4.2 Background of the Creditors

A. Bondholders

The Company issued bonds during the period from the financial year ended 31 March 2018 to the financial year ended 31 March 2022 to independent third parties for the purpose of fundraising to support the development and expansion of its businesses. The funds raised from these bond were intended for the development of the theme park business as well as for the settlement of its indebtedness, and have been used for those purposes as described below.

For the financial year ended 31 March 2018

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
103.00	11 independent placees	17/6/2017–12/8/2017	6%	3 years	Yes	25.86	29.62
62.00	12 independent placees	17/7/2017–21/12/2017	6%	5 years	Yes	76.27	105.27
200.00	1 independent placee	27/9/2017	7.5%	3 years	Yes	—	—

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Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
25.00	6 independent placees	13/2/2018–26/3/2018	6%	3 years	Yes	—	—
3.00	2 independent placees	19/1/2018–28/3/2018	6%	7.5 years	Yes	3.42	4.41

Total of approximately HK\$393.0 million were raised by the Group for the financial year ended 31 March 2018, of which (i) approximately HK\$262.3 million was used as prepayments for the Group's theme park construction and renovation projects in the PRC; (ii) approximately HK\$123.8 million was used to acquire and increase the Group's shareholding in Joypolis in Shanghai from 51% to 100% and to invest in Wonder Forest; and (iii) approximately HK\$6.9 million was used to settle the Group's indebtedness as at the relevant time.

For the financial year ended 31 March 2019

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
23.00	5 independent placees	3/4/2018–3/8/2018	6%	3 years	Yes	7.01	9.33
40.00	1 independent placee	6/4/2018	7.5%	3 years	Yes	9.00	11.63
5.00	3 independent placees	6/4/2018–11/6/2018	6%	7.5 years	Yes	5.54	6.99
2.00	1 independent placee	11/5/2018	6%	5 years	Yes	2.14	3.17
4.00	3 independent placees	23/5/2018–15/6/2018	6%	3 years	Yes	4.44	6.01
1.00	1 independent placee	7/6/2018	6%	4 years	Yes	1.20	1.64
1.20	1 independent placee	27/7/2018	6%	3 years	Yes	1.19	1.58
23.20	9 independent placees	15/8/2018–21/12/2018	6%	3 years	Yes	17.18	23.04
7.00	1 independent placee	29/3/2019	8.67%	1.5 years	Yes	—	—

Total of approximately HK\$106.40 million were raised by the Group for the financial year ended 31 March 2019, of which (i) approximately HK\$60.0 million was used as partial repayment for the Company's bond with a principal amount of HK\$200 million that was issued during the

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financial year ended 31 March 2018; (ii) approximately HK\$28.5 million was used as prepayments for the Group's theme park construction and renovation projects in the PRC; and (iii) approximately HK\$30.5 million was used to operate and invest in the Group's theme park business.

For the financial year ended 31 March 2020

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
25.40	5 independent placees	12/4/2019–15/7/2019	8.67%	1.5 years	Yes	—	—
18.50	5 independent placees	22/5/2019–22/10/2019	6%	3 years	Yes	22.57	31.14
34.20	5 independent placees	27/5/2019–27/6/2019	8.67%	1.5 years	Yes	11.26	14.67
3.00	1 independent placee	29/11/2019	6%	2 years	Yes	3.85	5.17
2.00	1 independent placee	20/12/2019	8.67%	1.5 years	Yes	—	—
31.60	7 independent placees	23/12/2019–19/3/2020	6%	3 years	Yes	36.89	51.59
2.00	1 independent placee	21/1/2020	5.5%	2 years	Yes	2.21	3.25

Total of approximately HK\$116.7 million were raised by the Group for the financial year ended 31 March 2020, of which (i) approximately HK\$60.0 million was used as partial repayment for the Company's bond with a principal amount of HK\$200 million that was issued during the financial year ended 31 March 2018; and (ii) approximately HK\$46.7 million was used to support the operation of the Group's theme park business as revenue generated from the Group's theme park during the period declined notably.

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For the financial year ended 31 March 2021

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
65.00	7 independent placees	16/6/2020–11/8/2020	6%	3 years	Yes	66.50	84.31
4.00	1 independent placee	22/7/2020	6%	1 year	Yes	4.95	6.65
4.30	1 independent placee	30/10/2020	8.67%	60 days	Yes	5.79	7.59
42.60	7 independent placees	20/11/2020–27/1/2021	9%	1 year	Yes	55.23	74.31
12.00	3 independent placees	16/2/2021	9%	1 year	Yes	15.46	20.93

Total of approximately HK\$127.90 million were raised by the Group for the financial year ended 31 March 2021, of which (i) approximately HK\$123.9 million was used to settle the bonds previously issued by the Company that had matured; and (ii) approximately HK\$4.0 million was used to support the operation of the Group's theme park business.

For the financial year ended 31 March 2022

Principal amount of bonds issued (HK\$ million)	Identities of the bondholders	Issue Date	Interest		Independent to the Company and its connected persons	The amount of principal and interests outstanding as at 31 March 2023 (HK\$ million)	The amount of principal and interests outstanding as at 31 January 2026 (HK\$ million)
			Rates	Maturity (years)			
10.00	1 independent placee	9/4/2021	9%	1 year	Yes	12.65	17.21
3.00	1 independent placee	3/5/2021	9%	1 year	Yes	3.41	3.55
1.30	1 independent placee	15/6/2021	8.5%	1 year	Yes	1.59	2.18
9.00	1 independent placee	20/7/2021–30/7/2021	9%	1 year	Yes	10.91	15.00
50.00	5 independent placees	27/9/2021	5%	1 year	Yes	53.66	60.76
1.10	1 independent placee	11/1/2022–12/1/2022	0.1%	5.5 years	Yes	1.10	1.10
13.00	1 independent placee	17/1/2022	9%	0.5 years	Yes	14.41	17.73

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Total of approximately HK\$87.40 million were raised by the Group for the financial year ended 31 March 2022, of which (i) approximately HK\$37.4 million was used to settle the bonds previously issued by the Company that had matured; and (ii) approximately HK\$50.0 million was used to support the operation of the Group's theme park business.

Subsequent to the end of the financial year ended 31 March 2022, as the Group's financial resources remained tight with limited internal cash generation and the failure of the ACCP Subscription, the Company issued additional bonds to, among other things, implement the Proposed Restructuring and settle the outstanding portion of the service fees owing to its Service Providers. Further information in respect of these bonds and the failure of the Accp Subscription are set out in the sub-sections headed "Issuing of the 2022/23 Bonds" and "Summary of the 2022/23 Bonds" in this letter for further information of the 2022/23 Bonds issued by the Company to the Service Providers during the financial year ended 31 March 2023 as service fees, including but not limited to, their respective principal amounts, outstanding amounts and repayment status. The outstanding portion of the service fees payable by the Group to the Service Providers, instead of being settled directly by the Group, have been included into the Creditors' Scheme and, together with the other overdue bond payables arising from bonds issued during the period from the financial year ended 31 March 2018 to 31 March 2022 as set out in this section, will be fully discharged upon the Creditors' Scheme becoming effective.

B. Subsidiary Creditors

Based on the Company's records as at 31 March 2023 for the preparation of the Creditors' Scheme, each of the Subsidiary Creditors has a Claim against the Company as a result of the assignment of the trade receivables of the Subsidiary Creditors to the Company because this would facilitate the Company to, among other things, centralize its resources, avoid duplicate procedures and be more effective in decisions making in the actions to be taken to collect and recover such trade receivables from the third parties on behalf of the Subsidiary Creditors. No further transactions between the Company and the Subsidiary Creditors since 1 April 2023. The indebtedness amount owed by the Company to the Subsidiary Creditors were resulted from (i) the assignment of the Subsidiary Creditors' trade receivables, which arise from the refund of prepayments in relation to the theme park constructions and disposals of intangible assets and PPEs of the Group and PPSP Services for other third parties (including the provision of authorization of IP-rights) by the Subsidiary Creditors, to the Company; and (ii) that the Company collected certain payments on behalf of the Subsidiary Creditors which were generated from operation of the Subsidiary Creditors. Details of which are set out below:

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Table

No.	Name of counterparties in relation to the Subsidiary Creditors' trade receivables	Background of counterparties	Date of assignment	Nature and terms of the relevant transactions giving rise to the trade receivables	Amount of assignment as at the respective date of each assignment (on gross basis) (HK\$ million)	Amount recovered from the counterparties before assignment (HK\$ million)	Amount recovered from the counterparties after assignment (HK\$ million)
1	Arto Design	Principally engaged in renovation engineering, games development and multimedia entertainment over 5 years as at the date of the agreement.	2/9/2022	Please refer to #1 of the "Table: Prepayments in relation to the Parks Constructions" on under the sub-section headed "The Group's impairment losses in relation to the prepayments for the Construction Services" under section "1. The Theme-Park Business" in this letter.	40.86	2.34	1.99
2	Green Metro	Principally engaged in renovation engineering over 5 years as at the date of the agreement.	13/9/2022	Please refer to #2 of the "Table: Prepayments in relation to the Parks Constructions" under the sub-section headed "The Group's impairment losses in relation to the prepayments for the Construction Services" under section "1. The Theme-Park Business" in this letter.	50.33	2.54	2.28

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No.	Name of counterparties in relation to the Subsidiary Creditors' trade receivables	Background of counterparties	Date of assignment	Nature and terms of the relevant transactions giving rise to the trade receivables	Amount of assignment as at the respective date of each assignment (on gross basis) (HK\$ million)	Amount recovered from the counterparties before assignment (HK\$ million)	Amount recovered from the counterparties after assignment (HK\$ million)
3	Meijiating	Principally engaged in research and development and design of renovation engineering technology, domestic trade, import and export of goods and technologies over 10 years as at the date of the agreement.	5/9/2022	Please refer to #4 of the "Table: Prepayments in relation to the Parks Constructions" under the sub-section headed "The Group's impairment losses in relation to the prepayments for the Construction Services" under section "1. The Theme-Park Business" in this letter.	45.06	2.49	—
4	Wealth Gather	Principally engaged in renovation engineering, equipment manufacturing (theme park related) and consultancy for theme park business over 10 years as at the date of the agreement.	20/9/2022	Please refer to #6 of the "Table: Prepayments in relation to the Parks Constructions" under the sub-section headed "The Group's impairment losses in relation to the prepayments for the Construction Services" under section "1. The Theme-Park Business" in this letter.	52.83	2.63	—

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No.	Name of counterparties in relation to the Subsidiary Creditors' trade receivables	Background of counterparties	Date of assignment	Nature and terms of the relevant transactions giving rise to the trade receivables	Amount of assignment as at the respective date of each assignment (on gross basis) (HK\$ million)	Amount recovered from the counterparties before assignment (HK\$ million)	Amount recovered from the counterparties after assignment (HK\$ million)
5	Arto Design	Principally engaged in renovation engineering, games development and multimedia entertainment over 5 years as at the date of the agreement.	2/9/2022	Please refer to #1 of the "Table: Receivables in relation to the disposals of the Group's intangible assets and PPE" under the sub-section headed "The Group's impairment losses in relation to the disposals of the Group's intangible assets and PPE" under section "3. The Animation and Multimedia Business" in this letter.	6.17	0.32	—
6	Red Perfect	Principally engaged in games development and multimedia entertainment over 9 years as at the date of the agreement.	26/9/2022	Please refer to #2 of the "Table: Receivables in relation to the disposals of the Group's intangible assets and PPE" under the sub-section headed "The Group's impairment losses in relation to the disposals of the Group's intangible assets and PPE" under section "3. The Animation and Multimedia Business" in this letter.	22.92	3.69	—

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No.	Name of counterparties in relation to the Subsidiary Creditors' trade receivables	Background of counterparties	Date of assignment	Nature and terms of the relevant transactions giving rise to the trade receivables	Amount of assignment as at the respective date of each assignment (on gross basis) (HK\$ million)	Amount recovered from the counterparties before assignment (HK\$ million)	Amount recovered from the counterparties after assignment (HK\$ million)
7	BVL	Principally engaged in commercial real estate and cultural entertainment real estate development over 8 years as at the date of the agreement.	28/9/2022	<p>Please refer to #1 of the "Table: Receivables in relation to provision of PPSP Services" under the sub-section headed "The Group's impairment losses in relation to its trade receivables through the provision of PPSP Services" under section "2. The Group's PPSP Services under the theme park business" in this letter.</p>	116.60	8.40	—
8	MEL	Principally engaged in commercial real estate and cultural entertainment real estate development over 6 years as at the date of the agreement.	15/9/2022	<p>Please refer to #2 of the "Table: Receivables in relation to provision of PPSP Services" under the sub-section headed "The Group's impairment losses in relation to its trade receivables through the provision of PPSP Services" under section "2. The Group's PPSP Services under the theme park business" in this letter.</p>	39.40	4.60	—

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Having considered that,

- (i) it would be more efficient for the Company to centralise its resources to pursue further legal actions and/or conduct further negotiations with these counterparties in order to recover such sums;
- (ii) the management of the Group would be able to allocate and distribute its financial resource optimally during an exceptionally difficult period for the Group, among other things, to settle imminent expenses of members of the Group so as to maintain the operation of the Group's theme park business as a whole;
- (iii) it can avoid duplicate procedures and the extra time incurred for the transfer the proceeds from the receivables (in case of recovery) to the Company from the Subsidiary Creditors;
- (iv) the Company would be able to conduct negotiations with the debtors more effectively given its listed status; and
- (v) given the material amount of and the low likelihood of recovery of the trade receivables, it would be more efficient and beneficial to the Company to negotiate directly with the counterparties to look for alternative repayment options, such as (a) immediate partial repayment; (b) restarting the respective construction and/or renovation projects; (c) reduction of outstanding principal amount; (d) additional collateral/guarantee; (e) revising the repayment schedule; and (f) increasing interest rates or other matters favorable to the Company,

the Directors (including the independent non-executive Directors) are of the view that the assignment of the Subsidiary Creditors' trade receivables to the Company is in the interests of the Company and the Shareholders as a whole.

The Company's management in the PRC has been actively engaging in negotiations with each of the counterparties in relation to the Subsidiary Creditors' trade receivables. For further details of the status of negotiations as at the Latest Practicable Date, please refer to the tables on pages 73 to 77, 84 to 85, 96 to 98 and 109 under the sub-section headed "6. REASONS FOR AND THE PURPOSES OF THE PROPOSED RESTRUCTURING" in this letter in relation to the impairment losses on the Group's prepayments made for construction and/or renovation projects, the impairment losses on the Group's disposal of its intangible assets and the impairment losses on the receivables through provision of PPSP Services.

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For avoidance of doubt, although the liabilities of the Group to the Subsidiary Creditors will be discharged upon the Creditors' Scheme becoming effective, the Company remains entitled to pursue the counterparties set out in the table above to recover the receivable sums owed to the Group. Regardless of the results above, the Subsidiary Creditors, who became creditors of the Group as a result of assigning their trade receivables to the Group to facilitate the Company's recovery actions, have indicated that they will not lodge any notice of claim for dividend purposes and will not receive any dividend from the Creditors' Scheme (including the Scheme Assets and Scheme Receivables, if any); such portion of the Scheme Assets will instead be distributed to the other Scheme Creditors.

C. Other Lenders

Sets out below are the background of the Other Lenders, their shareholding percentages of the Company as at the Latest Practicable Date and respective estimated amounts of Claims,

Other Lenders (shareholding % of the Company as at the Latest Practicable Date)	Estimated Claims as at 31 March 2023 <i>(HK\$ million)</i>	Estimated Claims as at 31 January 2026 <i>(HK\$ million)</i>
China Sun Group Holdings Limited (7.27%)	59.89	88.37
Chow Wai Man Grace (0.84%)	28.42	34.04
Wong Yu Man James and Wong Lau Chui Chui Priscilla (7.19%)	21.56	23.39
Starlux Mortgage Limited (nil)	22.71	28.28

As at the Latest Practicable Date, each of China Sun Group Holdings Limited, Chow Wai Man Grace, Wong Yu Man James and Wong Lau Chui Chui Priscilla is a Shareholder. Among the Other Lenders, only China Sun Group Holdings Limited issued a statutory demand to the Company on 22 November 2022 claiming for the amount of approximately HK\$55.78 million.

4.3 The Scheme Assets and Scheme Receivables

The Scheme Assets

Under the Creditors' Scheme and subject to the terms thereof, a Cash Consideration of HK\$160,000,000 will be distributed by the Company to and an aggregated of 59,000,000 Scheme Shares (at the issue price of HK\$0.1772 per New Share) will be issued and allotted under the

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Specific Mandate by the Company to the SchemeCo under the Creditors' Scheme for holding for the benefits of the Creditors prior to distributing to the Creditors with Admitted Claims. There will be no cash inflow for the Company in respect of the issue of the Scheme Shares.

The Scheme Receivables

In addition to the Cash Consideration and Scheme Shares, any sums successfully recovered from the Scheme Receivables, after deducting any costs, expenses, and taxes that may be incurred in connection with the Company's recovery actions, will also be included as part of the Scheme Assets for the benefits of the Creditors. The Scheme Receivables, if recovered, will be distributed according to the same term as the other Scheme Assets as set out in the sub-section headed "Distribution of Scheme Assets upon the Creditors' Scheme becomes effective" below. **It should be noted that the likelihood for the recovery of the Scheme Receivables in full amount before the termination of the Creditors' Scheme may be relatively low given that the debtors of the Scheme Receivables have not been responsive to the Company's demands and the potential time required for any legal actions taken against these debtors.** If the Scheme Administrators are satisfied that all dividend has been distributed (which may take around twelve months or more upon the Effective Date, subject to the recovery progress of the Scheme Receivables), they shall give a notice to terminate the Creditors' Scheme, upon which the Scheme Receivables which are unrecovered would be written off in the Creditors' Scheme and no longer be considered as part of the Scheme Assets.

Details and breakdowns of the Scheme Receivables

The following are the details for each of the Scheme Receivables and the Company has already initiated corresponding recovery actions, including but not limited to, legal proceedings towards these debtors.

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No.	Name of the parties	Date of agreement arising the amount due from debtors to the Group	Nature of claims	Amount (HK\$'000)
1.	<p>Debtors: Shenzhen Happy Animation Co., Ltd.* (深圳市歡樂動漫有限公司), beneficially owned by Wang Ruoming</p> <p>Creditor/Plaintiff: Animate China Technology (HK) Limited (華夏動漫科技(香港)有限公司), a wholly owned subsidiary of the Company (Note 1)</p>	25 May 2015	The Company, as an investor, agreed to invest RMB6.0 million for a production of an animation film with the debtor. The debtor was supposed to, but did not, share with the Group the profit generated from box office ticket sales and related information such as the production costs broadcasting locations, schedules and marketing efforts of the said animation film so the Company is requesting for a refund of its investment of RMB6.0 million to the Company. (Note 2)	7,500.00

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No.	Name of the parties	Date of agreement arising the amount due from debtors to the Group	Nature of claims	Amount (HK\$'000)
2.	<p>Debtors: GZLC and GZCA</p> <p>Creditor/Plaintiff: Animate China Technology (HK) Limited (華夏動漫科技(香港)有限公司), a wholly owned subsidiary of the Company (<i>Note 1</i>)</p>	20 August 2015	<p>The Company, as an investor, agreed to invest RMB4.5 million in exchange for 3% of the equity interests of an entity that intended to apply for listing on an exchange in the PRC. The debtors, at the material time, were considered as a high-technological company that could offer innovative 5-dimensional/7-dimensional/8-dimensional cinema experience and 9-dimensional VR experience products. The Company was given to understand by the debtors that they would co-operate and establish VR stores with the Group and would provide the resources and services to develop the Group IPs.</p> <p>This investment was made with the intention to capture the market share and potential growth to be generated from the fast growing VR Industry. Thereafter, as (i) there were changes in the shareholding structure of both GZLC and GZCA; and (ii) the intention to list on an exchange in the PRC was postponed or cancelled such that the value of the equity interests of 3% was notably dropped, a supplemental agreement was entered into on 20 March 2020 between the Company and the debtors for the debtors to refund the Company's investment of RMB4.5 million. (<i>Note 3</i>)</p>	5,358.60

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No.	Name of the parties	Date of agreement arising the amount due from debtors to the Group	Nature of claims	Amount (HK\$'000)
3.	Debtors: (i) ACCP Global (ii) Lau Wang Chi Barry (iii) Well Link Securities Limited, beneficially owned by Hui Chor Tak	1 September 2021	The Group filed a defense and counterclaim against ACCP Global, Lau Wang Chi Barry and Well Link Securities Limited for among other things, the damages resulted from the breaching of the ACCP Subscription Agreement. (Note 4)	215,000.00
Creditor/Plaintiff: The Company				_____
Total:				<u>227,858.60</u>

Notes:

- The creditor for these claims is Animate China Technology (HK) Limited, a wholly owned subsidiary of the Company, instead of the Company. The Company will recover the sums of these receivables on behalf of Animate China Technology (HK) Limited and the amount recovered from these receivables will then be assigned and/or transferred to the SchemeCo to increase the attractiveness of the Creditors' Scheme after deducting costs, expenses, and taxes that may be incurred in connection with the recovery actions.
- A legal demand letter was issued by the Company to this debtor on 26 July 2023 requesting for a recovery of HK\$7.5 million (equivalent to the RMB6.0 million) to the Group. The Group is had filed a lawsuit to 深圳前海合作區人民法院, court in Futian, Shenzhen, and demanded for a compensation for an amount of RMB6.0 million from this debtor. However, the Company is uncertain as to whether it will be able to recover this receivable as the repayment method and timing have not been agreed or determined and as at the Latest Practicable Date, the Company did not receive any return so far.
- A legal demand letter was issued by the Company to these debtors in November 2022 requesting for a recovery of RMB4.5 million to the Group. The Group had filed a lawsuit and had provided evidence to 廣州市南沙區人民法院, court in Nansha, Guangzhou, for their review and demanded for a compensation for an amount of RMB4.5 million from these debtors. Currently, the lawsuit has been withdrawn after GZLC offered alternative settlement arrangements to the Group and the Group and GZLC have resumed negotiations. Pursuant to the negotiations, the Lechuang Group has agreed to continue developing games for incorporation into the Group's theme parks in accordance with the Group's specifications. While the Lechuang Group is completing the ongoing game

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development, the Group is also reviewing and assessing the alternative proposals from the Lechuang Group, including a potential share swap arrangement with its members in lieu of a refund of the Group's previous investment. In light of the above, the Group is not expected to receive, and has not received as at the Latest Practicable Date, any cash returns from these debtors that can be included into the Scheme Assets.

4. ACCP Global has received winding-up order from the High Court on 24 April 2023 so Lau Wang Chi Barry and Well Link Securities Limited shall have to bear the legal consequences of the case to indemnify the Group the damages resulted from the ACCP Subscription. Upon taking legal advice, the Company is of the view that this litigation is a meritorious case and the Company is expected to be awarded by the High Court to recover to such sums (whether fully or partially). A hearing of the case took place on 15th July 2024 and the proceedings against ACCP Global will continue pending the leave to be granted by the High Court. As at the last hearing, no decision has been made and the next hearing scheduled to be held on 27 August 2026. The Company will continue its action against ACCP Global, Lau Wang Chi Barry and Well Link Securities Limited.

None of the debtors or their respective ultimate beneficial owners in respect of the Scheme Receivables are related to the Company and its connected persons. The Company, after considering of the above mentioned debtors' latest business relationships with the Group and their latest business operations after the Covid-19, is no longer interested in involving into any further collaborations with these debtors. The Scheme Receivables are included as one of the Scheme Assets so that, upon successful recovery (if any) may increase the attractiveness of the Creditors' Scheme.

Creditors, Shareholders and potential investors of the Company should be reminded that the Company may or may not be able to recover any amount from the Scheme Receivables before the termination of the Creditors' Scheme (which will be decided by the Scheme Administrator) given the uncertainties involved in recovering them. For avoidance of doubt, should the Company not able to recover the Scheme Receivables from its recovery actions, there would not be any impact to the Creditors' Scheme.

4.4 Distribution of Scheme Assets upon the Creditors' Scheme becomes effective

The distribution of the Scheme Assets which comprises the Cash Consideration, the Scheme Shares and the Scheme Receivables, will be conducted in accordance with the terms of the Creditors' Scheme.

Upon the Creditors' Scheme becomes effective, the Scheme Administrators will, among other things, despatch the claim form to the Creditors to call proof and perform adjudication on the claims received in order to verify and determine the amount of the Admitted Claims. As soon as practicable after the adjudication of claims, including the amount of the Admitted Claims, the Scheme Administrators will:

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- (a) declare and pay the first interim cash dividend to all Scheme Creditors with Admitted Claims on a pro rata basis in respect of the amount of their Admitted Claims to distribute the Cash Consideration, subject to the reservation of any Unadmitted Claims and Scheme Costs;
- (b) send the form of election to the Scheme Creditors with Admitted Claims to elect either (i) the cash option; or (ii) the equity option (but not both) in respect of their entitlement of the Scheme Shares for the portion of the Admitted Claims that are not satisfied by the Cash Consideration.

Scheme Creditors with Admitted Claims will be entitled to be allotted and issued with a number of New Shares which is the equivalents of the fixed number of 59,000,000 divided by the total amount of the remaining portion of the Admitted Claims (i.e.: after the deduction of the amount of first interim dividend received) in proportion to their respective remaining portion of the Admitted Claims.

Scheme Creditors who opt for equity option will be entitled to receive their portion of Scheme Shares from the SchemeCo, and Scheme Creditors who opt for (or being default be regarded as opting for) cash option will receive cash dividend as soon as practicable after the Scheme Administrators sold or realized their portion of the Scheme Shares.

Subject to the terms of the Creditors' Scheme, in the selection of equity option, the Scheme Shares will be deemed to be allotted and issued at HK\$0.1772 per Scheme Share for partial settlement of the respective Admitted Claims. So that if the Scheme Shares were sold at higher than HK\$0.1772 per Share, the Scheme Creditors will gain the windfall but if the Scheme Shares were sold at lower than HK\$0.1772 per Share, the Scheme Creditors will have to suffer the shortfall.

Based on the above, it is expected that upon effective of the Creditors' Scheme, the Scheme Administrators will issue notice to all the Scheme Creditors for the submissions of their claim within 14 days. The timeframe for completion of the adjudication process will be subject to factors such as the responsiveness of the Creditors and the complexity of the claims in nature. After the completion of the adjudication, the Scheme Administrators will send an election form to the Scheme Creditors with Admitted Claims to select either the cash option or equity option (but not both). If any Scheme Creditors fail to make an election in the election form and/or fail to return the signed election form to the Scheme Administrators before the deadline stipulated by the Scheme Administrators, they will by default be regarded as opting for the cash option. Under normal practices but subject to the determination of Scheme Administrators, the Scheme Creditors shall return the election form to Scheme Administrators within 14 days. After that, the Scheme Administrator will be able to confirm whether each of the Scheme Creditors elect the cash option

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or the equity option upon the Creditors' Scheme having become effective, upon which the Company will be able to identify whether there are any connected transactions involved in respect of the issuance of the Scheme Shares to the Creditors. Should the issuance of the Scheme Shares to the Creditors constitutes connected transaction under Chapter 14A of the Listing Rules, the Company will comply with the relevant requirements thereof, including but not limited to, obtaining the approval of the independent Shareholders at a general meeting of the Company. Pursuant to the terms of the Creditors' Scheme, the Scheme Assets are payable to the Scheme Administrator, and upon which the Creditors' Scheme will become effective. The subsequent distribution of Scheme Assets by the Scheme Administrator to the Creditors will be handled by the Scheme Administrator independently and accordingly, even if the resolution(s) in relation to the above matters were being voted down by the independent Shareholders, the Debt Restructuring will not be affected and the Scheme Administrator will have to distribute Cash Consideration (as if such Creditor(s) elected the cash option) to such Creditor(s). The Company will provide an update on the Creditors' Scheme by way of announcement(s) as and when appropriate.

As at the Latest Practicable Date, none of the Scheme Creditors are connected persons of the Company. Save for the contracts, agreements and/or arrangements which were related to or resulted in individuals or companies becoming the Creditors, the Company and its connected persons did not enter into any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with any Creditors and their respective associates.

Within one month after the allotment to the Scheme Creditors who opt for equity option, the Scheme Administrators, shall take steps to realize and/or sell the remaining number of the Scheme Shares and the Scheme Administrators will endeavour on behalf of the Scheme Creditors, to sell such Scheme Shares on such terms as to price, manner and timing of sale or realisation as the Scheme Administrators, in their absolute discretion, determine is in the best interest of the Scheme Creditors who opt for cash option as a whole. After the realization and/or disposal of the Scheme Shares, the Scheme Administrators shall take steps to distribute the net realization proceeds to the Scheme Creditors who opt for cash option on a pro rata basis.

According to the Creditors' Scheme, the Scheme Assets will be dealt with by the Scheme Administrators in the following order of priority:

- (i) firstly, to pay preferential claims (the Company did not have any preferential claims as at the Latest Practicable Date);
- (ii) secondly, to pay the Scheme Costs; and
- (iii) thirdly, to pay dividend in respect of the Scheme Creditors with Admitted Claims.

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The proportion of the dividend payable will be of an amount to be determined and distributed from time to time by the Scheme Administrators under the Creditors' Scheme, having regard to:

- (i) the amount of Scheme Assets available;
- (ii) the amount of Admitted Claims; and
- (iii) any sum to be retained out of the Scheme Assets for the Scheme Costs as may be determined by the Scheme Administrators under the Creditors' Scheme.

According to the terms of the Creditors' Scheme, the Scheme Administrators will be empowered to declare interim dividend(s) from time to time. Unadmitted Claims will not be entitled to any dividend.

4.5 Conditions of the Creditors' Scheme

Completion of the Creditors' Scheme is conditional upon:

- (a) the High Court sanctions the Creditors' Scheme and a copy of the order of the High Court sanctioning of the Creditors' Scheme is delivered to the Registrar of Companies in Hong Kong for registration;
- (b) the Capital Reorganisation having become effective;
- (c) the completion of the Subscriptions having taken place;
- (d) all consents and approvals required for the transfer of the Scheme Shares to the SchemeCo have been obtained; and
- (e) resolutions in relation to the issue of the Scheme Shares under the Specific Mandate having been duly passed by the Independent Shareholders in the general meeting, and the Board having been granted the Specific Mandate in accordance with the Listing Rules.

None of the conditions set out above can be waived. As at the Latest Practicable Date, save for condition (a) above, all the other conditions precedent to the Creditors' Scheme have not been fulfilled.

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The Creditors' Scheme shall become effective on the date, being the latest of (a) the date of delivery of an office copy of the order of the High Court sanctioning the Creditors' Scheme to the Registrar of Companies in Hong Kong for registration; (b) the date of the completion of the transfer of the Cash Consideration to the SchemeCo; and (c) the date of the completion of the transfer of the Scheme Shares to the SchemeCo. Upon the Creditors' Scheme having become effective, the Company shall be able to utilize the proceeds from the Subscriptions as set out in the section headed "5.5 Proceeds from the Subscriptions" in this circular for the purpose of, among other things, settlement of Cash Consideration for the Creditors' Scheme.

Upon the Creditors' Scheme having become effective, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. THE DEED OF SETTLEMENT AND THE EXECUTION OF THE DEED OF MUTUAL RELEASE" in this circular) will be discharged and released in full.

Ranking of the Scheme Shares

The Scheme Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the New Shares in issue on the date of allotment and issue of the Scheme Shares.

Application for Listing of the Scheme Shares

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scheme Shares.

5. THE SUBSCRIPTIONS

5.1 The Share Subscription

On 26 January 2023, the Company and the Investor entered into the Share Subscription Agreement and pursuant to which, inter alia, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 530,800,000 Subscription Shares at the Subscription Consideration of approximately HK\$94.06 million, which represents a subscription price per Subscription Share of HK\$0.1772.

The Investor is expected to settle the Subscription Consideration with its internal resources. As at the date of the Joint Announcement, the Investor has deposited the Escrowed Consideration in the amount of JPY3,520,000,000 (which is equivalent to approximately HK\$211.2 million as at the date of the Subscription Agreements based on an exchange rate of JPY 1 = HK\$0.060 and

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approximately HK\$172.94 million as at the Latest Practicable Date based on exchange rate of JPY 1 = HK\$0.049), in a bank account which is currently being held in escrow for the purpose of settling the Subscription Consideration. The said deposit will be converted into Hong Kong dollars upon completion of the Share Subscription and the Investor shall be entitled to refund of any surplus or be liable to pay the shortfall amount to make up the Subscription Consideration as a result of the currency conversion.

Summary of the principal terms of the Share Subscription:

Subscriber	:	the Investor
Issuer	:	the Company
Subscription Consideration	:	HK\$94,057,760
Price per Subscription Share	:	HK\$0.1772
Number of Shares to be issued under the Share Subscription	:	530,800,000 Subscription Shares
The issued Share capital of the Company upon completion of the Capital Reorganisation and the Share Subscription	:	649,004,200 New Shares

Subscription Shares

After adjusting for the effects of the Capital Reorganisation, the 530,800,000 Subscription Shares will represent approximately 81.79% of the issued Share capital upon completions of the Capital Reorganisation and the Share Subscription (assuming that no Convertible Bonds have been converted into CB Conversion Shares and there will be no other changes in the issued share capital of the Company from the Latest Practicable Date and up to the Completion). The Subscription Shares will be issued by the Company under the Specific Mandate to be granted upon the approval of the Independent Shareholders at the EGM.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the New Shares in issue on the date of allotment and issue of the Subscription Shares.

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Share Subscription Price

The price per Subscription Share of approximately HK\$0.1772 represents:

- (i) a discount of approximately 65.25% to the closing price of HK\$0.51 per New Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation which is equivalent to the closing price of the New Shares on the day prior to the suspension of trading of the Shares on 21 November 2024;
- (ii) a discount of approximately 78.39% to the closing price of HK\$0.820 per New Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 77.63% to the average closing price of HK\$0.792 per New Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 78.02% to the average closing price of HK\$0.806 per New Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (v) a discount of approximately 81.17% to the average closing price of HK\$0.941 per New Share as quoted on the Stock Exchange for the last thirty trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (vi) a premium of approximately HK\$9.033 per New Share over the audited consolidated net liabilities value attributable to Shareholders per Share as at 31 March 2025 of approximately HK\$9.210 per New Share and adjusted for the effect of the Capital Reorganisation; and
- (vii) a premium of approximately HK\$9.588 per New Share over the unaudited consolidated net liabilities value attributable to Shareholders per Share as at 30 September 2025 of approximately HK\$9.765 per New Share and adjusted for the effect of the Capital Reorganisation.

The Share Subscription Price was arrived at after arm's length negotiations between the Company and the Investor with reference to (i) the net liabilities position and the net loss of the Group; (ii) that the Group has received winding-up petitions and statutory demands and is in desperate need of fundraising and debt restructuring; (iii) the prevailing market conditions; (iv) that the Group has already exhausted and attempted other means of fundraising and that the

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Subscriptions represent the only viable option available to the Group; (v) the amount of funds required to be raised by the Company for the Debt Restructuring; (vi) the acceptability of the Creditors towards the terms of the Creditors' Scheme, such as, the value of the Scheme Assets which is affected by the Share Subscription Price and the issue price of the Scheme Shares; and (vii) that an issue price with large discount is not uncommon among companies involving creditors' scheme and/or debt restructuring. Taking into account the above and the reasons for the Proposed Restructuring as discussed in the section below in this circular, the Directors consider that the Share Subscription Price is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Please also refer to the sub-section headed "6.3 Other factors that further deteriorated the Group's financial condition" for more information on the Group's recent financial condition and liquidity challenges.

5.2 Conditions of the Share Subscription

Completion of the Share Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions reasonable acceptable to both the Company and the Investor) the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked before completion of the Share Subscription;
- (b) the Whitewash Waiver having been granted by the SFC and the satisfaction of conditions attached thereto, if any;
- (c) the Special Deals having been approved by the SFC and the satisfaction of any conditions attached thereto, if any;
- (d) resolutions in relation to the Share Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription, the Whitewash Waiver and the Special Deals) having been duly passed by the Independent Shareholders in general meeting, and the Board having been granted the Specific Mandate in accordance with the Listing Rules;
- (e) resolutions in relation to Share Subscription Agreement and the transactions contemplated thereunder (including the Share Subscription, the Whitewash Waiver, the Specific Mandate and the Special Deals) having been duly passed by the Board;
- (f) the Capital Reorganisation having become effective;

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- (g) the Creditors' Scheme having been sanctioned by the High Court; and
- (h) the completion of the CB Subscription taking place no later than the completion of the Share Subscription.

None of the conditions set out above can be waived. As at the Latest Practicable Date, save for condition e and g above, all the other conditions precedent to the Share Subscription Agreement have not been fulfilled. In the event that the conditions precedent are not satisfied by the Long Stop Date, the Share Subscription Agreement shall be terminated forthwith.

For the avoidance of doubt, completion of the Share Subscription is subject to the Capital Reorganisation having become effective. The Share Subscription Agreement and the CB Subscription Agreement are inter-conditional and the completions of the Share Subscription and the CB Subscription shall take place simultaneously.

Application for Listing of the Subscription Shares

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

5.3 The CB Subscription

On 26 January 2023, the Company and the Investor entered into the CB Subscription Agreement and pursuant to which, inter alia, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of approximately HK\$160.94 million.

The Convertible Bonds shall be non-interest bearing and be freely transferable.

CB Conversion Shares

Based on the initial CB Conversion Price of HK\$0.1772 per CB Conversion Share, a total of 908,251,918 CB Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, representing approximately 56.19% of sum of the enlarged Share capital upon completion of the Capital Reorganisation and the issue of the Subscription Shares, the Scheme Shares and the CB Conversion Shares upon full conversion of the Convertible Bonds.

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The CB Conversion Shares, when allotted and issued, will be issued by the Company under the Specific Mandate to be granted upon the approval of the Independent Shareholders at the EGM.

Restrictions on conversion of the Convertible Bonds

The Bondholder(s) (which will be the Investor immediately upon completion of the CB Subscription, or any person(s) subject to the transfer of the Convertible Bonds, if any) shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds into ordinary New Shares if the issue of CB Conversion Shares following the exercise by the Bondholder(s) of the conversion rights attached to the Convertible Bonds would result in (i) the Company not meeting the requirement under the Listing Rules that not less than 25% (or such other percentage as may from time to time be specified in the Listing Rules) of the Shares shall be held by the public immediately after the conversion; or (ii) a mandatory general offer obligation will be triggered under the Takeovers Code.

Ranking of the CB Conversion Shares

The CB Conversion Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the New Shares in issue on the date of allotment and issue of the CB Conversion Shares.

CB Conversion Price

The CB Conversion Price of HK\$0.1772 per Conversion Share, being the same as the Share Subscription Price.

The CB Conversion Price shall from time to time be subject to adjustment upon occurrence of consolidation or sub-division of Shares (the “**Adjustment Event**”) in accordance with the provisions of the Convertible Bonds.

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If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the fraction:

$$\frac{A}{B}$$

where:

“A” is the nominal amount of one Share immediately after alteration; and

“B” is the nominal amount of one Share immediately before alteration.

Following the Adjustment Event and before the effect of such event has been reflected in the trading price of the Shares on the Stock Exchange, the CB Conversion Price shall be adjusted so that, after such adjustment and on conversion of the Convertible Bonds, the Bondholders shall be entitled to receive the same percentage of the issued share capital of the Company carrying the same proportion of votes exercisable at a general meeting of Shareholders and the same entitlement to participate in distributions of the Company, in each case as nearly as practicable, as would have been the case had no Adjustment Event occurred (and making such reduction or increase as is necessary to the premium arising on the issue and allotment of the New Shares on conversion of the Convertible Bonds). The relevant adjustment shall be determined by the auditor. On any adjustment, the resultant conversion price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest whole Hong Kong cent.

CB Maturity Date

The Convertible Bonds should mature on the date falling on the 3rd anniversary of the date of issue of the Convertible Bonds; and if that is not a Business Day, the Business Day immediately after such date.

Unless previously converted, the Convertible Bonds will be redeemed by the Company on the Maturity Date at its principal amount outstanding.

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5.4 Conditions of the CB Subscription

Completion of the CB Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions reasonable acceptable to both the Company and the Investor) the listing of, and permission to deal in, the CB Conversion Shares, and such approval not having been revoked before the completion of the CB Subscription (including the issuance of the Convertible Bonds);
- (b) the Special Deals having been approved by the SFC and the satisfaction of any conditions attached thereto, if any;
- (c) resolutions in relation to the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription and the Special Deals) having been duly passed by the Independent Shareholders in general meeting, and the Company having been granted the Specific Mandate in accordance with the Listing Rules;
- (d) resolutions in relation to the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription and the Special Deals) having been duly passed by the Board;
- (e) the Capital Reorganisation having become effective;
- (f) the Creditors' Scheme having been sanctioned by the High Court; and
- (g) the completion of the Share Subscription taking place no later than the completion of the CB Subscription.

None of the conditions set out above can be waived. As at the Latest Practicable Date, save for condition d and f above, all the other conditions precedent to the CB Subscription Agreement have not been fulfilled. In the event that the conditions precedent are not satisfied by the Long Stop Date, the CB Subscription Agreement shall be terminated forthwith.

For the avoidance of doubt, completion of the CB Subscription is subject to the Capital Reorganisation having become effective. The Share Subscription Agreement and the CB Subscription Agreement are inter-conditional and the completions of the Share Subscription and the CB Subscription shall take place simultaneously.

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Application of Listing of the CB Conversion Shares

No application will be made for a listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the CB Conversion Shares.

5.5 Proceeds from the Subscription

The gross proceeds from the Share Subscription and the CB Subscription are estimated to be approximately HK\$94.06 million and approximately HK\$160.94 million respectively.

The aggregate gross proceeds from the Subscriptions will be HK\$255 million, being a sum equal to the consideration of the Subscriptions. The aggregate net proceeds from the Subscriptions (after deducting related expenses) are estimated to be approximately HK\$220 million and will be utilised in the following manner:

- (i) approximately HK\$160 million will be distributed to the SchemeCo as Cash Consideration for the benefits of the Scheme Creditors;
- (ii) not more than HK\$25 million will be utilised to settle the professional fees and expenses in connection with the Proposed Restructuring; and
- (iii) the residual of approximately HK\$35 million will be utilised as working capital of the Company.

The Company is of the view that (i) the Subscriptions will be able to provide additional working capital for the Group and facilitate the Creditors' Scheme; and (ii) to discharge and release the debts and liabilities of the Company to the Creditors, which would constitute approximately 96.33% of the total indebtedness of the Company as at 31 January 2026 upon the effective of the Creditors' Scheme, and improve its financial position upon Completion. In view of the above, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) consider that the Term Sheet and the Subscription Agreements were entered into upon normal commercial terms following arm's length negotiations between the Company and the Investor and that the terms of the Term Sheet and the Subscription Agreements (including the Share Subscription Price and the CB Conversion Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The net subscription price, after deduction of relevant expenses, is estimated to be approximately HK\$0.173 per Subscription Share.

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6. REASONS FOR AND THE PURPOSES OF THE PROPOSED RESTRUCTURING

Prior to the entering into of the Term Sheet, the Group's operations, performance and development plans across its theme park and animation derivative products businesses have been severely and persistently impacted by the global outbreak of COVID-19 in late 2019. The prolonged pandemic-related restrictions — including widespread lockdowns, border closures, travel bans, social distancing measures, and sharp declines in domestic and international visitor numbers — particularly during the peak years of 2020 to 2022, resulted in extended periods of park closures (affecting both self-operated parks in locations such as Tokyo, Qingdao, and Shanghai, as well as licensed parks such as in Guangzhou), significantly reduced footfall, cancellation or deferral of major events, seasonal attractions, offline anime showcases, exhibitions, and promotional activities, and a material contraction in revenue from ticket sales, merchandise, food & beverage, licensing, multimedia animation entertainment, and related animation derivative product trading. These unprecedented challenges, among other things, led to severe liquidity pressure, increased working capital requirements and significant constraints on the Group's capital expenditure, essential park upkeep, and planned expansion initiatives for its theme parks, as well as the sales and development of related animation derivative products.

The Group's depressed financial position and the erosion of confidence in its future prospect (as, and after, affected by the pandemic) among creditors, investors, and other stakeholders further resulted in lenders and potential investors to adopt a more cautious stance that exacerbated the difficulties in securing external financing on favorable terms.

Prior to entering into the Term Sheet, the Company had approached (i) two PRC investors around July 2022, who had initially proposed to subscribe for the Company's bonds to facilitate a restructuring proposal; however, such proposal did not materialise as, among other factors, a petition filed by Maxx Capital adversely affected the Company's financial position and prospects; and (ii) commercial banks for loan financing to alleviate the Group's liquidity challenges, but was given to understand that it did not meet their requirements — such position possibly having been impacted by the petition filed by Maxx Capital, which resulted in the freezing of the Company's bank accounts.

The diminishing options for market-based or arms-length external funding, combined with the reduced confidence in the Group's prospects resulted in prolonged recovery challenges in the post-pandemic environment. The Board is of the view that implementing the Proposed Restructuring and the transactions contemplated thereunder represented an essential solution to restore a more sustainable capital structure for the Group. The Proposed Restructuring, once implemented, is expected to alleviate immediate repayment pressures, discharge or compromise claims in an orderly manner, enhance creditor and stakeholder confidence through a clearer path to

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recovery, and ultimately improve the Group's ability to access financing on more reasonable terms as its financial position stabilizes and business performance gradually recovers and is therefore considered by the Board to be in the interests of the Company and the Shareholders as a whole.

6.1 How the Group's Businesses were affected at the material time

1. The Theme-Park Business

The Group's theme parks expansion plan prior to the Covid-19

Following the acquisition of Sega Live Creation Co. Ltd. in 2017, the Group has been focusing on expanding the number of theme parks (i.e. Joypolis and Wonder Forest in the PRC). During 2017 to 2018, the Group appointed a group of comprehensive park construction contractors to perform the Construction Services for the Group's Joypolis and Wonder Forest parks, the details of the services by sequences are set out as follows,

- Step 1 site locations planning and market positioning;
- Step 2 sites' layout and floor plan planning and concept designing;
- Step 3 basic interior designs and renovating;
- Step 4 entertainment facilities/equipment selection, production and installation;
- Step 5 entertainment facilities/equipment examination and modification;
- Step 6 sites' safety and fire protection designing and reviewing;
- Step 7 ensure the theme parks to pass the relevant safety acceptance and obtain the operation qualifications from relevant authorities;
- Step 8 relevant staffs' trainings; and
- Step 9 perform parks' opening determination inspection.

The expected construction time required to perform the Construction Services for each of the parks would be subject to the size of the park and in general, based on the Group's experience, building a sizeable theme park like Joypolis would usually take up to around three to five years to complete the Construction Services (i.e. setting up of Joypolis would require a longer time than setting up of Wonder Forest). It was expected that after the completions of these park construction

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projects, the Group could occupy more market shares in the park industry in the PRC and/or Asia and result in satisfactory source of income to the Group (as further elaborated in sections below, such expansion goal was then disrupted by the unexpected outspreading of the Covid-19).

The effect of the Covid-19 on the Group's theme park business

The Covid-19 affected the Group's establishment and operation of indoor theme parks business in the following ways.

- (i) The Covid-19 and related precautionary and quarantine measures implemented by the governments had affected and/or restricted people flow.
- (ii) Less people, including local citizens and tourists, would go to the Group's theme park and thus affected its income through the sales of admission tickets and the provision of entertainment facilities (which may include rewarding customers with animation products as incentives for them to participate and generate additional income for the Group).
- (iii) The Group has three self-operated theme parks located in Tokyo, Qingdao and Shanghai. Set out below are the period of suspension of the Group's theme park due to the restriction policies related to Covid-19:

Location	2020	Suspension Period (Note 1)	
		2021	2022
Japan (Note 2)	2 March to 12 June	25 April to 11 May	Not applicable
Qingdao, PRC	25 January to 31 March, 20 April to 14 May	Not applicable	13 March to 31 March, 1 April to 23 April, 7 November to 16 November, 20–29 December
Shanghai, PRC	26 January to 8 May	January to May	4 March–15 August 10 October–21 December

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Notes:

1. *Even when the Group's theme parks were still operating, due to the suspension of flights and quarantine measures, the number of overseas visitors had been greatly reduced as compared to that prior to the outbreak of the Covid-19. Accordingly, revenue and ticket sales of the Group's theme parks had been seriously affected.*
 2. *In Japan, in addition to the suspension of theme park during the period as stated in the above, the government had intermittently announced emergency notice to all local citizens to restrict their social activities and persuade them to stay at home from year 2020 to 2021.*
- (iv) Business collaborations with oversea partners to launch licensing theme parks in the Southeast Asia have also been suspended since 2020, pending the full recovery of the Covid-19.
- (v) Prior to the Covid-19, the Group had engage the Park Constructors to establish more theme parks and expand its theme park business. However, the quarantine measures under the Covid-19 in the PRC affected the construction progress of these theme parks as well as the financial capacity of these park constructors.
- (vi) In light of the stagnated construction progress, the Group has requested for the refund of the prepayments it paid to establish theme parks. The Park Constructors (as referred to in the sub-section below headed "Background information of the Park Constructors") attempted to cash out the purchased construction materials as partial repayment to the Group, but it was difficult for them to sell the said materials in the open market and return sufficient advance repayment to the Group due to the ongoing impact of the Covid-19 at the material time and the Group has not received any refund from these park constructors, which led to the Group's impairment in its other receivables in the aggregate amount of approximately HK\$298.13 million up to 31 March 2023 and further accelerated the deterioration of Group's financial position.

Background information of the Park Constructors

1. Arto Design

Arto Design is wholly-owned by Cai Shaohuan* (蔡少環), a PRC citizen. Arto Design is principally engaged in renovation engineering, games development and multimedia entertainment businesses.

The Company engaged Arto Design as one of its park constructors since July 2018 and had paid approximately HK\$43.20 million to Arto Design as prepayment for the construction projects to construct and establish 60 Wonder Forest kid amusement parks for the Group in the Central China region by March 2023. Pursuant to the relevant construction agreements, Arto Design was

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responsible to conduct and complete the Construction Services for Wonder Forest. Arto Design, at the material time, had over five years of experience in providing theme parks' construction and renovation services and was familiar with the relevant construction related policies in the Central China region.

The Company and Arto Design agreed to construct the 60 Wonder Forests by six different phrases and each phrase should follow the steps similar to the table set out below. The initial plan and time-frame for the constructions of the first phrase of the 60 Wonder Forest parks agreed by Arto Design was set out as follows,

Events	Expected Schedule (by phrase)
Sites selection	Jul 2018 to Mar 2019
Sites positioning	Apr to Sep 2019
Site layout conceptual planning	Oct 2019 to Feb 2020
Equipment selection	Mar to Jul 2020
Floor plan design	Apr to Aug 2020
Basic interior design	May to Sep 2020
Equipment production and scheduling	May to Oct 2020
Fire safety design and review	Jul to Sep 2020
Interior constructions	Jul to Dec 2020
Staff trainings	Jul to Dec 2020
Equipment installations	Aug to Nov 2020
Safety inspections	Oct to Dec 2020
Equipment testing and modifications	Oct to Dec 2020
Passing of fire safety	Oct to Dec 2020
Operation check and acceptance	Oct to Dec 2020
Parks commences operations	Oct to Dec 2020

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. Around 20 Wonder Forests had proceeded to the process of designing, selecting and ordering of the relevant equipment (i.e. equipment selection) to be included in the Wonder Forests while the rest of the Wonder Forests' locations were yet to be confirmed and/or approved. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

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2. *Green Metro*

Green Metro is wholly-owned by Gao Cui* (高翠), a PRC citizen. Green Metro is principally engaged in renovation engineering. A loan of HK\$35 million was provided to the Company in April 2021 by Skalacrest (Hong Kong) Limited, which is a company beneficially owned by Gao Cui. The loan (together with the interests) was then assigned and transferred by Skalacrest (Hong Kong) Limited to Bloom Fort Limited, which is a company owned by Lee Pui Kin, on 30 September 2021. Subsequently, the loan was repaid by way of debt capitalization by the Company as disclosed in the Company's announcement dated 30 December 2021 which was completed and announced by the Company on 14 January 2022.

The Company engaged Green Metro as one of its park constructors since July 2018 and had paid approximately HK\$52.87 million to Green Metro as prepayment for the construction projects to govern and complete the construction and renovation of an indoor theme park (Joypolis) in Tianjin for the Group by March 2023. Pursuant to the relevant construction agreements, Green Metro was responsible to conduct and complete the Construction Services for Joypolis. Green Metro, at the material time, had over five years of experience in the renovation engineering business and given that it has previously participated as one of the main contractors in 2016 to be responsible for the construction arrangement of a theme park in Beijing, namely, SoReal VR Theme Park* (SoReal 煥真VR主題樂園), a theme park that adopted the elements of VR related technology and entertainment facilities and is in operation and considered to be resemblance to the ones the Company targeted to establish after having visited and evaluated the operation model, set ups, equipment, target customers and design of such theme park. Moreover, the Company was also given to understand that Green Metro, if required, could also introduce and/or arrange by ways such of outsourcing, certain parts of the constructions to the relevant parties that helped in its previous construction of the theme park in Beijing. Accordingly, taking into account of the experience and the benefits of having a network of construction related service providers, the Company considered Green Metro to be a suitable constructor based on its previous work and the information provided by the business partners of the Company.

The initial plan and time-frame for the establishing of Joypolis in Tianjin, the PRC agreed by Green Metro was set out as follows,

Events	Expected Schedule
Sites selection	Aug to Nov 2018
Sites positioning	Dec 2018 to Aug 2019
Site layout conceptual planning	Sep 2019 to Apr 2020
Equipment selection	May to Jan 2021

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Events	Expected Schedule
Floor plan design	Feb to July 2021
Equipment production and scheduling	May 2021 to May 2022
Basic interior design	Jun 2021 to Jan 2022
Fire safety design and review	Dec 2021 to Jan 2022
Interior constructions	Jan to Aug 2022
Equipment installations	Sep 2022 to Mar 2023
Staff trainings	Jan to Jun 2023
Equipment testing and modifications	Feb to May 2023
Safety inspections	Mar to May 2023
Passing of fire safety	Mar to May 2023
Operation check and acceptance	May 2023
Joypolis commences operations	Jun 2023

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. The Company had decided and confirmed Green Metro most of the equipment that would be included in this Joypolis. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

3. *Jinfeng*

Jinfeng is wholly-owned by Li Chunping* (李春萍) and Peng Jianfeng* (彭劍峰), both are PRC citizens. Jinfeng is principally engaged in construction and decoration engineering.

The Company engaged Jinfeng as one of its park constructors since September 2018 and had paid approximately HK\$42.80 million to Jinfeng as prepayment for the construction projects to govern and complete the construction and renovation of an indoor theme park (Joypolis) in Nanshan, Shenzhen for the Group by September 2023. Pursuant to the relevant construction agreements, Jinfeng was responsible to conduct and complete the Construction Services for Joypolis. Jinfeng, at the material time, had over ten years of experience in the construction and decoration engineering business.

The initial plan and time-frame for the establishing of Joypolis in Shenzhen, the PRC agreed by Jinfeng was set out as follows,

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Events	Expected Schedule
Sites selection	Oct 2018 to Feb 2019
Sites positioning and planning	Feb to Oct 2019
Equipment selection	Jul 2020 to Mar 2021
Floor plan design	Apr 2021 to Oct 2021
Equipment production and scheduling	Aug 2021 to Aug 2022
Basic interior design	Sep 2021 to Apr 2022
Fire safety design and review	Mar to Apr 2022
Interior constructions	Apr to Sep 2022
Equipment installations	Aug 2022 to May 2023
Staff trainings	Mar to Aug 2023
Equipment testings and modifications	May to Aug 2023
Safety inspections	Jun to Aug 2023
Passing of fire safety	Jun to Aug 2023
Operation check and acceptance	Aug 2023
Joypolis commences operations	Sep 2023

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. The Company had decided and confirmed Jinfeng most of the equipment that would be included in this Joypolis. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

4. *Meijiating*

Meijiating is wholly-owned by Li Huirong* (李輝蓉), a PRC citizen. Meijiating is principally engaged in research and development of renovation engineering technology, design of renovation engineering, domestic trade, import and export of goods and technologies.

The Company engaged Meijiating as one of its park constructors since July 2018 and had paid approximately HK\$47.55 million to Meijiating as prepayment for the construction projects to construct and establish 80 Wonder Forest amusement parks for the Group in the Southern China region by February 2023. Pursuant to the relevant construction agreements, Meijiating was responsible to conduct and complete the Construction Services for Wonder Forest. Meijiating, at the material time, had over ten years of experience in the design, research and development of renovation engineering business.

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The Company and Meijiating agreed to construct the 80 Wonder Forests by eight different phrases and each phrase should follow the steps similar to the table set out below. The initial plan and time-frame for the constructions of the first phrase of the 80 Wonder Forest parks agreed by Meijiating was set out as follows,

Events	Expected Schedule (by phrase)
Sites selection	Jul 2018 to Mar 2019
Sites positioning	Apr to Sep 2019
Site layout conceptual planning	Oct 2019 to Feb 2020
Equipment selection	Mar to Jul 2020
Floor plan design	Apr to Aug 2020
Basic interior design	May to Sep 2020
Equipment production and scheduling	May to Oct 2020
Fire safety design and review	Jul to Sep 2020
Interior constructions	Jul to Dec 2020
Staff trainings	Jul to Dec 2020
Equipment installations	Aug to Nov 2020
Safety inspections	Oct to Dec 2020
Equipment testing and modifications	Oct to Dec 2020
Passing of fire safety	Oct to Dec 2020
Operation check and acceptance	Oct to Dec 2020
Parks commences operations	Oct to Dec 2020

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. Around 30 Wonder Forests had proceeded to the process of designing, selecting and ordering of the relevant equipment (i.e. equipment selection) to be included in the Wonder Forests while the rest of the Wonder Forests' locations were yet to be confirmed and/or approved. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

5. *Toyo*

Toyo is wholly-owned by Shum Sui On* (岑瑞安), a Hong Kong citizen. Toyo is principally engaged in decoration engineering and management.

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The Company engaged Toyo as one of its park constructors since July 2018 and had paid approximately HK\$72.91 million to Toyo as prepayment for the construction projects to construct and establish 80 Wonder Forest amusement parks for the Group in the Northern China region by July 2023. Pursuant to the relevant construction agreements, Toyo was responsible to conduct and complete the Construction Services for Wonder Forest. Toyo had participated in the supervision and management of the Group's construction project in Longgang, Shenzhen in 2012 and the Directors were satisfied with the development of the said project and the performance and quality of work delivered by Toyo.

The Company and Toyo agreed to construct the 80 Wonder Forests by eight different phrases and each phrase should follow the steps similar to the table set out below. The initial plan and time-frame for the constructions of the first phrase of the 80 Wonder Forest parks agreed by Toyo was set out as follows,

Events	Expected Schedule (by phrase)
Sites selection	Jul 2018 to Mar 2019
Sites positioning	Apr to Sep 2019
Site layout conceptual planning	Oct 2019 to Feb 2020
Equipment selection	Mar to Jul 2020
Floor plan design	Apr to Aug 2020
Basic interior design	May to Sep 2020
Equipment production and scheduling	May to Oct 2020
Fire safety design and review	Jul to Sep 2020
Interior constructions	Jul to Dec 2020
Staff trainings	Jul to Dec 2020
Equipment installations	Aug to Nov 2020
Safety inspections	Oct to Dec 2020
Equipment testing and modifications	Oct to Dec 2020
Passing of fire safety	Oct to Dec 2020
Operation check and acceptance	Oct to Dec 2020
Parks commences operations	Oct to Dec 2020

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. Around 20 Wonder Forests had proceeded to the process of designing, selecting and ordering of the relevant equipment (i.e. equipment selection) to be included in the Wonder Forests while around 10 Wonder Forests had

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completed the layout of the conceptual planning and the rest of the Wonder Forests' locations were yet to be confirmed and/or approved. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

6. *Wealth Gather*

Wealth Gather is wholly-owned by Zeng Huaqiao* (曾華橋), a PRC citizen. Wealth Gather is principally engaged in renovation engineering, theme parks equipment manufacturing and consultancy for theme park business.

The Company engaged Wealth Gather as one of its park constructors since August 2018 and had paid approximately HK\$55.46 million to Wealth Gather as prepayment for the construction projects to govern and complete the construction and renovation of an indoor theme park (Joypolis) in Dongguan for the Group by March 2023. Pursuant to the relevant construction agreements, Wealth Gather was responsible to conduct and complete the Construction Services for Joypolis. Wealth Gather, since 2012, had cooperated construction and decoration with the Group and had participated in the supervision and management of the Group's construction projects. Based on previous satisfactory cooperations experiences, the Group was satisfied with Wealth Gather's knowledge and experience in operating large-scale theme parks and has built a trustworthy business relationship with it. Wealth Gather, at the material time, had over ten years of experience in theme park operations.

The initial plan and time-frame for the establishing of Joypolis in Dongguan, the PRC agreed by Wealth Gather was set out as follows,

Events	Expected Schedule
Sites selection	Aug to Nov 2018
Sites positioning	Dec 2018 to Jul 2019
Site layout conceptual planning	Aug 2019 to Mar 2021
Equipment selection	Apr to Nov 2020
Floor plan design	Dec 2020 to Apr 2021
Equipment production and scheduling	May 2021 to May 2022
Basic interior design	Jun 2021 to Jan 2022
Fire safety design and review	Nov 2021 to Jan 2022
Interior constructions	Jan to Jul 2022
Equipment installations	Jul 2022 to Jan 2023
Staff trainings	Jan to May 2023
Equipment testings and modifications	Mar to May 2023

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Events	Expected Schedule
Safety inspections	Mar to May 2023
Passing of fire safety	May 2023
Operation check and acceptance	May 2023
Joypolis commences operations	May 2023

Prior to the suspension of the construction, steps 1 and 2 of the Construction Services were completed for this construction project comprising of information such as (i) a report analysis; (ii) expected construction schedules and relevant costs; and (iii) functions for each park-area and corresponding electrical and mechanical engineering requirement etc. The remaining construction works of this project did not complete and no operation was commenced for the reasons elaborated below in this section.

Construction Services for the Joypolis and Wonder Forests projects (as mentioned above) did not progress as planned after the Group was pushed to slow down its business expansion amid pressured financial constraints and increased difficulty encountered by the Group and the Park Constructors, with whom the Group had understanding that, aside from the Construction Services, they would leverage their established networks in the PRC to help identify interested investors and cooperation partners for the Group in establishing Joypolis and multiple Wonder Forests (as the case may be) in their designated regions in the PRC. Challenges arose from unexpected policy changes in the PRC property market in the introduction of the “Three Red Lines” in mid-2020, which was designed to curb excessive debt and leverage in the real estate development sector. This policy substantially weakened overall investment demand in the sector and reduced the number of investors previously interested in cooperating with the Group on theme park establishment, consistent with the Group’s strategy of partnering for development its theme park business. Thereafter, the outbreak of the Covid-19 further dampened investor sentiment, causing more parties who had previously expressed interests to the Group to withdraw from potential cooperations. As a result, despite multiple rounds of discussions between the Group and the Park Constructors, considerable time was required to adjust site selections, revise planning parameters and identify or finalizing terms with potential investors. These prolonged adjustments and the Group subsequent weakening in financial position have materially extended the overall project timelines, leaving the Construction Services incomplete and preventing the Group from commencing operations of the affected projects to date.

Each of the Park Constructors and their respective ultimate beneficial owners mentioned in this section is an Independent Third Party.

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Prepayments made by the Group for the constructions of theme parks

It is an industry norm to devote a sizeable sum of prepayment for contractors and/or constructors for theme park constructions to be used for the initial expenses arisen from performing the construction related services. Accordingly, sizeable prepayments were required to be made by the Group according to market practices to each of its contractors and/or constructors to commence the constructions of theme parks, to facilitate the construction progress to be completed on schedule and avoid default and/or construction related risks. These prepayments were determined based on the costs that were required for preparing the initial construction works (i.e. the designing, planning and the selection and production of the facilities/entertainment expected to be included in the relevant parks under the Construction Services) and the procurement of building materials and would usually represent around 30% but not more than 50% of the preliminary estimated total construction costs agreed by the Group with references to the proposed size and location of the park. When the preliminary construction works were completed and/or prepayment were fully-utilised, the Group would then conduct further assessment on the status to determine the remaining construction costs required to complete the construction project. Throughout 2020 to 2023, the quarantine policies related to the Covid-19 had continuously among other things, limited the number of construction workers available in the sites and interfered the transportation and import of overseas construction equipment and materials. During this period, the constructions of the Group's theme parks were in a state of suspension and the construction progress and schedules had been repeatedly postponed. The Group was given to understand that the constructions of the Group's parks were affected and because the prepayments made by the Group for development of theme parks were used on purchasing construction materials, such materials after additional works were applied, could not be easily disposed in the public market, the constructors could not return the prepayments to the Group and also could not complete the Group's construction projects.

The Group has obtained legal advices and issued demand letters to each of the Park Constructors on this regard requesting for the recovery of the prepayments made by the Group. The Park Constructors had previously agreed to attempt to re-sell the purchased construction materials in the open market for cash, together with any unutilized prepayments, and return such sums to the Group. However, these Park Constructors were faced with practical difficulty of disposing of the purchased construction materials on the open market due to their specific design for theme parks and the weak market environment and could not return the prepaid sum to the Company. The Accounts Receivable Committee was set up in December 2022 to follow up and take appropriate recovery actions to recover the payments from the constructors and make regular feedback reports to the Group. After reviewing the feedback reports from the Accounts Receivable Committee and considering the financial positions of these park constructors at the time and the general market conditions in the PRC, the Directors took the view that it would not be in the Company's interest to commence further legal actions against its park constructors at the moment

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to recover the relevant prepayments given that (i) the market values of these constructors at the material time were adversely affected; and (ii) the commencement of legal action against these constructors might force them to go into liquidation which would further reduce the chance of recovering the Group's prepayments.

The Group's impairment losses in relation to the prepayments for the Constructions Services

The incomplete theme park constructions were not resumed while the respective prepayments were not refunded, over an extended period of time, and as a result, as at the financial year ended 31 March 2023, the Group recognized a total cumulative impairment loss in prepayments in the amount of approximately HK\$298.13 million. Set out below a summary table of the details of the prepayment made by the Company to the Park Constructors and the corresponding impairment losses.

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Table: Prepayments in relation to the Parks Constructions

No.	Park Constructors	Initial Construction Agreement Date	Expected completion date	Prepayments made by the Company	Amounts recovered/ utilised up to 31 March	Gross prepayments balances		Amount of impairment recognised in respect of the prepayments during the years ended	Cumulative impairment recognised as at	Net balances (after impairment) as at	Amounts recovered/utilised up to the Latest Practicable Date and the latest status
						(before impairment) as at 31 March	2022				
1	Arto Design	6/7/2018	17/3/2023	43.20 (HK\$ million)	2.34	40.86	16.05	24.81	40.86	—	Arto Design has agreed to build 60 Wonder Forests for the Group and is currently providing Construction Services to Wonder Forest in Shanghai. The relevant construction expenses will be deducted from the balance of the prepayments that was previously made by the Company.
											Arto Design also completed the provision of Construction Services of the Joypolis in Shanghai to the Group and set-off around RMB1.99 million from its outstanding payable to the Group.
											Up to the Latest Practicable Date, approximately HK\$2.34 million and RMB3.85 million were recovered from this Park Constructor.

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No.	Park Constructors	Initial Construction Agreement Date	Expected completion date	Prepayments made by the Company (HK\$ million)	Amounts recovered/ utilised up to 31 March 2022 (HK\$ million)	Amount of impairment recognised in respect of prepayments during the years ended 31 March 2022 (HK\$ million)	Amount of impairment recognised in respect of the prepayments during the years ended 31 March 2023 (HK\$ million)	Cumulative impairment recognised as at 31 March 2023 (HK\$ million)	Net balances (after impairment) as at 31 March 2023 (HK\$ million)	Amounts recovered/utilised up to the Latest Practicable Date and the latest status
2	Green Metro	12/7/2018	29/3/2023	52.87	2.54	19.78	30.55	50.33	—	Green Metro has agreed resume the provision of Construction Services for the Group. It has completed the provision of Construction Services for of the Joypolis in Shanghai. The relevant construction expenses has been deducted from the balance of the prepayments that was previously made by the Company.
3	Jinfeng	30/9/2018	30/9/2023	42.80	0.75	16.52	25.53	42.05	—	Up to the Latest Practicable Date, approximately HK\$2.54 million and RMB2.12 million were recovered from this Park Constructor. Jinfeng has agreed to be one of the two main Park Constructors for the construction of Joypolis in Kai Tak. The relevant Construction Services were completed and the expenses has been deducted from the balance of the prepayments that was previously made by the Company. Up to the Latest Practicable Date, approximately HK\$3.64 million was recovered from this Park Constructor.

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No.	Park Constructors	Initial Construction Agreement Date	Expected completion date	Prepayments made by the Company (HK\$ million)	Amounts recovered/ utilised up to 31 March 2022 (HK\$ million)	Amount of impairment recognised in respect of the prepayments during the years ended 31 March 2022 (HK\$ million)	Amount of impairment recognised in respect of the prepayments during the years ended 31 March 2023 (HK\$ million)	Cumulative impairment recognised as at 31 March 2023 (HK\$ million)	Net balances (after impairment) as at 31 March 2023 (HK\$ million)	Amounts recovered/utilised up to the Latest Practicable Date and the latest status
4	Meijiating	20/7/2018	28/2/2023	47.55	2.49	17.70	27.36	45.06	—	Meijiating has agreed to build 80 Wonder Forests for the Group and is currently providing Construction Services to Wonder Forest in Guangxi. The relevant construction expenses will be deducted from the balance of the prepayments that was previously made by the Company.
										Up to the Latest Practicable Date, approximately HK\$2.49 million was recovered from this Park Constructor and expected to recover around RMB11.6 million for the Construction Services of Wonder Forest in Liuzhou and Guangxi when such services are delivered around mid-2027.

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No.	Park Constructors	Initial Construction Agreement Date	Expected completion date	Prepayments made by the Company (HK\$ million)	Amounts recovered/ utilised up to 31 March 2022 (HK\$ million)	Amount of impairment recognised in respect of the prepayments during the years ended 31 March 2022 (HK\$ million)	Amount of impairment recognised during the years ended 31 March 2023 (HK\$ million)	Cumulative impairment recognised as at 31 March 2023 (HK\$ million)	Net balances (after impairment) as at 31 March 2023 (HK\$ million)	Amounts recovered/ utilised up to the Latest Practicable Date and the latest status
5	Toyo	3/7/2018	3/7/2023	72.91	5.91	26.32	40.68	67.00	—	Toyo has agreed to be one of the two main Park Constructors for the construction of Joypolis in Kai Tak. The relevant Construction Services were completed and the expenses has been deducted from the balance of the prepayments that was previously made by the Company. Up to the Latest Practicable Date, approximately HK\$8.93 million was recovered from this Park Constructor.

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No.	Park Constructors	Initial Construction Agreement Date	Expected completion date	Prepayments made by the Company (HK\$ million)	Amounts recovered/ utilised up to 31 March 2022 (HK\$ million)	Amount of impairment recognised in respect of the prepayments during the years ended 31 March 2022 (HK\$ million)	Amount of impairment recognised in respect of the prepayments during the years ended 31 March 2023 (HK\$ million)	Cumulative impairment recognised as at 31 March 2023 (HK\$ million)	Net balances (after impairment) as at 31 March 2023 (HK\$ million)	Amounts recovered/utilised up to the Latest Practicable Date and the latest status
6	Wealth Gather	15/8/2018	8/3/2023	55.46	2.63	20.76	32.07	52.83	—	Wealth Gather has agreed to and commenced the provision of Construction Services to Joypolis in Xinhui, Guangdong. The relevant construction expenses will be deducted from the balance of the prepayments that was previously made by the Company.
										Up to the Latest Practicable Date, approximately HK\$2.63 million was recovered from this Park Constructor (in terms of recovering the prepayment for Construction Services) and more will be recovered, which will be determined in later construction stages, upon delivery of Construction Services of Joypolis in Xinhui currently scheduled to be completed by mid-2028.

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The latest status of the Group's construction projects

Following the recovery of the entertainment and/or theme park industry in the PRC, the Group is gradually resuming its theme parks development in the PRC. To accelerate the recovery of the theme park business of the Group and to make uses of the prepayments that were previously paid, the Group and each of Arto Design, Green Metro, Jinfeng, Meijiating, Toyo and Wealth Gather have entered into respective agreements to resume the Construction Services for the Group after considering that (i) their operations have been recovering; (ii) they have demonstrated to the Group their willingness to continue to work and communicate with the Group on reaching acceptable solutions; and (iii) no additional costs are expected to be incurred by the Group in resuming the Construction Services. The Company also had regular discussions with these park contractors to understand their financial situations and had conducted stock takes and risk assessments, involving investigating their project orders and conducting interviews with their upstream suppliers and downstream customers, to ascertain whether these contractors' financial positions and project management capabilities still meet the Company's requirement before agreeing to the resumption of the projects.

Details of the status of the arrangements for the resumed Construction Services are as follows:

Park constructors	Latest status of the settlement
1. Arto Design	<p>On 17 November 2023, an agreement was entered whereby Arto Design shall resume the provision of Construction Services to the Group to complete the constructions of 60 Wonder Forests in total (and passing the relevant inspections) on or before the 2nd quarter of 2029. All the construction fees of the parks shall first be set off from the Group's previous prepayments made to Arto Design.</p> <p>Arto Design delivered construction services of a Wonder Forest in Shanghai to the Group in September 2024 and set-off around RMB1.86 million from its outstanding payable to the Group. Arto Design also completed the provision of Construction Services of the Joypolis in Shanghai to the Group and set-off around RMB1.99 million from its outstanding payable to the Group.</p>

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Park constructors	Latest status of the settlement
2. Green Metro	<p>On 13 November 2023, an agreement was entered whereby Green Metro shall resume the provision of Construction Services to the Joypolis in Shanghai including but not limited to, decorating and upgrading related services to the theme park, and such services shall be completed (and passing the relevant inspections) on or before the 2nd quarter of 2028. The construction fees of this park shall first be set off from the Group's previous prepayments made to Green Metro.</p> <p>Subsequently, the Group entered into an agreement in September 2024 to dispose of Joypolis in Shanghai for a consideration of RMB17 million to an independent buyer. Following the disposal, the new owner of the theme park required and engaged the Group, and the Group then engaged Green Metro and Arto Design, to complete the provision of the outstanding decoration and upgrading related construction services for the park.</p> <p>Green Metro completed Construction Services of the Joypolis in Shanghai to the Group in September 2024 and set-off around RMB2.12 million from its outstanding payable to the Group.</p>
3. Jinfeng and Toyo	<p>On 9 April 2024 and 18 April 2024, agreements were entered into with Toyo and Jinfeng respectively whereby the Group engaged them as Park Constructors to resume the Construction Services to complete the construction of the sports-themed Joypolis in Kai Tak, Hong Kong . The construction fees of this park has been set off from each of the Group's previous prepayments made to Jinfeng and Toyo.</p> <p>Toyo and Jinfeng completed Construction Services of the Joypolis in Kai Tak to the Group and set-off around HK\$3.02 million and HK\$2.89 million respectively from its outstanding payables to the Group.</p>

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Park

constructors

Latest status of the settlement

4. Meijiating On 3 November 2023, an agreement was entered whereby Meijiating shall resume the provision of Construction Services to the Group to complete the constructions of 80 Wonder Forests in total (and passing the relevant inspections) on or before the 2nd quarter of 2029. The construction fees of the parks shall first be set off from the Group's previous prepayments made to Meijiating.

Meijiating is delivering Construction Services of Wonder Forests in Liuzhou, the PRC. The first development stage of this project for a fee of HK\$5.80 million will be used to set-off from its outstanding payables to the Group, which is expected to complete before 4th quarter of 2026. Moreover, it is also agreed that Meijiating shall complete constructions of more Wonder Forests for the Group by 2nd quarter of 2029. Having obtained approvals on market position and proposal for the sites' layout and overall concept designing and sketches from the Group in April 2024, Meijiating began its construction works in Wonder Forest in Guangxi in May 2024. Currently, Meijiating is in discussion with the Group, modifying and finalizing the details of installing the equipment and amenities that were ordered for the park according to the Company's requirement. The Construction Services of Wonder Forest in Guangxi is scheduled to be completed by mid-2027 and upon delivered, a service fee of HK\$5.80 million will be set-off from its outstanding payable to the Group.

5. Wealth Gather On 30 October 2023, an agreement was entered whereby Wealth Gather shall resume the provision of Construction Services to the Joypolis in XinHui and such services shall be completed (and passing the relevant inspections) on or before the 2nd quarter of 2028. The construction fees of this park will be determined in the later construction stage and shall first be set off from the Group's previous prepayments made to Wealth Gather.

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Park constructors	Latest status of the settlement
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As at the Latest Practicable Date, the provision of the Construction Services has been commenced. Details of the selection of equipment and amenities were finalized and approved by the Group. Wealth Gather has been working on the foundation work that used for establishing the concrete structure that is required for the installation of an indoor roller coaster and the main beams and columns to reinforce the concrete structure were completed.

In addition to the above, the Group is currently in advanced discussions with an investor regarding the establishment of an AI-themed park with a sizable investment that require Construction Services. Although the terms and details of the project have not yet been finalized, the Group intends to sub-contract various components of the park to the Park Constructors, except for Wealth Gather, which is performing Construction Services to the Group's Joypolis project in Xinhui. The Group will continue to negotiate with these Park Constructors on the solutions and time to resume and complete their Construction Services to the Group and/or transferred such services on to other theme park projects of the Group to make use of the unused prepayments effectively into the development of the Group.

2. The Group's PPSP Services under the theme park business

As part of the Group's theme park business, the Group had entered into contracts with two PRC real estate developers, BVL and MEL in 2020 to perform PPSP Services for two real estate development projects in Beijing and Zhuhai. The Group's role in these contracts is mainly to perform the overall planning and designing of the projects and advising and facilitating the construction of the projects.

The Group would, among other matters, authorize IP-rights and prepare a feasibility report for each of the development projects under the PPSP Services comprising, (i) analysis for the project's background, location status and the relevant tourism market information; (ii) theme and concept planning, layout planning, designing planning and system and project planning; and (iii) project sketches, operation advices and estimations for the expected timetable and costs required, to outline the projects development details and expectations for the project developers and/or investors and facilitate the development of the relevant projects.

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Background information of the Group's PPSP Services projects

BVL, engaged in commercial and cultural entertainment real estate development for more than 8 years when it entered contract with the Company in respect of the PPSP Services, comprise of a national-level cultural industry network and is responsible for developing cultural projects in Beijing. It was intended to develop a site located in the south of Beijing with an area of 59,300 square meters. The BVL's project is intended to promote the integration of amusement, cultural and creative AR/VR technologies with the tourism in Beijing. The project wished to combine the concepts of cultural animation and e-Sports technologies and to establish one of the most influential cultural, technological and innovative exhibition and exchange center in the world. Upon completion, the project would have incorporated the Group's theme parks (i.e. Joypolis and/or Wonder Forest) and the participations from other reputation strategic partners, which would include some of the e-commerce industry leaders in the PRC. The Group's responsibilities were (i) to provide PPSP Services that include the preparation of a feasibility report for the subject project that, among others, cooperating in obtaining relevant governmental approval documents and construction certificates, assessing project investment scale, planning and development, profit forecast, funding arrangements and jobs and roles allocation; (ii) to authorize the Group's brand to be used; and (iii) provide conceptual design and business plan services. Through this project, the Group was expected to expand its business network and operations to generate additional income in view of the Group's short and long term development.

The ultimate beneficial owner of BVL is Huang Rong* (黄蓉) and he is an Independent Third Party.

MEL, engaged in commercial real estate development for more than 6 years when it entered contract with the Company in respect of the PPSP Services, was responsible for development urban renewal projects in Zhuhai that needs to be led by large real estate developer approved by the local government with the intention to influence the economic and social activities of the province. As resources and capitals were devoted into the overall development of Zhuhai city, the prospect of the MEL's project was expected to be attractive to the Group benefiting from the anticipated growth in the Greater Bay Area. This project proposed to renew and transform five older districts, streets, villages within Zhuhai and Macau with visions to established a leading, attractive and technological sustainable city. Upon completion, the project would have incorporated the Group's theme parks (i.e. Joypolis and/or Wonder Forest) and establish innovation research center that targets to attract different software, IPs and applications developers in the PRC. The Group's responsibilities were to provide PPSP Services that include the preparation of a feasibility report for the subject project. Through this project, the Group was expected to expand its business network, operations and generate additional income in view of the Group's short and long term development.

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The ultimate beneficial owner of MEL is Zhao Dan, who interested in 50% equity interests of MEL and being a nominee shareholder of the remaining 50% equity interests of MEL for Chang Jiansong* (常見松). Both Zhao Dan and Chang Jiansong are Independent Third Parties.

The Group's impairment losses in relation to its trade receivables through the provision of PPSP Services

The discussions of the details for the above development projects began since 2019 and after the framework and visions of the project were agreed upon, the agreements were then subsequently entered in 2020. Yet, the Covid-19 had disrupted the construction industry in the PRC and the constructions of the two projects with BVL and MEL were in a state of suspension.

The PPSP Services are preliminary services that are often required before any physical construction works to be commenced. The works and services involved in the PPSP Services, such as authorizing IP rights, conducting market studies, sketches and design proposals that will be used in feasibility reports would be easier and more common to be performed in one-go. Performing such services at once will allow the Company to provide a more all-rounded and completed designs and analysis to its customers. For the development project with BVL, the Group had provided a feasibility report to BVL and completed most of the PPSP Services set out in the above and the Group was expected to receive a total payment of HK\$125.00 million from BVL (as to HK\$56 million due 13 November 2021, as to approximately HK\$29 million due 18 March 2022 and as to HK\$40 million due 23 March 2022). For the development project with MEL, the Group had completed provided a feasibility report to MEL and completed most of the PPSP Services set out in the above and the Group was expected to receive payment of HK\$44.00 million from MEL (due 29 September 2021). The Group was given to understand that the development status of the two projects were affected and the completions of which, including the payment to the Group, had to be postponed.

The Group has been negotiating with these counterparties but were given the responses that the counterparties are expecting to resume the construction projects when they are able to obtain the necessary approvals from the local governmental department. The Group has appointed legal advisers and issued legal demand letters to both BVL and MEL and will continue to take appropriate legal actions for the settlement of the services fees if and when necessary.

The sum of the trade receivables from BVL and MEL, in the amount of HK\$169.0 million, were past due for an extended of time, and as a result, as at the financial year ended 31 March 2023, after deducting the partial payment received by the Group of HK\$13.0 million, the Group recognized a total cumulative impairment loss on these trade receivables through provision of PPSP Services in the amount of approximately HK\$156.0 million. Set out below a summary table of the details of the receivables of the Group that were arisen from the provision of PPSP Services and the corresponding impairment losses.

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Table: Receivables in relation to provision of PPSP Services

No.	Name of counterparties	Date of agreement(s)	Expected due date of the payment	Consideration (HK\$ million)	Payment received (HK\$ million)	Gross Receivables		Amount of impairment recognised in respect of trade receivables during the years ended	Cumulative impairment recognised as at	Net balances (after impairment) as at	Latest Status
						31 March 2022 (HK\$ million)	31 March 2023 (HK\$ million)				
1	BVL	13/11/2020	23/3/2022	40.00	—	40.00	15.71	24.29	40.00	—	The Group has performed most of the PPSP
		13/11/2020	13/11/2021	56.00	8.40	47.60	18.70	28.90	47.60	—	Services set out in the agreement but this project is currently stalled pending on BVL's further instructions. Additional to monitoring the project's status, the Group has been negotiating with BVL to apply and set off the payment sums owed to the Group against investment in other ongoing cultural construction projects of BVL that could generate economic returns for the Group. As at the Latest Practicable Date, the Group is still in negotiation with BVL and no decision has been made by the parties.
		13/11/2020	18/3/2022	29.00	—	29.00	11.39	17.61	29.00	—	

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No.	Name of counterparties	Date of agreement(s)	Expected due date of the payment	Consideration (HK\$ million)	Payment received (HK\$ million)	Gross Receivables balances		Amount of impairment recognised in respect of trade receivables during the years ended	Cumulative impairment recognised as at	Net balances (after impairment)	Latest Status
						31 March 2022	31 March 2023				
2	MEL	4/9/2020	28/9/2021	44.00	4.60	39.40	15.48	23.92	39.40	—	The Group has performed most of the PPSP Services set out in the agreement but this project is currently stalled pending on MEL's further instructions. Additional to monitoring the project's status, the Group has been negotiating with MEL to apply and set off the payment sums owed to the Group against investment in other ongoing cultural construction projects of MEL that could generate economic returns for the Group. As at the Latest Practicable Date, the Group is still in negotiation with MEL and no decision has been made by the parties.

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The Company believes that both BVL and MEL possess of a wide range of investors who are financially capable to make financial investments in the Group's theme parks and upon which, these investments and opportunities may turn into key revenue streams for the Group in the long run. Accordingly, the Company is trying to maintain its business opportunities with these two counterparties and is expected to continue to participate in the subject construction projects when they resume. Since the Company is an experienced player in the theme park industry, further guidance and/or theme park operational related advices were often required by its customers after the PPSP Services were completed. The Company would often be engaged by its customers, for separate construction/service fees, to deliver more construction services, such as monitoring and arranging licensed constructors to perform the required construction services. Considering the time duration involved in legal proceedings, one of the priorities of the Company is to establish long term business relationships that will improve its competitiveness in the theme park industry for long term and it believes that there are sufficient values, benefits or unexploited opportunities if the existing and, or other new, development/renewal projects engaged by BVL and/or MEL will eventually proceed. Should the projects of BVL and MEL resume, the Company may be able to achieve for the potential benefits, i.e. establishing its theme park in a popular district that positioned to attract tourists while establishing business connections with different players of different sectors to explore untapped potentials, it initially strived for when it agreed to participate in the projects of BVL and MEL. The Group will continue to monitor and follow-up with the status of the respective government approvals, respective development plans and the development of the tourism and construction industries in Beijing and Zhuhai.

The Company had appointed legal advisers and issued legal letters to each of BVL and MEL on 30 January 2023, followed by the issuance of statutory demands to them in mid March 2026. The Company had previously discussed with BVL and MEL various alternative settlement solutions, including potential collaborations and repayment arrangements; however, the Group was not satisfied with the proposed offers and is negotiating and awaiting their further proposals. The top priority of the Company is still on completing the Proposed Restructuring as quickly as possible to help resolve its immediate financial difficulties, and is expected that upon Completion, or when its business improves to an extent that it is considered to be more sustainable, the Company will take actions more strictly towards these counterparties to recover its receivables.

3. The Animation and Multimedia Business

The Group's animation derivative products business involves the trading of manufactured pop toys collectibles that relate to the applications of the Group's or other third-parties' animation IPs. Most of the Group's customers of this segment are toys-related manufacturing companies and distributors in Japan.

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The Group's multimedia animation entertainment business focuses on entertainment that relate to the applications of the Group's or other third-parties' animation IPs and VR technologies to, including but not limited, produce VR games and VR e-Sports related products and simulation experience. The Group has established VR e-Sports equipment, launched self-innovated VR e-Sports games and is one of the leaders in the VR e-Sports industry in the PRC. Some of the Group's VR features and equipment were also applied onto the entertainment facilities in the Group's theme parks.

The Group's animation and multimedia business plan prior to the Covid-19

The Group was focused on expanding its theme parks business and was attempting to operate towards an "asset-light" business model where the Group could (i) focus more on brands enhancement and licensing of its "Joypolis" and "Wonder Forest" to increase its licensing revenue under the theme park operations; and (ii) outsource its IP development and merchandize manufacturing processes. Prior to the Covid-19, the Group had decided to outsource its undeveloped IPs and some of its production equipment and cooperate with companies with relevant successful experience to develop and extract for more underlying potential commercial values.

The effect of the Covid-19 on the Group's animation and multimedia businesses

The Covid-19 affected the Group's trading of animation derivative products and multimedia animation entertainment businesses in the following ways,

- (i) suppressed regular business activities and complicated the establishment of offline anime-showcases and exhibitions which reduced the exposure and sales of the Group's animation derivative products;
- (ii) forced e-Sports retailers distributors and customers of the Group to close down and decreased the demands for Group's products;
- (iii) business operations and the sales performances of retail stores, merchandise and gaming facilities as a whole were affected and that dampened the willingness of the Group's distributors and customers to conduct promotions and marketing efforts on the Group's products;
- (iv) decreased the demand for the Group's intangible assets and affected the Group's income generated from IPs licensing and the development in the VR Industry; and

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- (v) severely affected the operations and financial capacities of the enterprises in the VR Industry and some of these enterprises, being purchasers of the Group's equipment and intangible assets, were unable to make uses of and generate commercial values from the equipment and intangible assets they purchased prior to the Covid-19 to fulfill their payment obligation to the Group.

Disposals of the Group's intangible assets and PPE

Taking into account of the above, during 2019 to 2020, after conducting the relevant due diligences and risk assessments for each of Arto Design, Red Perfect and State Shine (that comprises of reviewing of their credit and reputation, capabilities and expertise, financial strength, compliance with laws and regulations, market expansion and marketing capabilities and customers' feedback) to assess their financial positions, credit risks and business qualifications, including by reaching out to their senior management, customers and suppliers to verify the latest status of their business activities, and being satisfied with the their requisite capabilities to develop and commercialize the assets disposed by the Group, the Group has entered into agreements to dispose some of its production equipment and intangible assets, including not less than 10 IP-rights, (the details of which are disclosed in the next section headed "Background information of the purchasers of the Group's intangible assets and PPE") to cope with its development strategies. In return, having considered that developments of these assets require the purchasers to devote further resources and time, the Group allowed the purchasers one year of time to develop and generate financial values and then settle the respective considerations to the Group. The one year of time was served for IP developments as it usually takes at least 1 year for IPs to reach mature development based on the Company's successful track record of past examples of IP contracts entered into by the Company as well as having discussions with different industry peers operating IP relating to anime and manga. The abovementioned disposals were not expected to affect the operations of the Group's animation and multimedia businesses and the Group is still holding over 50 IPs yet to be developed. The intangible assets set out in the paragraphs below had been transferred to the purchasers upon entering into such agreements so that they could be put into commercial use by the purchasers and the Company has provided good quality venues (i.e. theme parks of the Company) for the operations of the IPs that were developed from the said intangible assets. When the Company disposes its IPs to Arto Design, Red Perfect and State Shine, the Company reached a consensus with each of them that they will authorize the Company to use the developed IPs and share profits from the commercialization of the IPs in the Company's theme parks after the intangible assets transacted have reached mature development. On the other hand, when the Company disposed of its PPE to Hua Teng Chang and Wealth Gather, it has also agreed with each of them on cooperation and profit sharing arrangements, under which Hua Teng Chang provides manufacturing services to the Group for its merchandise and IP-related products, and Wealth Gather helps boost the ticket sales of Joypolis in Shanghai by introducing new customers. The Company and the purchasers considered such arrangement to be mutually beneficial for both sides.

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Having considered that (i) such disposals would allow the Group to focus its resource to develop its theme park business; (ii) the subject assets had not been commercially utilised by the Group; (iii) the Group does not have to allocate resources and time to develop these intangible assets (i.e. source files to be developed into usable IPs with commercial values) and upon development, in addition to the receiving of capital inflow from the respective disposals, the Group also aimed at being able to deploy the relevant developed assets in its business for longer-term economic benefits; and (iv) such delayed payment arrangement is a long-adopted approach of the Company and thus in line with the past practices of the Company with successful track records with IP related contracts, the Company considers the above payment arrangement is in line with the Company's policies, market practices reasonable and in the interests of the Company and the Shareholders as a whole as at the material time.

Background information of the purchasers of the Group's intangible assets and PPE

Intangible Assets

1. Arto Design

Arto Design, principally engaged in renovation engineering, games development and multimedia entertainment business, is also one of the purchasers of the Group's intangible assets. It established a business model of "theme park × animation film × VR games" and has been involved in promoting animated-IPs.

The relevant disposal agreements were entered on 6 March 2020 and 13 March 2020 and pursuant to which, the total consideration payables by Arto Design to the Group in relation to the disposal of the intangible assets are in the amount of approximately HK\$30.63 million (approximately HK\$22.77 million was due 6 March 2021 and approximately HK\$7.86 million was due 13 March 2021). The consideration for the intangible assets disposed to Arto Design was determined based on the total acquisition and development costs used by the Group, topped up with a mark-up percentage that was made with reference to the then profit margin of the trading of toys business of the Group and under the market environment at the material time. Based on the said consideration and taking into account of the relevant development and marketing costs, the Group would recognize an estimated gain of approximately HK\$8.86 million after the completion of such disposal. The intangible assets disposed of were:

- A. The global exclusive agency rights for a series of VR games and VR equipment to Arto Design.

These VR games are equipped with hardware facilities designed for immersive experiences and corresponding game content software, including innovative themes such as VR rocket space capsules, VR simulated tanks, and VR large pirate ships, etc.

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Arto Design, through cooperating with offline VR shops, market advertisers, and agencies, was aiming to organize and shore up the marketing activities of these assets. The Company was given to understand that Covid-19 had interrupted Arto Design's plan and the cooperating shops, advertisers and agencies could not proceed with their original marketing efforts.

Subsequently, Arto Design resume the recruitment of new advertisers and agencies to execute its marketing plan on these assets. Upon development, these assets are expected to be applied to the rides of the Group's theme parks to improve the immersive and simulative related user experience such as their graphic resolutions, sensors or processing qualities.

B. The IPs relating to image rights and film rights of "Tibetan Antelope King* (藏羚羊)".

Arto Design has been preparing the making of the season two of the Tibetan Antelope King film which is expected to be completed by the end of the 2nd quarter of 2027. The Company was given to understand that the first batch of products derived from Tibetan Antelope King, that included plush products, plastic toys and children's books, were ordered and produced and will be launched along with the broadcasting of season two of the film. At the same time, Arto Design is developing a VR game with story, characters and settings of Tibetan Antelope King. The modeling and characters of the VR game are designed and approved, and after going through further texturing, image enhancing and other rendering work of the VR game, Arto Design will proceed to finalize the animation production, user interface production, sound effect and final integration and testing of the said game.

Following the above developments, currently, the Group is reviewing the VR games, equipment and IP-products developed by Arto Design and is evaluating whether these VR-related solutions and new products are suitable for application in its upcoming AI-themed park project.

The Directors expected that establishing business relationships with Arto Design could generate synergy effect and future economic benefits to the Group in the cultural entertainment segment. Other background information of Arto Design is set out in the sub-section headed under "Background information of the Park Constructors".

2. Red Perfect

Red Perfect is wholly-owned by Aiki Kazuya, a Japan citizen. Red Perfect, headquarter based in Japan, is principally engaged in games development and multimedia entertainment business in Japan and the PRC.

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The relevant disposal agreement was entered on 24 September 2019 and pursuant to which, the total consideration payables by Red Perfect to the Group in relation to the disposal of the intangible assets are in the amount of approximately HK\$73.80 million due 23 September 2020. The consideration for the intangible assets disposed to Red Perfect was determined based on the total development costs used by the Group, topped up with a mark-up percentage that was made reference to the then profit margin of the trading of toys business of the Group and under the market environment at the material time. Based on the said consideration and taking into account of the relevant development and marketing costs, the Group would recognize an estimated gain of approximately HK\$22.07 million after the completion of such disposal. The intangible assets disposed of were a series of VR games that were completed in 2016 and 2017, including:

- *Fruit Ninja** (水果劍士);
- *Bike Warrior** (騎行勇士);
- *Wings of Time** (時光的翅膀);
- *VR Agent** (VR特工); and
- *VR Drift Boat** (VR漂流船).

According to discussions with Red Perfect, it was expected that new features and functions will be added into the games and merchandizes and goods will be derived from the characters, stories and items of the games to increase the popularity of the games. Red Perfect was also going to increase market efforts on the above said games and organize tournaments in VR shops to attract customers and to enhance their gaming experience.

Meanwhile, considering that Red Perfect and the Group both engaged in the same principal business of games development, the Directors believed that building a business relationship with Red Perfect will eventually facilitate the Group to expand its business in the segment in the PRC and Japan because Red Perfect may introduce potential PRC and Japanese business partners to the Group. Also, Red Perfect, at the material time, had over nine years of experience in games development and multimedia entertainment business.

3. State Shine

State Shine is wholly-owned by Gao Cui* (高翠), a PRC citizen. State Shine is principally engaged in games development and multimedia entertainment business in the PRC.

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The relevant disposal agreement was entered on 12 March 2020 and pursuant to which, the total consideration payables by State Shine to the Group in relation to the disposal of the intangible assets are in the amount of approximately HK\$81.40 million due 11 March 2021. The consideration for the intangible assets disposed to State Shine was determined based on the net book value of the intangible assets, topped up with a mark-up percentage that was made after rounds of negotiations with reference to the then profit margin of the trading of toys business of the Group and under the market environment at the material time. Based on the said consideration and taking into account of the relevant development and marketing costs, the Group would recognize an estimated gain of approximately HK\$18.36 million after the completion of such disposal. The intangible asset disposed of was the VR game named “Huangyangjie Defense* (黃洋界保衛戰)”.

According to the discussions with State Shine, it has been allocating resources to advertise the said game and developing the functions and features of the game to support online and multi-players game-play to enhance players’ experience. While the returns from advertisement efforts did not meet its expectation due to the spreading of Covid-19 in the previous years, State Shine has still been working on the enhancement of the game and that certain upgrades have been completed. It is expected the enhancement will be completed by mid-2026. Currently, the Group is reviewing the VR games developed by State Shine and is evaluating whether it is suitable for application in its upcoming AI-themed park project. The Directors were attracted by State Shine’s development in e-Sports business with the theme and features of red tourism (i.e. elements of cultural, historical and revolutionary stories relating to the foundation of the PRC). State Shine, at the material time, had over seven years of experience in games development and multimedia entertainment business.

PPE

4. Hua Teng Chang

Hua Teng Chang was, at the material time of the agreement, wholly-owned by Lou Jingming* (樓景明), a PRC citizen. Hua Teng Chang is principally engaged in designing, producing, developing and sales of derivatives production in the PRC. Hua Teng Chang was a downstream processing supplier of one of the Company’s suppliers of derivative products.

The relevant disposal agreement was entered on 23 June 2020 and pursuant to which, the total consideration payables by Hua Teng Chang to the Group in relation to the disposal of the PPE and trade and other receivables are in the amount of approximately RMB68.00 million (equivalent to approximately HK\$80.53 million) and the PPE disposed to Hua Teng Chang are production and operation assets. Based on the said consideration and taking into account of the relevant development and marketing costs, the Group would recognize an estimated gain of approximately HK\$21.29 million after the completion of such disposal. For products (i.e. toys)

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manufacturing including assembly cables, injection molding machine, crushing machine, cooling water tower, labeling machine, pad printing machine, inkjet printer, air compressor and spray tower; whereas, the trade and other receivables are referring to the trade and other receivables of Flourishing Emerald Limited, a wholly-owned subsidiary of the Company. Such trade and other receivables were resulted from Flourishing Emerald Limited for providing the services, upon confirmation of the manufacturing details with its customers, to arrange and determine the raw materials and suppliers that required it to make the advanced payments on behalf of its customers to other independent suppliers. Flourishing Emerald Limited would then collect the total sum of costs it prepaid plus the relevant logistic fees from its customers after the manufacturing and delivery of the products are completed.

The Company transferred the legal titles of the assets to Hua Teng Chang immediately after the agreement was signed despite delayed payment (i) in order to allow Hua Teng Chang to, among other matters, perform installation, furnish the production workshop, test and train workers and pass inspection of the production workshop, so that it can commence its operations immediately to increase its manufacturing output with high standard qualities as required; and (ii) with referenced to the payment period offered to the customers. Pursuant to the terms of the disposal agreement with Hua Teng Chang, the consideration of RMB68.00 million shall be payable within 6 months after meeting the sales conditions and if Hua Teng Chang failed to meet the sales conditions specified in the agreement within 9 months from 23 June 2020, the transaction will be terminated. Hua Teng Chang will then have to return the assets to the Company and sign a rental agreement under which it will be obliged to pay a rental fee for using the transferred assets over the respective period. During the nine-month evaluation period, the Company stationed staff to manage and assess whether Hua Teng Chang's manufacturing capability and output quality met the requirements of the Company's and its customers. Also, Hua Teng Chang had met the sales condition set out in the agreement and the transaction was not terminated.

According to the above, the Company believed that such arrangement would be able to facilitate and allow Hua Teng Chang to increase its capacity output and thus, increase the supplies to the Group to its customers and in turn, generate more income to the Group, which is in the interests of the Company and the Shareholders as a whole.

It was expected that Hua Teng Chang would, after purchased the production equipment and lines from the Group, could become a stable merchandises supplier for the Group's animation derivative products that allows the Group to concentrate on merchandises orders taking and achieve asset-light business model. Hua Teng Chang, at the material time, had over ten years of experience in plastic toys manufacturing.

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5. Wealth Gather

Wealth Gather, principally engaged in renovation engineering, theme parks equipment manufacturing and consultancy for theme park business, is a purchaser of the Group's theme park related equipment.

The relevant disposal agreement was entered on 27 March 2021 and pursuant to which, the total consideration payables by Wealth Gather to the Group in relation to the disposal of the park equipment is in the amount of approximately HK\$60.40 million and the PPE disposed to Wealth Gather is the usage right of a park equipment of Joypolis in Shanghai. Based on the said consideration and taking into account of the relevant development and marketing costs, the Group would recognize an estimated gain of approximately HK\$18.67 million after the completion of such disposal. Wealth Gather will have to take care of the repairing and corresponding maintenance costs of the park equipment that it purchased from the Group that is being operated in Joypolis in Shanghai. Through increasing Wealth Gather's involvement in the Group's Joypolis in Shanghai through obtaining usage rights of park equipment, Wealth Gather is more incentivized to promote the ticket sales and increase the number of customers of Joypolis in Shanghai. It was understood that Wealth Gather will promote the Group's Joypolis to various business channels and platforms that it established business relationships with, including but not limited to, travel agencies, student groups and enterprises to increase their willingness to purchase group admission tickets to the park. The Company will track the number of these group customers to verify and inspect annually whether Wealth Gather had achieved the revenue target set by the Group, accounting for 30% or more of the total ticket sales of Joypolis in Shanghai. If 30% or more of the ticket sales of the park were generated through the customer channels and/or platforms recommended by Wealth Gather to the Group, then Wealth Gather will be qualified to split the ticket sales of Joypolis in Shanghai with the Group on a ratio of 30% to Wealth Gather and 70% to the Group. If the said conditions were not met by Wealth Gather for that year, all the ticket sales from Joypolis in Shanghai accumulated in that year will be belong to the Group.

Under the revenue sharing arrangement with Wealth Gather, the Group shared a total of approximately RMB23.15 million for the period from March 2020 to September 2024 from the operation of the subject equipment under the Joypolis in Shanghai prior to the disposal of such park to an Independent Third Party. The profit shared by Wealth Gather, together with the disposal proceeds payable to Wealth Gather in the total amount of approximately RMB9.34 million, was paid to the Group to set off the outstanding consideration payable by Wealth Gather to the Group in relation to the disposal of park equipment in March 2021 of HK\$60.40 million as mentioned in the above.

Other background information of Wealth Gather is set out in the sub-section headed under "Background information of the Park Constructors".

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Each of the purchasers and their respective ultimate beneficial owners mentioned in this section is an Independent Third Party.

The Group's impairment losses in relation to the disposals of the Group's intangible assets and PPE

The Group was given to understand that the businesses and cashflows of the purchasers of the Group's intangible assets were affected and they could not pay their considerations to the Group due to Covid-19. They could not generate any economic returns as a result of decreased pedestrian traffic and temporary closing down of their themed e-Sports stores in the PRC as the VR Industry and e-Sports entertainment, including the equipment and games, would require the players to experience physically. Consequently, the purchasers could not continue to devote resources to develop the assets they purchased from the Group as they intended when they agreed to purchase the relevant assets from the Group. Similarly, the businesses and cashflows of the purchasers of the Group's PPE were affected as a result of the decrease in orders and demand for theme park merchandises following the downturn of the theme park industry and the temporary closing down of the theme parks in the PRC.

Having considered the purchasers' financial position and the general market conditions in the PRC at the moment, the Directors do not consider the seeking of a return of the relevant IPs from the respective IPs purchasers or the relevant PPE from the respective PPE purchasers are in its best economic interest because the relevant assets would require the Group to devote additional capital investment, time and resources before they could generate commercial returns for the Company. The Company also attempted to locate new buyers for the IPs but has not been successful.

The Group has obtained legal advices and issued demand letters to each of the purchasers on this regard requesting for the recovery of the receivables from the disposals of assets of the Group. After reviewing the feedback reports from the Accounts Receivable Committee, it is believed that further legal actions against these purchasers might force them to go into liquidation and would further reduce the chance of recovering the respective considerations from the disposals.

Other than the above, the Directors had also been keeping close communications with these purchasers, monitoring their financial positions and, based on the market condition, evaluating the options available to the Company from time to time, on the possibilities to, including but not limited to, (i) revise the payment schedule and settle partial repayments immediately; and/or (ii) request the purchasers to add collaterals/guarantees as security in favor of the Group.

The receivables in relation to the proceeds of the disposal of the Group's intangible assets and PPE were overdue for an extended period of time, and as a result, as at the financial year ended 31 March 2023, the Group recognized total cumulative impairment amounts on the proceeds in relation to the disposed intangible assets and PPE in the amount of approximately HK\$176.53 million and approximately HK\$121.85 million respectively. Set out below a summary table of the details of the receivables of the Group that were arisen from the disposals of its intangible assets and PPE and the corresponding impairment losses.

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Table: Receivables in relation to the disposals of the Group's intangible assets and PPE

No.	The Purchasers	Date of agreement(s)	Expected due dates of the consideration	Consideration	Payment received up to 31 March 2022	Gross receivable balances (before impairment) as at 31 March 2022	Cumulative impairment recognised as at 31 March 2021	Amount of impairment/ (reversal of impairment) recognised in respect of the disposal of its intangible assets during the years ended 31 March 2022	31 March 2023	Cumulative impairment recognised as at 31 March 2023	Net balances (after impairment) as at 31 March 2023	Status as at the Latest Practicable Date
				(million)	(million)	(million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
For the Intangible Assets												
1	Arto Design	6/3/2020	6/3/2021	HK\$22.77	HK\$1.14	HK\$21.63	0.22	21.41	—	21.63	—	Settlement agreements were entered between the parties whereby Arto Design agreed to repay the considerations to the Group by instalments.
2	Red Perfect	13/3/2020	13/3/2021	HK\$7.86	HK\$0.40	HK\$7.46	0.07	7.39	—	7.46	—	A settlement agreement was entered between the parties whereby the Red Perfect agreed to repay the considerations to the Group by instalments.
3	State Shine	24/9/2019	23/9/2020	HK\$73.80	HK\$3.69	HK\$70.11	1.68	68.43	—	70.11	—	A settlement agreement was entered between the parties whereby the State Shine agreed to repay the considerations to the Group by instalments.
		12/3/2020	11/3/2021	HK\$81.40	HK\$4.07	HK\$77.33	0.78	76.55	—	77.33	—	A settlement agreement was entered between the parties whereby the State Shine agreed to repay the considerations to the Group by instalments.

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No.	The Purchasers	Date of agreement(s)	Expected due dates of the consideration	Consideration	Payment received up to 31 March 2022	Gross receivable balances (before impairment) as at 31 March 2022	Cumulative impairment recognised as at 31 March 2021	Amount of impairment/ (reversal of impairment) recognised in respect of the disposal of its intangible assets during the years ended 31 March 2022	Cumulative impairment recognised as at 31 March 2023	Net balances (after impairment) as at 31 March 2023	Status as at the Latest Practicable Date
				(million)	(million)	(million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
4	Hua Teng Chang	23/6/2020 (note 3)	8/6/2021 (note 4)	RMB68.00	—	RMB68.00	0.81	83.05 (6.14) (note 1)	77.72	—	The titles of the property, plant and equipment have been transferred to Hua Teng Chang. The Company and Hua Teng Chang have reached consensus that all equipment under the agreement will be pledged in favor of the Group and would provide more production assets to be pledged in favor of the Group. The Company is requesting for more pledging assets as compensation in exchange for the extension of the due date of the payment.

For the PPEs

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No.	The Purchasers	Date of agreement(s)	Expected due dates of the consideration	Consideration	Payment received up to 31 March 2022	Gross receivable balances (before impairment) as at 31 March 2022	Cumulative impairment recognised as at 31 March 2021	Amount of impairment/ (reversal of impairment) recognised in respect of the disposal of its intangible assets during the years ended 31 March 2022	31 March 2023	Cumulative impairment recognised as at 31 March 2023	Net balances (after impairment) as at 31 March 2023	Status as at the Latest Practicable Date
				(million)	(million)	(million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
5	Wealth Gather	27/3/2020	27/3/2021 (note 4)	RMB54.91	RMB12.86	RMB42.05	0.60	51.25	(7.72)	44.13	—	The Group disposed the assets of Joypolis in Shanghai (including the assets purchased by Wealth Gather) in September 2024. The net consideration arise from the disposal of the assets possessed by Wealth Gather was fully used to reduce the outstanding payables of Wealth Gather to the Group. As at the Latest Practicable Date, Wealth Gather still owes the Group in the amount of approximately RMB22.42 million and the parties are negotiating on the settlement terms to repay such outstanding payables to the Group.

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Notes

- 1. The amount in RMB was translated into HK\$ at the rate of approximately 1.233 and approximately 1.1429 as at 31 March 2022 and 2023 respectively. The amount of reversal of impairment recognised in the financial year ended 31 March 2023 reflected the currency exchange difference.*
- 2. The amount in RMB was translated into HK\$ at the rate of approximately 1.233 and approximately 1.1429 as at 31 March 2022 and 2023 respectively. The Group received a payment in the amount of RMB3.44 million during the financial year ended 31 March 2023. The amount of reversal of impairment recognised for the financial year ended 31 March 2023 reflected the currency exchange difference and the repayment received.*
- 3. On 23 June 2020, the Group has entered into a transfer agreement of production equipment to transfer the production and operation assets and trade and other receivables of Flourishing Emerald Limited, a wholly-owned subsidiary of the Company, to Hua Teng Chang. The trade and other receivables of Flourishing Emerald Limited were arisen from the advance payment made by Flourishing Emerald Limited on behalf of Jiangmen Fuji Toys Co., Ltd., which was a PRC customer of Flourishing Emerald Limited that mainly engaged in the production of various types of plastics, electronics, plush toys, candy toys, toiletries and toys, stationery, and craft gifts, to other third parties.*
- 4. Under the terms of the respective agreements, the full consideration of each disposals should be received by the Group before the due date as shown in the table.*

The latest status of the Group's receivables in relation to the disposals of its intangible assets and PPE

Over the years, the Group has been monitoring the status of the above purchasers and actively negotiating with each of them to reach for solutions for the recovery of the considerations to the Group. In light of the reasons that (i) the theme park industry and operations and VR Industry have been recovering; (ii) the purchasers have demonstrated to the Group their willingness to continue to work and communicate with the Group on reaching acceptable solutions; (iii) through the existing business relationships established with the purchasers, the Group may be introduced to new business connections and opportunities; (iv) the PPE purchasers have pledged all the subject assets purchased from the Group as securities in favor of the Group; and (v) Wealth Gather agreed to increase its effort to recruit and refer more customers to the Group's Joypolis in Shanghai (these customers include travel agencies, student groups and corporate groups in the Southern China region) and have the potential to bring even more new customers which will then increase the ticket sales of the Group and/or to introduce potential investors that may be interested in establishing new parks with the Group which will then expand the Group's revenue streams, the Directors have recently agreed to revise the repayment terms and extend their repayment period (set out as below) to settle the remaining amount of the respective considerations to the Group.

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Purchasers	Status of the settlement
1. Arto Design	<p>On 27 October 2023, settlement agreements were entered whereby Arto Design shall repay the outstanding considerations in the sum of approximately HK\$29.09 million to the Group in 22 instalments with the last instalment on 10 April 2029.</p> <p>The Company also entered into an IP cooperation agreement with Arto Design on the same date along with the settlement agreement to authorize the Company to use the developed IP and share profits from the commercialization of the IP in the Company's theme parks after such IPs reached mature development in order to protect the Company's interests in case Arto Design fails to make repayments again. Key terms of such IP cooperation agreement include the followings:</p> <ul style="list-style-type: none">(i) The purchaser provides at no consideration to the Company an unlimited right to use the intangible assets in any offline activities in Joypolis theme park(s) of the Company.(ii) Income arising from the intangible assets within the Company's Joypolis theme parks will be split between the Company and the purchaser with each receiving 50%. The purchaser's entitlement to the income generated will first be set off against the outstanding consideration for the intangible assets which the purchaser has not paid the Company. The Company will only pay the purchaser its share of income after the outstanding consideration has been repaid in full.(iii) Before the purchaser repays the consideration for the intangible assets in full, it must seek and receive the Company's written approval if it intends to use or authorise the commercial use of the IP in third-party channels.(iv) The purchaser may freely use or authorise the use of the IP in third-party channels after it has completed repayment of the consideration. The Company will continue to be entitled to its use of the intangible assets in its Joypolis theme parks.

LETTER FROM THE BOARD

Purchasers	Status of the settlement
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In the event that Arto Design did not make the instalment according to the date as set out in the settlement agreement, the Company may exercise its right, among others, to take back all the subject assets (including all the investment already made by Arto Design) transferred to Arto Design.

As at the Latest Practicable Date, Arto Design had settled a total of HK\$1.2 million according to the payment terms of the settlement agreements.

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| 2. Red Perfect | On 9 November 2023, a settlement agreement was entered whereby Red Perfect shall repay the outstanding consideration in the sum of HK\$70.11 million to the Group in 22 instalments with the last instalment on 18 April 2029. |
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The Company also entered into an IP cooperation agreement with Red Perfect on the same date along with the settlement agreement to authorize the Company to use the developed IP and share profits from the commercialization of the IP in the Company's theme parks after such IPs reached mature development in order to protect the Company's interests in case Red Perfect fails to make repayments again. Key terms of such IP cooperation agreement include the followings:

- (i) The purchaser provides at no consideration to the Company an unlimited right to use the intangible assets in any offline activities in Joypolis theme park(s) of the Company.
- (ii) Income arising from the intangible assets within the Company's Joypolis theme parks will be split between the Company and the purchaser with each receiving 50%. The purchaser's entitlement to the income generated will first be set off against the outstanding consideration for the intangible assets which the purchaser has not paid the Company. The Company will only pay the purchaser its share of income after the outstanding consideration has been repaid in full.

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Purchasers

Status of the settlement

(iii) Before the purchaser repays the consideration for the intangible assets in full, it must seek and receive the Company's written approval if it intends to use or authorise the commercial use of the IP in third-party channels.

(iv) The purchaser may freely use or authorise the use of the IP in third-party channels after it has completed repayment of the consideration. The Company will continue to be entitled to its use of the intangible assets in its Joypolis theme parks.

In the event that Red Perfect did not make the instalment according to the date as set out in the settlement agreement, the Company may exercise its right, among others, to take back all the subject assets (including all the investment already made by Red Perfect) transferred to Red Perfect.

As at the Latest Practicable Date, Red Perfect had settled a total of HK\$700,000 according to the payment terms of the settlement agreement.

3. State Shine

On 31 October 2023, a settlement agreement was entered whereby State Shine shall repay the outstanding consideration in the sum of approximately HK\$77.33 million to the Group in 22 instalments with the last instalment on 25 April 2029.

The Company also entered into an IP cooperation agreement with State Shine on the same date along with the settlement agreement to authorize the Company to use the developed IP and share profits from the commercialization of the IP in the Company's theme parks after such IPs reached mature development in order to protect the Company's interests in case State Shine fails to make repayments again. Key terms of such IP cooperation agreement include the followings:

(i) The purchaser provides at no consideration to the Company an unlimited right to use the intangible assets in any offline activities in Joypolis theme park(s) of the Company.

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Purchasers

Status of the settlement

- (ii) Income arising from the intangible assets within the Company's Joypolis theme parks will be split between the Company and the purchaser with each receiving 50%. The purchaser's entitlement to the income generated will first be set off against the outstanding consideration for the intangible assets which the purchaser has not paid the Company. The Company will only pay the purchaser its share of income after the outstanding consideration has been repaid in full.
- (iii) Before the purchaser repays the consideration for the intangible assets in full, it must seek and receive the Company's written approval if it intends to use or authorise the commercial use of the IP in third-party channels.
- (iv) The purchaser may freely use or authorise the use of the IP in third-party channels after it has completed repayment of the consideration. The Company will continue to be entitled to its use of the intangible assets in its Joypolis theme parks.

In the event that State Shine did not make the instalment according to the date as set out in the settlement agreement, the Company may exercise its right, among others, to take back all the subject assets (including all the investment already made by State Shine) transferred to State Shine.

As at the Latest Practicable Date, State Shine had settled a total of HK\$700,000 according to the payment terms of the settlement agreement.

4. Hua Teng
Chang

On 1 December 2023, a settlement agreement was entered whereby Hua Teng Chang (i) shall repay the considerations in the sum of approximately RMB68.00 million to the Group within five years from the date of the settlement agreement; and (ii) pledged all the assets it purchased from the Company under the relevant disposal agreement and its own assets and production lines as security for repayment of the settlement sum.

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Purchasers	Status of the settlement
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The Company, depending on production needs at the material time, may also request Hua Teng Chang to transfer the assets it purchased from the Company upon the Company's request after 18 months from the date of the settlement agreement and the relevant consideration can be set off from the unpaid consideration owed by Hua Teng Chang to the Group.

Additionally, the Company specified the location where the disposed assets to Hua Teng Chang were to be operated (i.e. factories owned by the Company) to ensure that the Company could be able to closely monitor the uses of the subject assets until receiving full settlement.

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| 5. Wealth Gather | On 2 December 2023, a settlement agreement was entered whereby Wealth Gather (i) shall repay the outstanding considerations in the sum of approximately HK\$35.58 million to the Group within five years from the date of the settlement agreement; and (ii) pledged all the assets it purchased from the Company under the relevant disposal agreement as security for repayment of the settlement sum. |
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The Group disposed of its assets of Joypolis in Shanghai (including those held by Wealth Gather) to an independent buyer for a total consideration of RMB17 million. Following the disposal, the profit sharing arrangement between Wealth Gather and the Group has ended. Notwithstanding the above, after discussing with Wealth Gather, the parties are expected to continue on a similar profit sharing arrangement in respect of upcoming project collaborations until such debts are paid to the Group in full.

In addition to the above, the Group will continue to follow up closely on the repayment status and take all actions as it deems appropriate to protect the Company's interest.

Before reaching agreements to the above repayment solutions with the parties, the Company conducted standard due diligence procedures and was of the view that it may take years for the current economic environment to be considered fully recovered. A systematic risk assessment of the purchasers, including by reviewing their business project agreements, conducting on-site inspections of their ongoing business, and conducting interviews with upstream and downstream companies in the industry, was also conducted by the Company in order to assess whether their financial situations and operational capabilities still meet the Company's requirements. Taking into

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account of the difficulties faced by the purchasers, upon negotiations, the Company considered that the terms of the settlement reflected practical solutions that the parties can agreed upon on. Pursuant to the agreed settlement solutions, the Company has the right to terminate the intangible assets disposal agreement and take ownership of any and all documents and products produced by the purchaser with the intangible assets within three days, with any payments already made by the purchaser to be retained by the Company with no refund should the purchasers delay payment of any of the instalments. Accordingly, since the purchasers would face a total loss of any instalments already paid and any products already produced from the intangible assets should they default in any repayment, the Company regards the settlement solutions to be adequate in protecting the interest of the Company so that such repayment period and pattern be acceptable.

In the Company's attempts to accelerate the development processes of Arto Design, Red Perfect and State Shine on the disposed intangible assets and having considered that the potential risks of the developed products ultimately end up not being fit or useful to the Group, the settlement schedules with Arto Design, Red Perfect and State Shine are designed to be paid by installments. On the other hand, provided that (i) Hua Teng Chang's outstanding amount will be partially offset continuously by the material and production costs incurred from the supplying of merchandizes and goods to the Group; and that (ii) Wealth Gather's outstanding amount will also be partially offset continuously from the total revenue generated from the new customer groups recommended to Joypolis in Shanghai, the settlement terms with Hua Teng Chang and Wealth Gather are different than the ones agreed with Arto Design, Red Perfect and State Shine.

4. Other developments of the Group in relation to the VR and Games Investment

With the intentions to increase involvement in the development of the VR Industry and to enhance the operation of the Group's theme parks in terms of user-experiences, in August and September 2015, the Group entered into agreements with the Lechuang Group to, among others, (i) to invest capital into a company that was expected to be set up and operated by the Lechuang Group that develops VR related products in the PRC; and (ii) to engage members of the Lechuang Group to develop and produce, including but not limited to, a 9-dimensional experiential game that could be applied into the facilities of the Group's theme parks. Upon completion of the VR and Games Investment, it was expected that the VR related technologies and games developed under the VR and Games Investment, featuring unique and innovative technologies, could bring enjoyable experience to the theme parks' customers and improve the attractiveness of and sales to the theme parks of the Group.

The Group entered into an investment agreement with GZLC and GZCA on 20 August 2015 and pursuant to which, the Group would have to make an investment of RMB4.5 million and GZLC and GZCA were expected to develop the Group's IPs and would set up and operate a company that develops VR related products with the Group.

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The Group entered into a game and software system development agreement with Lechuang Holdings (Hong Kong) Limited* (樂創控股(香港)有限公司) (“LCHK”), ultimately owned as to 35% by Liang Yingtao* (梁應滔), 35% by Zang Dedui* (臧德對) and as to 30% to Liang Yinghong* (梁應鴻), on 20 September 2015 and pursuant to which, the Group would pay HK\$20.4 million to LCHK to develop games and software system applicable for the Group’s theme parks business.

Each of the members of the Lechuang Group (i.e. GZLC, GZCA and LCHK) and their respective beneficial owners mentioned in this section is an Independent Third Party.

The Group met the Lechuang Group in the Guangzhou Amusement Equipment Industry Exhibition in 2014 and was given to understand that was engaged in the development of the implication of VR technologies in relation to online experiences in relation to games and cinemas, online and offline content research and development and owns various patents and software copyrights. With interests in expanding its business scope into the VR Industry, the Group had agreed to invest in the Lechuang Group (i.e. approximately RMB4.50 million) and to develop cooperatively (i.e. approximately HK\$20.40 million) for VR related content such as offline shop chains, games design and other interactive entertainment related productions.

Actions taken against the Lechuang Group

During 2020, the Board was given to understand that the operations of the Lechuang Group, especially its offline VR segment, were materially affected by Covid-19 and that the development of the 9-dimensional game and some software development that applicable to theme parks, at the material time, could not be fully completed.

So far, the Lechuang Group had completed the following VR games and delivered them to the Group,

- (i) *Fruit Ninja** (水果劍客);
- (ii) *Bike Warrior** (騎行勇士);
- (iii) *Wings of Time** (時光的翅膀);
- (iv) *VR Agent** (VR特工);
- (v) *VR Drift Boat** (VR漂流船);

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(vi) Rhythmic Master of Violet / Fantastic Dreamland of Violet / Turtle Hanba's Karting Car;
and

(vii) *Starry Fight of Violet*.

The above games were used in Joypolis in Shanghai, as games demonstrations in animation and VR promotion events of the Group. Games (i) to (v) of the above were then subsequently sold to Red Perfect for further development (i.e. adding in more functions, features and values). Upon further development, if thought fit, the Group may discuss with Red Perfect on re-utilizing them in its operations. It was expected that new features and functions will be added into the games and merchandizes and goods will be derived from the characters, stories and items of the games to increase the popularity of the games. According to Red Perfect, it was going to increase market efforts on the games it purchased and also organize tournaments in VR shops to attract customers and to enhance their gaming experience.

However, after being affected by the Covid-19, the Lechuang Group, other than providing the Group the games and software that had already been completed it said that it would return the remaining investment to the Group. Since September 2020, the Group has been issuing payment reminder notices to the Lechuang Group and had arranged senior management personnel to negotiate and explore feasible solutions but the Lechuang Group was unable to return the investment of the Group as agreed and the parties could not reach for an agreement on the details of the repayment method and timing of these repayment. In light of the above, the Company had issued demand letters to the Lechuang Group in November 2022 but has not received any return so far. Please also refer to the information set out in Scheme Receivable #2 and the corresponding Note 3 of the table under the sub-section "Details and breakdowns of Scheme Receivables" under "4. THE DEBT RESTRUCTURING BY WAY OF THE CREDITORS' SCHEME" in this letter.

As the Company has prioritized to develop theme parks business and is also of the view that the VR Industry will gradually recover, the Company had requested the Lechuang Group (i) to refund the investment of RMB4.50 million to the Group (as one of the Scheme Receivables and part of the Scheme Assets); and (ii) to complete the remaining games and software development and to provide the Group with additional games and software that will assist the Group in quickly resuming its business expansion. The Company reached a consensus with the Lechuang Group that the members of the Lechuang Group should continue to develop another 10 VR games, including creating background story, content and music for the Group by 2027 by making uses of the Group's IPs. The Company will then decide whether it will put these VR games into use and/or when right timing and opportunities arise, sell them to other developers that are willing to put in resources to improve the features and values of such VR games. The Group appointed legal advisers and issued a demand letter to the members of the Lechuang Group in November 2022. Subsequently, the Group filed a lawsuit with the Nansha Court in Guangzhou seeking

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compensation of RMB4.5 million. Following this filing, GZLC proposed alternative settlement arrangements to the Group. Currently, the lawsuit has been withdrawn as the Group and GZLC have resumed negotiations, and the Lechuang Group has agreed to continue developing games for incorporation into the Group's theme parks in accordance with the Group's specifications. While the Lechuang Group is completing the ongoing game development, the Group is also reviewing and assessing the alternative proposals from the Lechuang Group, including a potential share swap arrangement with its members in lieu of a refund of the Group's previous investment. The Company will continue to monitor and have ongoing negotiations with the Lechuang Group on possible solutions to recover the investment made by the Group and the receivables and compensations for the Group while also urging the Lechuang Group to complete its services owed to the Group in developing applicable games and software for the Group's theme parks.

The Group's impairment losses due to the failure of refund of investment and delivery of products in relation to the VR and Games Investment

The investment in the Lechuang Group has not been retrieved and the payment for the game and system development has not been recovered its value, over an extended period of time, and as a result, as at the financial year ended 31 March 2023, the Group recognized a total cumulative impairment loss on its other receivables in relation to the VR and Games Investment in the amount of HK\$25.11 million. Set out below a summary table of the details of the investment and the amount of consideration for the games and software development made by the Group to the Lechuang Group in 2015 and the corresponding impairment losses.

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Table: Impairment losses arise from the VR and Games Investment

No.	Name of counterparties	Date of agreement(s)	Expected due date of the refund	Consideration (HK\$ million)	Repayment received (HK\$ million)	Gross Receivables		Amount of impairment recognised in respect of investment and cooperation during the year ended 31 March 2022 (HK\$ million)	Cumulative impairment recognised as at 31 March 2021 (HK\$ million)	Amount of impairment recognised in respect of investment and cooperation during the year ended 31 March 2023 (HK\$ million)	Cumulative impairment recognised as at 31 March 2023 (HK\$ million)	Net balances (after impairment) as at 31 March 2023 (HK\$ million)	Status as at the Latest Practicable Date
						balances (before impairment) as at 31 March 2022 (HK\$ million)	balances (after impairment) as at 31 March 2023 (HK\$ million)						
1	GZLC and GZCA	20/8/2015	20/3/2021	RMB4.50	—	5.09	5.09	0.05	5.04	—	5.09	—	The Company has requested the parties to return the investment of RMB4.50 million to the Group. The Company has issued a legal demand letter to these two debtors in November 2022 to recover this sum. The Group has subsequently withdrawn the lawsuit and is evaluating alternative solutions, including a share swap arrangement, as offered by the Lechuang Group.
	Lechuang Holdings (Hong Kong) Limited	20/9/2015	20/3/2021	20.40	0.38	20.02	19.82	0.20	19.82	—	20.02	—	The Company and the party reached consensus to complete the remaining existing games and software development and are negotiating to provide additional games and software to facilitate the growth of the Group.

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The Group will continue to negotiate with the Lechuang Group, in particular on, the arrangement for the refunding of the investment in the amount of RMB4.50 million to the Group and the schedule for the completion of the development of the games and software for the Group. The Group will take further actions against the Lechuang Group (if and as necessary) as it deems appropriate to protect the Company's interest.

Recap of the set backs experienced by the Group that cause the entering into of the Term Sheet

To summarize, in terms of the Group's theme park business, (i) the sales were reduced; (ii) existing parks were forced to close from time to time during the Covid period in 2020 to 2022; (iii) the parks which the Group invested a sizeable amount of prepayment could not come into operation as expected; and (iv) the Group did not receive its payment for the provisional of the PPSP Services resulted in a total cumulative impairment loss of approximately HK\$454.13 million as at 31 March 2023 and 31 March 2024 (HK\$298.13 million and HK\$156.00 million respectively) as detailed under "Table: Prepayments in relation to the theme parks constructions" and "Table: Receivables in relation to the provision of PPSP Services".

On the other hand, in terms of the Group's other businesses, (i) the Group could not receive the relevant full amount of the consideration of its disposals of assets; (ii) the demands for its figures and toys were affected; and (iii) the development of VR technologies and games that were expected to be used to enhance its theme parks could not materialize as expected resulted in a cumulative impairment loss of approximately HK\$298.38 million as at 31 March 2023 and 31 March 2024 as detailed under "Table: Receivables in relation to the disposals of the Group's intangible assets and PPE".

The Group had invested a substantial amount of resources to develop its business but as a result of, among other factors, the Covid-19 and the failures of the business partners of the Group in meeting their payment obligations, those investment had not been providing the economic returns to the Group as intended and had been exerting resistance on the growth of the Group resulted in a cumulative impairment loss of approximately HK\$25.11 million as at 31 March 2023 and 31 March 2024 as detailed under "Table: Impairment losses arise from the VR and Game Investment".

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6.2. Material expenses of the Group devoted to expand its businesses

With the intentions to recover its business as quickly as possible once the normal market activities (i.e. number of tourists) resume and to secure its market position and competitive advantages in the theme park and entertainment industry in the PRC, the Group had also been investing into a variety of research and developments to improve its theme park business despite of the difficult operation environment as previously described.

As a result of technological improvement over time, the Group had to apply different entertaining features from time to time (the sources of which could be either self-developed, co-developed or purchased from others), including but not limited to, animation characters, themes, background stories, music and VR glasses and experience in order to increase the attractiveness of the entertainment it offers and to enhance the satisfactions and experience of its customers in the theme parks. Accordingly, in addition to its strategies prior to the Covid-19 to increase the number of theme parks and to achieve asset-light business model, the Group is in the process of enriching its theme park experience with the concepts of virtual and the metaverse and is currently invested in innovative technologies to spread its business coverage from traditional theme park visits to the internet, VR and digital applications and programs that give ways to the Group to generate more and sustainable economic benefits in maximizing the returns to the Company and the Shareholders in the foreseeable future.

The Directors consider that investing in upgrading its theme parks and the enhancing of softwares and hardwares of the theme parks can attract customers and increase their loyalties to the Group more effectively, which would eventually lead to more sales of admission tickets and further economic benefits for the Group. The Group therefore, discussed and prepared since 2019, formulated to develop the New Projects to fulfill the above-said goals and identified and appointed various IT-related services providers throughout the period from 2020 to 2022 (to be elaborated in the section below headed “Issuing of the 2022/23 Bonds”). It is believed that upon completions of the New Projects the increase in applications of innovative technologies that promote the trend for digitalization, such as blockchain, artificial intelligence, datafication etc., among other things, may improve the Group’s businesses performances, enrich its entertainment services scope and attract more potential investors to diversify its revenue streams.

As a result, despite of the operation difficulties and financial restrains currently experiencing by the Group, the Directors are of the view that the investment that were made by the Group are critical, essential and necessary for the Group to cope with the technological evolution and the changes in the nowadays consumer behaviors towards digital transformation in the PRC to sustain its attractiveness as an entertainment provider and theme park operator.

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Investments made for the expansion and enhancement of the Group's businesses

Set out below are details of investments, deposits, acquisitions, capital commitments and material expenditures made by the Group for the two years ended 31 March 2022 and 31 March 2023:

Table: Breakdown of the Group's expenses in 2022 to 2023

No.	Name of counterparties (and their respective ultimate beneficial owners)	Nature and Scope of Services	Amount Timing (HK\$ million)	Sources of Funding	Reasons and Basis	Status as at the Latest Practicable Date
1	China Elite Consultants Limited (Chiu Hin Wai Angela)	To facilitate the Company in fundraising of HK\$50 million and to identify investor(s) to invest and cooperate a theme park in Southeast Asia of the PRC. The estimated total investment cost is expected to be HK\$125 million and be owned as to 51% by the Group and 49% by others. Should the park open and operate successfully, this counterparty will receive HK\$500,000 as commission.	50.0 September 2021	Bonds of the Company issued in September 2021.	To expand the Group's theme park operations in Southeast Asia and the PRC and was made reference to the Group's previous theme park construction costs.	The Group and an investor are in the process of planning the structure, content, designs of a theme park to be developed in Hangzhou, the PRC. A feasibility report of the theme park has been prepared by the Group and as at June 2024, approximately HK\$2.2 million was utilized for the preparation and development of this project. The Group is negotiating with the relevant local governmental authorities and seeking for their support in the construction of this theme park. The construction works for this theme park are expected to be commenced by 1st quarter of 2025.

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No.	Name of counterparties (and their respective ultimate beneficial owners)	Nature and Scope of Services	Amount (HK\$ million)	Timing	Sources of Funding	Reasons and Basis	Status as at the Latest Practicable Date
2	Professional parties of the Group	Facilitate the procedures and document for the purpose of the implementation of the Proposed Restructuring, including but not limited to, engaging legal and financial advisors, audit fee, printer's fee and others.	36.5	During the year ended 31 March 2023	The Investor Bonds and the Investor Loan.	For the implementation of the Proposed Restructuring and was made reference to prevailing market fees.	Professional parties are appointed and the implementation of the Proposed Restructuring has been in progress.
3	More than ten suppliers of equipment for set up theme park in Japan	Provision of equipment to the Group which would be used in the Group's theme park in Japan.	9.1	From April 2022 to November 2022	Obtain Mostly through financing from a financial institution in Japan, JA Mitsui Leasing Limited (JA 三井リース株式会社) through sales and leaseback of the equipment.	To expand the Group's theme park business in Japan and was made reference to prevailing market fees.	The subject equipment was put into operation in the Group's theme park in Japan.
4	Speedlight Capital Company Limited (Zhao Wen Jing)	To facilitate the Group's theme park business to be expanded into regions of Taiwan, the HK\$3.6 million was used to subscribe bonds that has an annual coupon rate of 8% with a maturity term	3.6	March 2023	Proceeds from disposal of equities of other listed companies.	To establish theme park business network in Taiwan in preparation to expand the Group's	The Group subscribed the counterparty's bonds with maturity date to 28 June 2026

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No.	Name of counterparties (and their respective ultimate beneficial owners)	Nature and Scope of Services	Amount (HK\$ million)	Timing	Sources of Funding	Reasons and Basis	Status as at the Latest Practicable Date
	Shan Dian Technology (HK) Company Limited	of 1.5 years issued by Speedlight Capital Company Limited. The subscription of bonds of Speedlight Capital Company Limited would come with an annual coupon rate of 8% and that yields a higher return when compared to the bonds issued by the Group. Upon having negotiations with Speedlight Capital Company Limited, the Company learnt that it has connections with investors who may be interested in the Group's business. Through this subscription, the Group may establish a business partnership with Speedlight Capital Company Limited, and may potentially facilitate the Group to expand its business into Taiwan region or allow the Group, through referrals, to tap into the resources and network of Speedlight Capital Company Limited.				theme park operations in Asia and the terms of the bonds were determined after arm's length negotiation with reference to the prevailing market rate.	and referred to the Company the investors who agreed to invest into a sports-themed Joypolis with the Group that has been established at Kai Tak Sports Park and commenced operations. Following the successful referral of the investor that led to the establishment of Joypolis in Kai Tak, the Company was informed that Speedlight Capital Company Limited had transferred its bond obligations to Shan Dian Technology (HK) Company Limited in March 2024 to focus on other business developments. Shan Dian Technology (HK) Company Limited, which was referred by Speedlight Capital Company Limited, has an established theme park business network in the PRC and has agreed to introduce not fewer than five potential theme park investors to the Group. For any successful referrals that result in the establishment of theme parks, Shan Dian Technology (HK) Company Limited will be entitled to a referral fee. In view of the successful cooperation

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No.	Name of counterparties (and their respective ultimate beneficial owners)	Nature and Scope of Services	Amount (HK\$ million)	Timing	Sources of Funding	Reasons and Basis	Status as at the Latest Practicable Date
5	Allied Fair Industrial Limited (Cheung Siu Yu)	To develop and enhance services for the operations of online theme park in the metaverse platform and provision of related advertisement services.	3.0	October 2022	The Group's internal resources.	To expand the scope of the Group's theme park operations to the metaverse and was made reference to prevailing market rate after comparing to similar services providers available.	previously achieved with Silverlight Capital Company Limited, and given that Shan Dian Technology (HK) Company Limited was recommended by it, the Group has agreed to extend the maturity date of the bond with Shan Dian Technology (HK) Company Limited to 28 June 2026 for the purpose of facilitating such cooperation.
						Purchased the rights of property to operate online theme park in the metaverse. Proposed theme park structures and designs to the Group. Currently, the counter-party is identifying suitable IPs to develop and design non-fungible tokens and developing applicable technology and software that allow the Group to enhance the operations and users experience of the online theme park.	

LETTER FROM THE BOARD

No.	Name of counterparties (and their respective ultimate beneficial owners)	Nature and Scope of Services	Amount (HK\$ million)	Timing	Sources of Funding	Reasons and Basis	Status as at the Latest Practicable Date
6	Gold Touch Ventures Limited (Chiu Ling Yan)	To develop and enhance services for the operations of online theme park in the metaverse platform.	1.4	September 2022	The Group's internal resources.	To expand the scope of the Group's theme park operations to the metaverse and was made reference to prevailing market rate after comparing to similar services providers available.	Developing the applicable technology and software that would enhance the operations and users experience of the online theme park.

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Additional to the above, the Company has recognised research and development expenses of HK\$262.6 million during the year ended 31 March 2023 through the issuing of bonds of the Company to its services providers to partially settle its outstanding payables. Please refer to the section below.

Issuing of the 2022/23 Bonds

The Company have entered into contracts with the holders of the 2022/23 Bonds, comprising IT-related service providers, Zhao Dan and the Investor, for the purposes of securing additional financial resources and services that were expected to support the Group's operations, expand its business scope and improve its prospects and competitiveness, including but not limited to, upgrading and developing theme parks' software, customers rewards systems, blockchain technologies, e-commerce platforms and digital collection platforms that can be incorporated into the Group's theme parks and multimedia animation derivatives businesses. These services (under the 2022/23 Bonds) are to cater for the development and establishment of the New Projects to maintain the attractiveness and competitiveness of the theme parks of the Group should the general operation environment recover from the Covid-19.

Project 1, to be referred as Meta-Joypolis, is a proposal to immerse the concepts of metaverse with the Group's theme parks to create a new type of theme park that integrates a greater array of digital entertainment offerings and incorporates online entertainment mechanisms, thus creating a new offline-to-online paradigm. Project 1 requires development of applications which involves coding-related skills, smart contracts, theme park visual design etc. and most of the services for such development are currently provided by Zing.

Project 2, to be referred as E-Commerce Shop, is a proposal to develop an e-commerce platform for the Group to operate its multimedia animation entertainment and trading of derivatives business. Project 2 requires development of websites and applications etc. and most of the services for such development are currently provided by Bun Tsubomi.

Project 3, to be referred as a project to upgrade Wonder Forest, is a proposal about adopting innovative and creative technologies to upgrade the software and hardware of Wonder Forest. Project 3 requires development of applications which involves coding-related skills, smart contracts, digital and AR/VR technologies etc. and most of the services for such development are currently provided by Zing.

Project 4, to be referred as Play-to-Earn and Learn-to-Earn solutions, is a proposal to promote interactions through playing and learning in exchange for the different types of rewards and such solutions are expected to be adopted in all types of theme parks of the Group. Project 4

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requires development of applications, websites and mini-programs that can be used by any smart devices, digital technologies and blockchain etc. and most of the services for such development are currently provided by Zing and Precedent Japan.

Project 5, to be referred as a project to upgrade Joypolis, is a proposal to focus on enhancement of the value of the brand name “Joypolis” and the Group through upgrading software, operation efficiencies and the general visual identities of the Group. Project 5 requires business software development, big-data collection, visual identities and branding enhancement proposals etc. and most of the services for such developments are currently provided by Zing, Bun Tsubomi and SZ Tianquan.

Project 6, to be referred as a project that focuses on digital collectibles, is a proposal to develop series of animation- and IP-derived collectibles (i.e. pop toys or tokens) for the Group’s commercial uses. Project 6 will make uses of the Group’s IPs (or purchase IPs from other IP developers), new-media advertisement and will apply Web3.0-related technologies such as smart contracts, digital technologies, blockchain and crypto-exchanges etc. and most of the services for such developments are currently provided by Precedent Japan.

Project 7, to be referred as a project relating to the development of a Virtual-land, will base on Web3.0-related applications and technologies, to develop customized solutions for the Group to create different types of entertainment on the internet/virtual-land. Project 7 requires similar technologies as Project 6 and most of the services for such developments are currently provided by Precedent Japan.

The Service Providers, among the holders of the 2022/23 Bonds, are considered by the Directors to possess of the required expertise and technologies in providing their respective services to improve the Group’s businesses and their information are as follows,

- Zing, beneficially owned by Atsushi Hiramatsu, is a company incorporated in Japan since January 2010. It engages in the provision of animation content creation and production services. The Group acquainted Zing through its customer in Japan in 2010. It has previous collaboration experiences with the Group and is mainly appointed and responsible to create user interface and animation content, concept and visual designing, advertisement and theme park related and applicable software development for the Group. Having considered (i) its company background; (ii) its skills and experience related to software development; (iii) its knowledge towards the Group’s businesses and operations; (iv) its business operates in Japan (which is known to have high technology standards and is a place where one of the Group’s main theme parks located); (v) its

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reputation; and (vi) upon meetings and discussions, the Group was satisfied on the software development related services it has been providing to its other customers, the Directors are of the view that this party is qualified and suitable to provide the subject services.

Zing is appointed to perform its services in Project 1, Project 3, Project 4 and Project 5 of the New Projects and the respective considerations for those services were mainly determined after considering the prevailing market rates after comparing two to three independent quotations of similar peers that considered to have possessed of similar standards of skills and knowledge that works in the IT-related and marketing related industries with good business network, market reputation and some knowledge and understanding of theme park operations.

- SZ Tianquan, beneficially owned by Bi Yongtao* (畢永濤), is a company incorporated in the PRC since December 2006. It engages in the development of internet-of-things applications and wholesale and retail of electric and water purification equipment businesses. The Group acquainted SZ Tianquan through, and as an internet-of-things solutions and big-data related service provider to, a sports entertainment theme park operator located in Shenzhen in May 2018. It has the resources in research and development in big data internet-of-things. It is mainly appointed and responsible to organize theme park customers' information to develop and establish of an information database platform and supply electric and water smart-machines to the Group's theme parks. Having considered (i) its company background; (ii) its skills and experience related to internet-of-things; (iii) its knowledge towards the Group's businesses and operations; (iv) the features of its smart-machines would fit the Group's theme parks; and (v) the positive feedbacks from its other customers, the Directors are of the view that this party is qualified and suitable to provide the subject services.

The reasons for the Group to install smart-water machines from SZ Tianquan in the theme parks are (i) to supply drinking water to customers; (ii) to motivate the customers to become members of the Group as these smart-water machines are linked up with the membership system on the mobile application designed by the Company where the Company has access to the data and information collected; and (iii) through collecting the members' views and opinions to understand customers' behaviors and/or levels of satisfaction towards the facilities in the parks etc. SZ Tianquan is appointed to facilitate the development of Project 5 of the New Project where it shall organize and analyze the members' information obtained after the park customers applied as members to exchange for drinking water from the smart-water machines. The information obtained from the members for instances, by way of scanning of an assigned QR code so that the relevant consumption records and facility usages in the park can be recorded in the

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application and/or by way of answering to a satisfaction survey prepared by the Company to collect the members' comments and satisfaction levels on the facilities and services they have experienced, are considered to be valuable for the Directors to formulate better and more effective decisions for the Group's development. Moreover, in determining the considerations for the smart-water machines, the Directors have reviewed and considered and compared, among other things, the retail prices, functions and water processing capacity of other available water machines in the market at the material time.

- Bun Tsubomi, beneficially owned by Liu An* (劉安), is a company incorporated in Japan since December 2021. It engages in the provision of establishment and development of applications, software-as-a-service and web services. The Group acquainted Bun Tsubomi through, and as a software and system developing service provider to, its business partner in Shanghai Joypolis in October 2015. It is mainly appointed and responsible to develop theme park applicable membership system, websites, applications and other software programs for the Group. Having considered (i) its company background; (ii) its skills and experience related to the software-as-a-services solutions; (iii) its knowledge towards the Group's businesses and operations; (iv) it is responsive to the Group's requests; (v) its reputation; and (vi) upon meetings and discussions, the Group was satisfied on the software development and software-as-a-services related services it has been providing to its other customers, the Directors are of the view that this party is qualified and suitable to provide the subject services.

Bun Tsubomi is appointed to perform its services in Project 2 and Project 5 of the New Projects and the respective considerations for those services were mainly determined after considering the prevailing market rates after comparing two to three independent quotations of similar peers considered to have possessed of similar standards of skills and knowledge and after reviewing the samples of work they provided to the Group.

- Precedent Japan, beneficially owned by Sheng Shao* (邵晟), is a company incorporated in Japan since September 2018. It engages in the provision of consulting and developing customized applications, solutions and security systems to blockchain technologies related services. Precedent Japan was acquainted through two customers of the Group in January 2020 as a specialist in blockchain related services developer. It is mainly appointed and responsible for the development of blockchain related applications and games and the development of non-fungible token platform for the Group. Having considered (i) its company background; (ii) its skills and experience related to blockchain solutions; (iii) its knowledge towards the Group's businesses and operations; (iv) it is responsive to the Group's requests; (v) its reputation; and (vi) upon meetings

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and discussions, the Group was satisfied on the blockchain related solutions it proposed which may allow the Group to incorporate innovative blockchain concepts to expand existing business scope, the Directors are of the view that this party is qualified and suitable to provide the subject services.

Precedent Japan is appointed to perform its services in Project 4, Project 6 and Project 7 of the New Projects and the respective considerations for those services were mainly determined after considering the prevailing market rates after comparing two to three independent quotations of similar peers considered to have possessed of similar standards of skills and knowledge in applications of Web3.0-related services with good market reputation and some knowledge and understanding of theme park operations.

Set out below a summary of the background of the contracts entered in relation to and the breakdown of the 2022/23 Bonds which illustrates that the Company issued (i) two investor's bonds to the Investor; (ii) the Zhao Dan's bond to Zhao Dan; (iii) the Zing Bond A and Zing Bond B to Zing; (iv) the SZT Bond to SZ Tianquan; (v) the BT Bond A and BT Bond B to Bun Tsubomi; and (vi) the PJ Bond A, PJ Bond B, PJ Bond C, PJ Bond D and PJ Bond E to Precedent Japan (details and description of these bonds are disclosed in the summary table under the sub-section headed "Summary of the 2022/23 Bonds" in this circular).

Name and

Contract Date	Total consideration	Payment terms (including initial due dates)
<i>(note 1)</i>	<i>(note 2)</i>	

Loans

The Investor

1/11/2022	HK\$20 million	Repay the Investor upon Completion
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The Company issued the Investor Bond A, a bond in the principal amount of HK\$20.00 million with 11.48% coupon rate on 1/11/2022, in exchange of the above loan from the Investor. The original maturity date of this bond was 1/7/2024, but the investor and the Company have agreed to extend its maturity date that will be eventually determined.

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Name and Contract Date <i>(note 1)</i>	Total consideration <i>(note 2)</i>	Payment terms (including initial due dates)
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8/12/2022	HK\$5.00 million	Repay the Investor upon Completion
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The Company issued the Investor Bond B, a bond in the principal amount of HK\$5.00 million with 10.00% coupon rate on 8/12/2022, in exchange of the above loan from the Investor. The original maturity date of this bond was 7/12/2024, but the investor and the Company have agreed to extend its maturity date that will be eventually determined.

Zhao Dan

1/10/2021	HK\$9.51 million	Repayable on demand
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The Company was in need of financial resources as (i) some of its bonds began to mature in the second half of 2020 and the holders of these bonds were urging the Company to settle their payments; (ii) the Group was in a tight cash position as its businesses were affected and the returns from the investments business development were substantially lower than initially anticipated; and (iii) it had experienced difficulties in obtaining financial resources from other third parties including, but not limited to, other independent business partners and independent financial institutions. A credit line with no fixed repayment period and nil interests, intended for the Company to overcome short-term difficulties was provided by Zhao Dan who is a long time business partner of the Group and the registered shareholders of MEL (holds 50% of equity interests of MEL and holds the other 50% of equity interests of MEL on behalf of Chang Jiansong) a company that is owing the Company an outstanding service fee of HK\$39.40 million as at 31 March 2022, was utilized by the Company since 1 October 2021 to settle its expenses and debts that could not be extended and were past due or about to be due. The Company has drawn and utilized a total of HK\$9.51 million from the loan from Zhao Dan, which was initially expected to be for short term uses as the Company, at the material time, had been attempting to conduct various fund-raising activities and was having ongoing discussions with a few investors who showed interests in providing investments to support the Group's operations. However, the Group's financial position did not improve and the Group was unable to secure fundings as expected so it was unable to repay Zhao Dan within a short period as intended. It was then agreed with Zhao Dan, based on the Company's financial situation, that the Company would issue its bonds at nil interest (same as the loan) to Zhao Dan with a preliminary payment date to settle the amount of the loan used by the Company. As a result, the Company issued a bond in the principal amount of HK\$9.51 million with nil% coupon rate on 20/10/2022 to settle the debt due to Zhao Dan. The maturity date of this bond is 19/10/2024. This bond is transferred to China Sun Group Holding Limited and has been included into the Creditors' Scheme.

LETTER FROM THE BOARD

Name and

Contract

Date Services to be provided and the consideration

(Note 1)

(Note 2)

Services Contracts

Zing

Date Service descriptions

8/5/2021[#] **(For the development of Project 4)**

1. Produce the animation contents, including to prepare proposals and complete the production of the relevant contents approved by the Company for Play-to-Earn and Learn-to-Earn solutions and applications
2. Develop the user interface designs of Play-to-Earn and Learn-to-Earn for applications, websites and mini-programs

Total consideration (approximately) and payment terms

US\$1.73 million

1st payment (this part of the service is completed and is currently settled under Zing Bond A and included into the Creditors' Scheme)

US\$1.54 million, to be made after the draft of the user interface designs for all platforms (i.e. application, website and mini-programs) and them being approved and accepted by the Company.

2nd payment (outstanding payables)

US\$0.19 million, to be made after completion of the animation content and user interface designs for all platforms after taking into the Company's requests and successful applying the services to the Group's operation.

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Name and**Contract****Date****Services to be provided and the consideration***(Note 1)**(Note 2)*30/8/2021[#]**(For the development of Projects 1 and 3)**

Create, plan and submit a proposal of PPSP Services for a number of projects relating to the indoor theme park which shall consist of (i) basic planning; (ii) content planning; (iii) project progress; and (iv) feasibility analysis

Total consideration (approximately) and payment terms**US\$2.89 million**

1st payment (this part of the service is completed and is currently settled under Zing Bond A and included into the Creditors' Scheme)

US\$2.31 million, to be made after completion of the content planning of the PPSP Services and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.58 million, to be made after completion of the remaining services under the PPSP Services.

6/9/2021[#]**(For the development of Projects 1, 3 and 5)**

Design the visual identity system for the Group's indoor theme parks, including visual identity design conceptual plan, visual identity design project and visual identity brochure production

Total consideration (approximately) and payment terms**US\$0.62 million**

1st payment (this part of the service is completed and is currently settled under Zing Bond A and included into the Creditors' Scheme)

US\$0.50 million, to be made after completion of the conceptual planning part of the visual identity system design and being approved and accepted by the Company.

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Name and**Contract****Date****Services to be provided and the consideration***(Note 1)**(Note 2)*

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.12 million, to be made after completion all parts of the visual identity system design and being approved and accepted by the Company.

4/10/2021

(For the development of Projects 5)

Enhance the brand value of “Joypolis”, including but not limited to (i) provide systematic market research for strategic planning and execution of brand cultivation, management and development; (ii) formulate brand positioning; (iii) formulate integrated communication strategy based on brand strategic planning; (iv) provide marketing events implementation plans and the corresponding creative works and production work; (v) conduct semi-annual reviews of the brand strategy and its marketing effectiveness; and (vi) provide suggestions for “Joypolis” brand development strategy and marketing strategy

Total consideration (approximately) and payment terms

US\$1.41 million (plus any reimbursements as and when incurred by Zing during advertising the Group’s theme parks including but not limited, exhibitions, lectures and interviews)

1st payment (this part of the service is completed and is currently settled under Zing Bond A and included into the Creditors’ Scheme)

US\$0.95 million (and reimbursement of US\$1.40 million), to be made within 7 working days after the first two quarters counting from the signing date of this agreement.

LETTER FROM THE BOARD

Name and**Contract****Date***(Note 1)***Services to be provided and the consideration***(Note 2)*

2nd payment (postponed and subject to further negotiations after Completion)
Zing ceased to provide such brand-promotion related services after the 1st payment was settled with the bonds of the Company so that the Company does not have to settle the 2nd payment. Zing and the Company expect to discuss whether they will resume such services after the Completion. If Zing did not cease the above services to the Company, the Company was supposed to pay approximately US\$0.46 million in the third quarter counting from the signing date of this agreement.

22/6/2021[#]**(For the development of Project 1)**

Provide customized indoor amusement park smart contract system development services, and to develop four system software with blockchain smart contract

- (i) Ticketing system;
- (ii) Customer Management System;
- (iii) Digital Guiding System; and
- (iv) Smart Reservation System.

Total consideration (approximately) and payment terms**US\$1.35 million**

1st payment (this part of the service is completed and is currently settled under Zing Bond B and included into the Creditors' Scheme)
US\$1.08 million, to be made after completion of the development of the prototypes for the four system software and them being approved and accepted by the Company.

LETTER FROM THE BOARD

Name and**Contract****Date****Services to be provided and the consideration***(Note 1)**(Note 2)*

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.27 million, to be made after completion of the smart contract system and delivery of all four system software and them being approved and accepted by the Company.

29/6/2021[#]**(For the development of Project 3)**

Customized the development of two system software applications for blockchain smart contract for Wonder Forest

(i) Ticketing system management; and

(ii) Customer management system.

Total consideration (approximately) and payment terms**US\$1.08 million**

1st payment (this part of the service is completed and is currently settled under Zing Bond B and included into the Creditors' Scheme)

US\$0.86 million, to be made after completion of the development of prototypes for the smart contract system and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.22 million, to be made after completion of the smart contract system and delivery of the two system software and them being approved and accepted by the Company.

LETTER FROM THE BOARD

Name and**Contract****Date****Services to be provided and the consideration***(Note 1)**(Note 2)*2/7/2021[#]**(For the development of Projects 1 and 3)**

Customize and develop four system software applications for blockchain smart contracts

- (i) Amusement Facility Data Connection System;
- (ii) Children's Park Facility Data Connection System;
- (iii) Indoor Park Player Interaction Front-end System; and
- (iv) Children's Park Player Interaction Front-end System.

Total consideration (approximately) and payment terms**US\$2.38 million**

1st payment (this part of the service is completed and is currently settled under Zing Bond B and included into the Creditors' Scheme)

US\$1.90 million, to be made after completion of the development of prototypes for the four system software and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.48 million, to be made after completion and delivery of the four system software and them being approved and accepted by the Company.

LETTER FROM THE BOARD

Name and**Contract****Date***(Note 1)***Services to be provided and the consideration***(Note 2)*3/8/2021[#]**(For the development of Projects 1 and 3)**

Provide digital interactive content for the Group in relation to (i) flash animation production; (ii) animation supervision; (iii) art supervision; (iv) flash special effect; (v) flash background production; and (vi) adaptation of digital interactive content and interactive equipment, etc.

Total consideration (approximately) and payment terms**US\$1.45 million**

1st payment (this part of the service is completed and is currently settled under Zing Bond B and included into the Creditors' Scheme)

US\$1.16 million, to be made after completion of the proposal of the digital interactive content, approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.29 million, to be made after completion of the digital interactive content, approved and accepted by the Company.

LETTER FROM THE BOARD

Name and

Contract

Date Services to be provided and the consideration

(Note 1)

(Note 2)

SZ Tianquan

Date Service descriptions

10/5/2022 **(For the development of Project 5)**

Supply and deliver the 154 smart-water machines ordered by the Group and will provide the relevant repairing and water quality monitoring services for the Group.

Total consideration (approximately) and status

HK\$4.99 million

The payment should be made by the Group within 7 days upon the delivery of the smart-water machines (currently settled under the SZT Bond A and included in the Creditors' Scheme)

The Group has been putting these smart-water machines into operation uses.

Bun Tsubomi

Date Service descriptions

5/7/2021[#] **(For the development of Project 5)**

Develop a membership system to be applied in the Group's existing (offline) and upcoming (online) operations.

Total consideration (approximately) and payment terms

US\$2.09 million

LETTER FROM THE BOARD

Name and**Contract****Date***(Note 1)***Services to be provided and the consideration***(Note 2)*

1st payment (this part of the service is completed and is currently settled under BT Bond A and included into the Creditors' Scheme)

US\$1.67 million, to be made after completion of the development of the prototype for the membership system and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.42 million, to be made after completion of the testing of the membership system and the testing results being approved and accepted by the Company.

12/7/2021[#]**(For the development of Project 5)**

Customize enterprise software development services including (i) to carry out a set of system prototyping, code development and system testing; and (ii) to provide free bug fixing services within 3 months from the date of signing of the corresponding test report confirmation forms.

Total consideration (approximately) and payment terms**US\$2.36 million**

1st payment (this part of the service is completed and is currently settled under BT Bond A and included into the Creditors' Scheme)

US\$1.89 million, to be made after completion of the development of the prototypes for the software development and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.47 million, to be made after completion of all testing software development and the testing results being approved and accepted by the Company.

LETTER FROM THE BOARD

Name and**Contract****Date****Services to be provided and the consideration***(Note 1)**(Note 2)*20/7/2021[#]**(For the development of Project 2)**

Carry out customized development services of an application and mini-program for Project 2.

Total consideration (approximately) and payment terms**US\$2.79 million**

1st payment (this part of the service is completed and is currently settled under BT Bond B and included into the Creditors' Scheme)

US\$2.23 million, to be made after completion of the development of the prototypes of the application and mini-program and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.56 million, to be made after completion of the application and mini-program and the corresponding testing and the results being approved and accepted by the Company.

28/7/2021[#]**(For the development of Project 2)**

Carry out customized development services of a website for Project 2.

Total consideration (approximately) and payment terms**US\$0.95 million**

1st payment (this part of the service is completed and is currently settled under BT Bond B and included into the Creditors' Scheme)

US\$0.76 million, to be made after completion of the development of the prototype of the website and them being approved and accepted by the Company.

LETTER FROM THE BOARD

**Name and
Contract**

Date

(Note 1)

Services to be provided and the consideration

(Note 2)

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.19 million, to be made after completion of the website and the corresponding testing and the results being approved and accepted by the Company.

20/9/2021

(For the development of Project 2)

Develop brand promotion, planning and marketing services for Project 2.

Total consideration (approximately) and payment terms

US\$2.68 million

1st payment (this part of the service is completed and is currently settled under BT Bond B and included into the Creditors' Scheme)

US\$2.30 million, to be made after completion of the brand promotion planning work and brand visual identity design work and the results being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.38 million, to be made after completion of the brand marketing communication work and taken the action set out in the brand promotion plan and submitted the relevant report to the Company and the results being approved and accepted by the Company.

30/9/2021

(For the development of Project 2)

Commence its trendy toy hobby e-commerce brand in a number of new media platforms matrix content promotion, operation and its e-commerce brand in the community maintenance, operation of services and other related matters.

Total consideration (approximately) and payment terms

US\$1.95 million

LETTER FROM THE BOARD

**Name and
Contract**

Date **Services to be provided and the consideration**
(Note 1) (Note 2)

1st payment (this part of the service is completed and is currently settled under BT Bond B and included into the Creditors' Scheme)
US\$1.41 million, to be made after completion and submission of the planning for new media agency operation and community agency operation to the Company and them being approved and accepted by the Company.

2nd payment (postponed and subject to further negotiations after Completion)
Bun Tsubomi ceased to provide such marketing related services after the 1st payment was settled with the bonds of the Company so that the Company does not have to settle the 2nd payment. Bun Tsubomi and the Company expect to discuss whether they will resume such services after the Completion. If Bun Tsubomi did not cease the above services to the Company, the Company was supposed to pay approximately US\$0.54 million in the third quarter counting from the signing date of this agreement.

Precedent Japan

Date **Service descriptions**

9/6/2021[#] **(Refer to Project 4)**

Complete the development of "Play-to-Earn" and to be adopted in application, mini-program and website in accordance with the Company's needs and applying the Company's required technical standards

Total consideration (approximately) and payment terms
US\$2.40 million

1st payment (this part of the service is completed and is currently settled under PJ Bond A and included into the Creditors' Scheme)
US\$1.92 million, to be made after completion of the prototype work for all system/platform and them being approved and accepted by the Company.

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**Name and
Contract**

Date Services to be provided and the consideration

(Note 1)

(Note 2)

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.36 million, to be made after all systems are online and delivered.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.36 million, to be made after all systems are approved and accepted by the Company.

16/6/2021[#]

(Refer to Project 4)

Complete the development of “Learn-to-Earn” and to be adopted in application, mini-program and website in accordance with the Company’s needs and applying the Company’s required technical standards

Total consideration (approximately) and payment terms

US\$2.10 million

1st payment (this part of the service is completed and is currently settled under PJ Bond A and included into the Creditors’ Scheme)

US\$1.68 million, to be made after completion of the prototype work for all system/platform and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.32 million, to be made after all systems are online and delivered.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.10 million, to be made after all systems are approved and accepted by the Company.

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Name and**Contract****Date***(Note 1)***Services to be provided and the consideration***(Note 2)*24/6/2021[#]**(For the development of Project 7)**

- (1) Perform secondary designs and creations from the IP of the “Virtual-land” blockchain game developed by the Company;
- (2) Create digital collections for the Company by applying the technology based on the consortium blockchain. Precedent Japan shall ensure that the digital collections are unique, original and meet the needs of the Company;
- (3) Introduce not less than five digital collection distribution platforms for the Company choose from for the distribution and promotion its digital collection; and
- (4) Provide professional recommendations to assist the Company in selecting the most appropriate distribution platform and assist the Company in the relevant negotiations with the selected distribution platform in entering cooperation agreement(s).

Total consideration (approximately) and payment terms**US\$0.56 million**

1st payment (this part of the service is completed and is currently settled under PJ Bond B and included into the Creditors’ Scheme)

US\$0.46 million, to be made after completion of the creation outline, schedule, character images and preliminary digital collection designs and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.05 million, to be made after completion of the technical development, testing and modifications of the digital collection and them being approved and accepted by the Company.

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Name and**Contract****Date****Services to be provided and the consideration***(Note 1)**(Note 2)*

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.06 million, to be made after the delivery of the finalized digital collection to the Company and the introduction of not less than five digital collection distribution platforms with their detailed information to the Company.

25/6/2021[#]**(For the development of Project 7)**

Develop games with blockchain technology in accordance with requirements and specifications agreed by the Company and Precedent Japan which that feature innovative form of blockchain technology such as decentralization, transparency, real ownership of user assets and verifiability, etc. Precedent Japan is required to maintain close communication and co-operation with the Company to report development progress and resolve problems in a timely manner throughout the entire game development process.

The specific process of game development includes, but is not limited to, (i) game planning stage; (ii) game design stage; (iii) programming stage; (iv) art design stage; (v) sound production stage; and (vi) testing and optimization stage and game delivery stage.

Total consideration (approximately) and payment terms**US\$3.50 million**

1st payment (this part of the service is completed and is currently settled under PJ Bond B and included into the Creditors' Scheme)

US\$2.10 million, to be made after delivery of the concept note of the proposed game that include, among others, planning proposal, game programming code and blockchain integration documentations and them being approved and accepted by the Company. Acceptance of the above deliverables by the Company shall mean that Precedent Japan has completed the work in the game planning stage, game design stage and programming stage.

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Name and**Contract****Date***(Note 1)***Services to be provided and the consideration***(Note 2)*

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.70 million, to be made after delivery of the character design and scene design, game interface design and sound files and them being approved and accepted by the Company. Acceptance of the above deliverables by the Company shall mean that Precedent Japan has completed the work in the art design stage and the sound production stage.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.70 million, to be made after the delivery of the optimization report, final version of the game, game launch guide and technical supporting documents and them being approved and accepted by the Company. Acceptance of the above deliverables by the Company shall mean that Precedent Japan has completed the work in the testing and optimization stage and game delivery stage.

12/8/2021[#]**(For the development of Project 7)**

By applying the technical standards required by the Company, perform the first phase of development and production of virtual Joypolis applicable on computers and the first phrase of the Joypolis VR game blockchain application development and production.

Total consideration (approximately) and payment terms**US\$2.39 million**

1st payment (this part of the service is completed and is currently settled under PJ Bond C and included into the Creditors' Scheme)

US\$1.91 million, to be made after the completion of the prototypes work of all systems and them being approved and accepted by the Company.

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Name and**Contract****Date****Services to be provided and the consideration***(Note 1)**(Note 2)*

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.36 million, to be made after all systems are fully-developed, can be launched online and are ready for use.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.12 million, to be made after all the systems have been approved and accepted by the Company.

20/8/2021[#]**(For the development of Project 6)**

Plan and operate a series of IP digital collection projects including the following services,

- (i) Market research, style positioning, project planning, development strategy planning and other related services to the Company; and
- (ii) Carry out the main operation of the project for the Company, including promotion, social media maintenance, sales and distribution, and other operational services related to the digitalization of the IP into digital collection for trading.

Total consideration (approximately) and payment terms

US\$0.69 million (plus a quarterly service fee that comprise of (i) an operation service fee; and (ii) percentage-share of sales proceeds)

1st payment (this part of the service is completed and is currently settled under PJ Bond D and included into the Creditors' Scheme)

US\$0.69 million, to be made after submitting a framework project plan based on market studies and them being approved and accepted by the Company.

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Name and**Contract****Date***(Note 1)***Services to be provided and the consideration***(Note 2)*

2nd payment (postponed and subject to further negotiations after Completion)

After the 1st payment is settled, it is expected that Precedent Japan will continue to work on project planning, refining the content and then submit the finalized project plan and the corresponding implementation plan for the project to the Company for its approval. Only after such approval and acceptances are obtained from the Company, Precedent Japan will commence the operations of the project on behalf of the Company and then the Company will have to make the 2nd payment. Since Precedent Japan ceased to perform further services after the 1st payment was settled with the bonds of the Company, the above-mentioned project plan and the implementation plan for the project have not been finalized or approved and that Precedent Japan could not execute the proposed plans and commenced such operations. Accordingly, the Company does not have to settle the 2nd payment and is expecting to conduct more discussions with Precedent Japan to resume such services after the Completion. If Precedent Japan did not cease its services and commenced operations on behalf of the Company, the Company was expected to pay the service fee to Precedent Japan on a quarterly basis (comprising (i) operation fee; and (ii) percentage-share of sales proceeds) until the expiry of this agreement (i.e. 20 August 2023). The Company and Precedent Japan agreed that Precedent Japan shall receive an operation service fee of US\$0.038 million plus an 8% of percentage-share from the sales proceeds in the first quarter under its operations. The remaining quarters (depending on when the relevant approvals were given by the Company so that the operation of the project could commence before the expiry of the agreement) will be further negotiated and to be determined by the parties with references to the results from the first quarter.

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Name and**Contract****Date***(Note 1)***Services to be provided and the consideration***(Note 2)*10/9/2021[#]**(For the development of Project 6)**

Perform the design work of secondary creations of the Company's IPs and digitalize such designs and develop them into digital collections.

Total consideration (approximately) and payment terms**US\$2.28 million**

1st payment (this part of the service is completed and is currently settled under PJ Bond D and included into the Creditors' Scheme)

US\$1.82 million, to be made after the completion of the first draft of the proposal for IP secondary creation designs and the details within being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.34 million, to be made after the completion of the codes development, the security check by third-party and the results being approved and accepted by the Company.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.12 million, to be made after the digital collections are issued to the market.

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Name and**Contract****Date****Services to be provided and the consideration***(Note 1)**(Note 2)*13/9/2021[#]**(For the development of Project 7)**

By applying the technical standards required by the Company, perform the first phase of development production of virtual trendy toy museum applicable on computers and mini-program for other smart devices.

Total consideration (approximately) and payment terms**US\$2.45 million**

1st payment (this part of the service is completed and is currently settled under PJ Bond D and included into the Creditors' Scheme)

US\$1.96 million, to be made after the completion of the prototypes work of all systems and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.37 million, to be made after all systems are fully-developed, can be launched online and are ready for use.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.12 million, to be made after all the systems have been approved and accepted by the Company.

27/9/2021[#]**(For the development of Project 6)**

By applying the technical standards required by the Company, perform (i) design and technical development of the official website for digital collection issuance; (ii) customized development of the digital collectibles section of the membership system; (iii) blockchain wallet application technology development; and (iv) development and production of digital collectibles cloud storage system.

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Name and**Contract****Date****Services to be provided and the consideration***(Note 1)**(Note 2)***Total consideration (approximately) and payment terms****US\$1.60 million**

1st payment (this part of the service is completed and is currently settled under PJ Bond E and included into the Creditors' Scheme)

US\$1.28 million, to be made after the completion of the prototypes of the official digital collection distribution website and the digital collection section of the member system and them being approved and accepted by the Company.

2nd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.24 million, to be made after the prototypes are developed into systems, can be launched online and are ready for use.

3rd payment (outstanding payment pending to be made by the Group after Completion)

US\$0.08 million, to be made after all the systems have been approved and accepted by the Company.

Notes:

1. The service fees arisen from these agreements labelled (“#”) in the table above have been recognised in the research and development expenses of the Group for the financial year ended 31 March 2023.
2. Except for the bonds issued to the Investor, all the bonds as listed in the table above do not involve in any cash inflow to the Company and were recognised under Bonds in the Company's consolidated financial statements.

As stated in the table above, some of the Service Providers have fulfilled certain stages of their respective services provided to the Company according to their respective contracts. Substantial parts of the payments were made in the earlier stages due to the fact that most of the time and values of the works to be performed, including but not limited to, the negotiating, planning, designing, developing, revising after trial-and-errors and incorporating Company's comments and suggestions were to be executed in the earlier stages and then once the details could be confirmed by the parties and then a proposal and/or draft could be provided to the Group for final confirmation before these providers were allowed to place them into uses. Accordingly, the Directors are of the view that the payment terms in the service contracts as stated in the table above are on normal commercial terms, fair and reasonable and in the interests of the Company

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and the Shareholders as a whole. As at the Latest Practicable Date, the Company did not enter into any supplemental agreements with any of these service providers and there has been no change in the payment terms of these service agreements. Upon Completion, the Company will confirm with each of the service providers the timing and whether the remaining services for the New Projects will be required and the Company will settle the outstanding payments to these service providers after the relevant services for the New Projects are completed.

In early 2021, ACCP Global expressed its intention and interest to participate in the ACCP Subscription to the Company where ACCP Global would have subscribed for 86 million new Shares that would represent approximately 8.05% of the then issued share capital of the Company (i.e. as at the date of the ACCP Subscription Agreement) as enlarged by the allotment and issue of these new Shares. Therefore, before the entering into of the service agreements during June to August 2021 and May 2022, the Company has taken into account the funding resources to be raised by the potential subscription of the Shares by ACCP Global. Since the Company was not required to make immediate payment while the 1st installments of payment by the Company under these service contracts was scheduled to take place during or after year 2022, it was expected that such service fees could be covered from the proceeds of the ACCP Subscription in September 2021, should it be successful. According to these service agreements, the Group has to pay the total amount of approximately US\$43.97 million (equivalent to approximately HK\$342.97 million based on US\$1 = HK\$7.8) and approximately HK\$29.99 million (assuming all stages of service have been provided) and part of these service fees were intended to be settled by the funds that was expected to be raised from the proceeds of the ACCP Subscription in September 2021 (which was eventually unsuccessful as ACCP Global refused to pay the full consideration for the subscription of the Shares, the details of which are set out in the sub-section headed “10. Litigation” in appendix III of this circular). The remaining service fees were intended to be settled by internal operation cashflow and other investments that were expected to be provided by two to three other investors who showed interests and initiated discussions with the Group to participate in the development of New Projects. The Group expected to enter into these investment agreements following the completion of the ACCP Subscription and the amount of these investments could have settled the remaining service fees for the Group for the New Projects. However, these investment discussions were then ceased after the failure of the ACCP Subscription. Due to failure of the said subscription and having considered the Group’s financial position and to not affect its financial liquidity, the Company settled its payment obligations for the services that have already been performed with the 2022/23 Bonds in the amount of approximately HK\$284.49 million, terms of which are summarized in below,

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Summary of the 2022/23 Bonds

2022/23 Bonds	Principal amount	Coupon rate	Issue date	Maturity	Repaid by the Company
Investor Bond A	HK\$20.00 million	11.48%	1/11/2022	to be determined	No
Investor Bond B	HK\$5.00 million	10.00%	8/12/2022	to be determined	No
Zhao Dan's bond	HK\$9.51 million	Nil%	20/10/2022	19/10/2024	No
Sub-total	HK\$34.51 million				
Zing Bond A	HK\$52.50 million	6%	5/5/2022	4/5/2023	No
Zing Bond B	HK\$39.20 million	1%	14/10/2022	13/10/2023	No
SZT Bond	HK\$4.99 million	5%	10/5/2022	9/5/2023	No
BT Bond A	HK\$27.50 million	6%	16/5/2022	15/5/2023	No
BT Bond B	HK\$52.55 million	1%	3/10/2022	2/10/2023	No
PJ Bond A	HK\$28.00 million	1%	11/10/2022	10/10/2023	No
PJ Bond B	HK\$20.00 million	5%	16/5/2022	15/5/2023	No
PJ Bond C	HK\$14.80 million	1%	18/7/2022	17/7/2023	No
PJ Bond D	HK\$34.95 million	1%	7/10/2022	6/10/2023	No
PJ Bond E	HK\$10.00 million	1%	18/10/2022	17/10/2023	No
	HK\$				
Sub-total	284.49 million				

Save for the Investor Bonds, the 2022/23 Bonds have all reached their maturity dates, and the Group has not repaid or settled any portion of the principal or interest due thereunder. The aggregate outstanding principal amount of the 2022/23 Bonds is approximately HK\$319.00 million and except for the Investor's Bonds, HK\$9.51 million of Zhao Dan's bond (transferred to China Sun Group Holding Limited) and approximately HK\$284.49 million of the bonds issued to Service Providers have been duly included as Claims under the Creditors' Scheme and are expected to be compromised and settled in accordance with the terms and distribution mechanism of the Creditors' Scheme, subject to the Creditors' Scheme becoming effective. Accordingly, save for the Investor's Bonds, there are not any extensions of the maturity dates or any redemption in relation to the 2022/23 Bonds.

The Company was given to notice that (i) Zhao Dan and Zing had transferred/disposed all of their respective bonds to China Sun Group Holding Limited, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping so were not included in the Creditors' Scheme as Creditors; (ii) Bun Tsubomi and Precedent Japan had transferred/disposed part of their respective bonds to China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping, and to the extent of the

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remaining bonds holding by them, they remained to be included in the Creditors' Scheme as Creditors; and (iii) SZ Tianquan did not transfer/dispose its bond and so it is included in the Creditors' Scheme as Creditors. Please also refer to the sub-section headed "The Scheme's Special Deal" for more information of the amounts of the 2022/23 Bonds transferred/disposed.

The services that were agreed to be provided by the Service Providers have been placed on hold due to the Group's inability to effect settlements under the 2022/23 Bonds. In light of the Group's ongoing restructuring efforts and the anticipating the successful implementation of the Creditors' Scheme, a mutual understanding has been reached by the Group and the Service Providers for potential resumption and completion of the remaining services upon Completion (i.e. the Group's financial position and operational performance have recovered sufficiently to support such resumption of services). The completion of the services would allow the Group to continue on services that expected to be beneficial to the Group's focus in developing and expanding in its theme parks, trading of animation derivatives businesses and its new virtual online entertainment business with strong growing potential, thus, are in the interests of the Company and the Shareholders as a whole.

As at the date of the respective contracts were entered and as at the Latest Practicable Date, save for the Investor each of the 2022/23 Bonds Holders is a (i) third party independent of the Investor, the Company and its connected persons; and (ii) do not have any other relationships with the Company, its connected person and their associates.

6.3 Other factors that further deteriorated the Group's financial condition

The failure of the ACCP Subscription

As stated in the Company's announcements dated 1 September 2021 and 8 December 2021, among other matters, (i) the ACCP Subscription Agreement was entered into between the Company and ACCP Global on 1 September 2021 whereby ACCP Global agreed to provide a total consideration of HK\$215 million to the Company as set out in under the terms of the ACCP Subscription Agreement; and (ii) the ACCP Subscription was ultimately cancelled as ACCP Global did not fulfill its payment obligations to the Company according to the terms set out under the ACCP Subscription Agreement; (iii) through a "Call-and Forfeiture" procedure, the subscription shares issued and allotted under the ACCP Subscription were cancelled by the Company on 28 December 2021; and (iv) on 6 October 2021, the Company noted that the closing prices of the Shares had fallen significantly from HK\$2.60 to HK\$0.61, representing a drop of approximately 76.50% on a single trading day.

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Following the above, the Company noted that its public perception had been negatively affected and it had experienced more difficulties and challenges in conducting its financing for operations. For instance, the Company was forced into a less favorable position in its negotiations and then consumed more time and costs and/or been offered higher interest rates in seeking for external financial resources to sustain the Group's operations and expenses as (i) banks and investors are less interested to provide loans to the Company such that more time are required to negotiate and the terms (including the interest) of such loans are less favorable; (ii) low participation rates by the public when the Company was conducting equity debt financing activities; and (iii) the Company would then have to issue more Shares (resulted from a lower issue price due to the drop in the Share price and the Company's condition) to raise money should potential investors are successfully identified.

Received statutory demands from certain Creditors

In addition to the above, the Company has received statutory demands from certain Creditors against the Company's outstanding debts from time to time and that winding-up petitions have also been filed by some of these Creditors against the Company, namely, Ms. Wu Hanrong, Maxx Capital, Ms. Sun Ying, Ms. Zou Sailan, Ms. Chen Tengfang and China Sun Group Holdings Limited, including but not limited to, that on 30 January 2023, two Creditors with indebtedness owed by the Company in the respective amount of HK\$11,692,523.95 and HK\$5,896,794.52 as joint petitioners filed a winding-up petition against the Company. The hearing of the winding-up petition dated 17 July 2023 was vacated as the Creditors Scheme had been approved by the regulate majorities of the Creditors. Whereas Maxx Capital's petition was no longer valid as it entered into an agreement with Mr. Lam that resulted in the Assignment and a deed of mutual release with the Company to, among other matters, dismiss or discontinue all court actions against the Company. Mr. Lam and the Company also entered the Deed of Settlement, pursuant to which, among other matters, Mr. Lam has agreed that the debts owed by the Group to him will be multiplied by the rate of recovery to the Creditors in accordance to the Creditors' Scheme. Please refer to the section headed "11. THE DEED OF SETTLEMENT AND THE EXECUTION OF THE DEED OF MUTUAL RELEASE" in this circular for more information. In the absence of the Debt Restructuring, should the Company fail to repay the outstanding debts within the time given by the High Court, the Company will have to repay Mr. Lam the full amount of the Assigned Debt and the abovementioned Creditors may file a new winding-up petitions against the Company that lead to greater risk that the Company would be placed into insolvent liquidation. Thereafter, the Shares are expected to be suspended from trading and the listing status of the Company is expected to be removed from the Stock Exchange.

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The Stock Exchange issued Resumption Guidance and ongoing liquidity challenges

The Shares was suspended from trading with effect on 9:00 a.m. on 21 November 2024 when officers of the Independent Commission Against Corruption attended the Company's principal place of business in Hong Kong to execute a search warrant in relation to certain suspected offences under the Prevention of Bribery Ordinance (Cap.201 of the Laws of Hong Kong) and the Crimes Ordinance (Cap. 200 of the Laws of Hong Kong). Subsequently, the Company has been notified that such investigation has been concluded and that no charges will be brought against the Company or any of the Directors, officers or employees in connection with the matter. Nevertheless, resumption conditions have been imposed by the Stock Exchange on the Company which requires the Company to satisfy all the resumption conditions before trading of the Shares can be resumed. Failure to do so may result in the continued suspension of trading in the Shares and, ultimately, the cancellation of its listing on the Main Board of the Stock Exchange. Please refer to the Company's announcements dated 28 January 2025 and 7 July 2025 for the details of the resumption guidance set out by the Stock Exchange for the resumption of trading in the Shares.

As at 31 March 2024, based on audited condensed consolidated statement of financial position, the Group recorded a total liability of approximately HK\$1,453.3 million. As at 31 March 2024, the Group recorded net current liabilities and net liabilities in the amount of approximately HK\$1,123.6 million and approximately HK\$1,045.3 million, respectively. The Group has faced severe liquidity challenges and required urgent financial assistance to support its operation and turnaround its financial position. In order to restructure the financial position of the Group, the Company has been attempting to raise capital through debts, but has been experiencing extreme difficulties to seek for fund sources with the Group's high level of loans and borrowings and the high gearing ratios of approximately 195.6% as at 31 March 2023 and approximately 258.7% as at 31 March 2024. Given the circumstances, considering that the Group fail to seek new substantial size funds to enhance its financial position, the Group would likely be placed into insolvent liquidation.

Supported by funding from the Investor, the Group's business has shown gradual recovery over time. For the year ended 31 March 2025, the Group maintained revenue at approximately HK\$366.9 million, broadly in line with HK\$364.0 million recorded for the year ended 31 March 2024. More significantly, the loss attributable to owners of the Company narrowed substantially to HK\$34.97 million for the year ended 31 March 2025, compared with approximately HK\$161.20 million in the prior year.

Notwithstanding this encouraging improvement in operating performance, the Group continues to face considerable challenges. In particular:

- (i) the Group remains subject to winding-up petitions in the absence of Completion;

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- (ii) substantial ongoing expenses have been incurred since the preparation of the Creditors' Scheme and the Proposed Restructuring, including ongoing operational costs to maintain its business, legal fees and other professional advisory fees directly and indirectly related to the Proposed Restructuring;
- (iii) the listing status of the Shares remain suspended from trading pending full satisfaction of the resumption guidance imposed by the Stock Exchange; and
- (iv) with the majority of the Group's project developments on hold, the existing financial position severely limits the Company's ability to secure external funding of a material size on acceptable terms or to implement alternative solutions capable of restoring the Group's financial stability.

Following the execution of the Subscription Agreements, after the sanction of the Creditors' Scheme on 19 March 2024 and up to the Latest Practicable Date, the Group continued to actively identify alternative funding sources, including seeking loan facilities from other parties other than the Investor. Notwithstanding such efforts, no favorable responses were initially received. The Group approached a total of eight potential lenders, of which only four parties — some of whom were referred by the Investor — expressed willingness to provide short term financial assistance amounting to approximately HK\$64.74 million.

As at 30 September 2025, the Group recorded current assets of HK\$121.68 million, including bank and cash balances of HK\$12.96 million, yet continued to report net current liabilities of HK\$1,239 million. Total liabilities stood at approximately HK\$1,573.69 million, of which HK\$1,360.84 million were current liabilities primarily comprising HK\$722.09 million of bonds payable and HK\$397.49 million of other payables and accruals. Consequently, the Group remained in a net liabilities position of approximately HK\$1,160.68 million.

In light of the abovementioned liquidity challenges faced by the Group and the Company and the failure of the Company in obtaining new funding through debts, the Group and the Company consider that a holistic restructuring was essential to turn around the its business and financial position.

With reference to Appendix II of this circular, based on the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 September 2025, the Group's current assets would increase from approximately HK\$121.7 million to approximately HK\$179.6 million upon Completion, and its current liabilities would reduce from approximately HK\$1,354.4 million to approximately HK\$178.9 million upon Completion, primarily as a result of the implementation of the Creditors' Scheme and Special Deals and the extensions on certain borrowings and interest payables, subject to the Completion. Of the Group's current liabilities of approximately HK\$178.9

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million, approximately (i) HK\$14.6 million represents contract liabilities arising from licensing income received in-advance, which are non-cash in nature as the Group remains obligated to satisfy the related performance obligations over time; and (ii) HK\$25.1 million of the HK\$25.6 million represents tax disputes with the relevant tax authorities and pending resolution, which may take up to two years or more based on the opinion of the Group's tax adviser. The HK\$49.2 million in bank and other borrowings under current liabilities comprises amounts borrowed from four lenders that have become due. In the course of discussions between the Company and these lenders, they have indicated that they will take into account the Group's circumstances when considering whether to grant extensions and that they will not demand repayment so long as the Company continues to implement the Proposed Restructuring. The HK\$68.4 million of other payables and accruals under current liabilities comprises (i) approximately HK\$37.8 million arising from recurring operating expenses, which considers maintainable as these have historically been covered by operation revenue; (ii) approximately HK\$15.7 million of interests accrued from borrowings, which are negotiable and may be extended, subject to Completion; (iii) approximately HK\$4.0 million of payables and accruals in respect of outstanding directors' fee due to former directors, who have verbally indicated that they will not demand payment of such fees from the Group after resigning; and (iv) HK\$1.9 million relating to a claim against the Company as described in the sub-section headed "C. Claim from a service provider" under "10. Litigation" in Appendix III of the Circular, which is currently undergoing legal proceedings. The Board confirms that the Group does not intend to conduct any equity fundraising activities within the next 12 months. Having regard to the Proposed Restructuring, the aforesaid extensions subject to Completion, and the expected recovery in performance from the Group's business operations, the Group expects that the remaining current liabilities will be settled from its current assets, which principally comprise trade receivables arising from its continuing licensing business, prepayments that are expected to be realized shortly after delivery and subsequent sales of goods and available internal resources. On this basis, the Group considers that it has sufficient current assets to meet its current liabilities with most of its liabilities are not expected to fall due for settlement within the next twelve months and thus is not subject to any risks of working capital shortage. In respect of the Group's non-current liabilities, (i) HK\$111.6 million, representing the value of the Convertible Bonds, are expected to be released upon exercise by the Investor and do not require cash outflow; (ii) HK\$94.8 million of lease liabilities, which represent future rental payments under leases with the terms spanning multiple years, will be reduced gradually as the Company makes the relevant rental payments; (iii) of HK\$86.3 million of bank and other borrowings, approximately HK\$18.8 million are secured loans of which approximately HK\$9.1 million can be extended when become due, approximately HK\$9.7 million will not become due before April 2028 and approximately HK\$34.3 million are unsecured loans obtained from financial institutions in Japan which have not become due and installments of which have been paid on schedule using the revenue generated by a subsidiary of the Group in Japan; (iv) approximately HK\$33.2 million of bank and other borrowings are subject to further extensions agreed by their lenders, providing the Group with additional time to repay such loans (if needed), subject to the Company successfully

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resuming the trading of the Shares; and (v) HK\$28.0 million of contract liabilities relate to licensing income received in-advance and will be released and recognized as revenue of the Group as the related services are delivered. Thus, a substantial part of the Group's non-current liabilities does not require immediate cash outflow and is either expected to be settled over time through internally generated resources or may be extended subject to the Group's development and circumstances. Taking into account the expected improvement in the Group's financial position, as well as the anticipated enhancement in investors' confidence and business performance following Completion, the Board believes that the Group will, among other benefits, be able to negotiate more favorable extension terms and/or have sufficient financial resources, whether generated internally or obtained externally, to meet its long-term liabilities as and when they fall due.

The Directors are of the view that the Proposed Restructuring and the transactions contemplated thereunder, in particular, the investment of new funding under the Subscriptions will provide the Group with the necessary funding to conduct a holistic restructuring by way of a Creditors' Scheme. It is expected that with the residual amount of the proceeds from the Subscriptions which will be used as additional working capital of the Company, the Group's businesses will be improved and stabilised.

Given the financial condition of the Group, the Investor has provided, including (i) the Investor Bonds; and (ii) the Investor Loan to the Group serving as rescue funding to settle professional parties fee. As at the Latest Practicable Date, the Investor Loan in the total amount of HK\$25 million has been fully drawn down by the Company. In addition to the above, the Investor has indicated to the Company that the Company may, with prior consent of the Investor, withdraw from the Escrowed Consideration prior to the Completion to support the Group's business when necessary. The abovementioned financial assistance provided by the Investor, including, the Investor Bonds, the Investor Loan and any amount to be drawn from the Escrowed Consideration by the Group will be counted towards to set-off the consideration of the Subscriptions for the Investor upon Completion. As at the Latest Practicable Date, no withdrawal has been made from the Escrowed Consideration. If the Proposed Restructuring (including the Subscriptions) is voted down by the Shareholders, the transactions contemplated under the Proposed Restructuring would not proceed such that the Creditors' Scheme would become ineffective, and the Company would be unable to utilize the proceeds from the Subscriptions to repay its liabilities. In such circumstances, the Company would need to secure alternative financial resources in a timely manner to meet its overdue obligations and other obligations as they fall due, including but not limited to, repaying the Creditors, the Investor and Mr. Lam. Failure to do so could result in presentation and successful pursuit of new winding-up petitions (against the Company and/or its key subsidiaries after failure of the Creditors' Scheme), leading to the commencement of winding-up proceedings. In that event, Shareholders would likely receive little to no return on their investments. Moreover, if these developments cause the Company to be unable to satisfy the continuing listing requirements under the Listing Rules, the Stock Exchange may exercise its discretion to cancel the

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Company's listing that would significantly impair the Company's access to capital markets, further aggravate its funding difficulties, and materially diminish the prospects for any viable restructuring or turnaround.

7. INFORMATION ON THE INVESTOR

The Investor is a company incorporated under the laws of Japan and is principally engaged in (i) real estate related businesses including but not limited to, urban development, properties construction, brokering, real estate valuation and properties management; and (ii) financial related services including but not limited to, trading of securities, asset management and selling of financial products. The Investor is a diversified conglomerate established for over 25 years with over 20 subsidiaries covering a wide range of business activities in Japan, including but not limited to, real estate development, urban development and hotels and theme parks management. The Investor shown interests and is optimistic about the Company's existing theme parks operations in Japan. The Investor has indicated its interests in investing in the Company and to work with the Group having considered (i) the operation history and business network of the Group; (ii) its optimistic view in the prospect of "Joypolis" theme-park; (iii) the talents of the Group and experience in theme-parks operations; and (iv) the above-mentioned reasons may create positive synergies to the Investor's existing entertainment-related businesses. In September 2022, the Board, led by Mr. Chong Heung Chung Jason, through Mr. Tang To Wong, its then operational consultant, met with a representative of Union Business Platform Group, a Dubai-based financial services company, at a networking event and explored potential cooperation opportunities with the Group. After understanding the Group's background and financial situation, the representative of the Union Business Platform Group considered that one of its business partners, being the Investor, may have interests in working with the Group and therefore, introduced Dr. Hiroshi Kaneko, being a member of the senior management of the Investor, to the Group. The Investor had been introduced to the Group in mid-September 2022. After various discussions between the Investor and the Group throughout mid-September 2022 to the end of 2022, the parties have come into mutual agreement on the terms and conditions as set out in the Term Sheet. As the Group is in need of financial resources to support its current operations and potentially in risk of winding up, it has been agreed by the Investor has agreed to provide initial fundings to the Group in facilitating the transactions set out under the Term Sheet and hence, the Parties have agreed to enter into the Term Sheet prior to the execution of the Subscription Agreements. The Company is given to understand by the Investor that the Investor is intended to, by utilising its experience and business networks, enrich the operations of the theme parks and expand the operations to other parts of Asia and the world. The Investor is beneficially wholly-owned by Mr. Kenichi, who is also the president and representative director of the Investor. To the best knowledge of the Company, the Investor and the parties acting in concert with it are Independent Third Parties.

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As at the Latest Practicable Date, the directors of the Investor are Mr. Kenichi, Dr. Hiroshi Kaneko, Mr. Takahiro Haga and Mr. Kuniaki Yanase.

7.1 Background information of the directors of the Investor

Mr. Kenichi

Mr. Kenichi has extensive experience in the field of real estate and investment. He is currently the chairman and chief executive officer of the Investor and is responsible for overseeing its daily operation and strategic planning.

Prior to joining the Investor, he founded Toshisouken Invest-Bank Co.* (都市綜研インベストバンク株式会社) and has been serving as its chairman since October 2007, primarily responsible for new business development and operations, as well as overseeing the real estate business in general. Mr. Kenichi also founded Toshisouken Invest-Fund Co.* (都市綜研インベストファンド株式会社) and has been serving as its chairman since April 2010, and is primarily responsible for the management and operation of the real estate fund.

During the period from 24 October 2023 to 30 November 2023, Mr. Kenichi was the non-executive director and chairman of Japan Kyosei Group Company Limited (stock code: 627), the shares of which are listed on the Stock Exchange and during the period from 20 November 2021 to 4 October 2023, he was the non-executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), the shares of which are listed on GEM of the Stock Exchange.

Dr. Hiroshi Kaneko (formerly known as Jin Song)

Dr. Hiroshi Kaneko has received a Master of Engineering from Dalian University of Technology in 1989 and a doctoral degree in Engineering from the Department of the Advanced Interdisciplinary Studies from University of Tokyo in 1997. He has extensive research experience in the field of environment, development and economic science in Japan, China and Northern America. He has been engaged in comprehensive utilisation of environmental friendly materials and international trade.

He is currently the managing director and chief financial officer of the Investor and is mainly responsible for overseeing the capital operations and financial aspects of new business development. As at the Latest Practicable Date, Dr. Kaneko is (i) the executive director and the chief executive officer of Rongzun International Holdings Group Limited (formerly known as B & D Strategic Holdings Limited) (stock code: 1780); and (ii) the executive director and the chief executive officer of Japan Kyosei Group Company Limited (formerly known as Fullsun International Holdings Group Co., Limited) (stock code: 627). During the period from 20

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November 2021 to 4 October 2023, Dr. Hiroshi Kaneko was the executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), the shares of which are listed on GEM of the Stock Exchange.

Mr. Haga Takahiro

Mr. Haga Takahiro was graduated from O-hara College of Accounting in Japan and has over 34 years of experience in the fields of auditing and accounting having worked for various enterprises in Japan. He was appointed as a director of the Investor since 4 January 2012.

Mr. Kuniaki Yanase

Mr. Kuniaki Yanase has over 11 years of experience in the fields of marketing and real estate in Japan having worked for various enterprises in Japan and be responsible for, including but not limited to, overall marketing strategy, branding, advertising and promotion tactics for real estate investment products and transactions. He was appointed as a director of the Investor since 1 November 2017.

7.2 Intention of Investor in relation to the Group

It is the intention of the Investor to continue the existing businesses of the Group and has no intention to put forward any major changes to the businesses of the Group after the Completion. As at the Latest Practicable Date, the Investor has not entered and does not intend to enter into any agreement, arrangements, understanding (i) to acquire and/or develop any new business nor (ii) to dispose of or downsize the existing businesses and/or material operating assets, of the Group unless appropriate opportunities arise. The Investor will continue to review the operations of the Group from time to time in order to enhance a long-term growth potential for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. Subject to the result of the review, the Investor may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. Should such corporation actions materialize, further announcement(s) will be made in accordance with the Listing Rules.

Proposed changes to the Board composition

As at the Latest Practicable Date, the Board comprises two executive Directors and three independent non-executive Directors.

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The Investor intends to nominate Dr. Hiroshi Kaneko as an executive Director upon Completion. Such appointment of Director nominated by the Investor and any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

It is expected that, upon Completion Dr. Hiroshi Kaneko will primarily be responsible for overseeing the Group's overall business operations and the formulation of its business and strategic development. Mr. Chong Heung Chung Jason, having regard to his experience in the theme park and toy industries, will continue to assist in monitoring the Group's overall operations and Ms. Liu Moxiang will primarily focus on the implementation of strategies and the management of the Group's business in Japan.

Save for the Investor's intention regarding the Group as set out above, as at the Latest Practicable Date, the Investor (i) has not identified any potential candidate to be appointed as new director(s) to the Board; and (ii) has no intention to make changes to the management and discontinue any employment of the employees of the Group or to dispose of or re-allocate the Group's assets which are not in the ordinary and usual course of business of the Group.

Management of the Group upon Completion

It has been acknowledged that there shall be no change in the directors and members of the management of the following subsidiaries of the Company from the date of the Term Sheet, unless otherwise agreed:

- (a) China Animation Group Limited;
- (b) China Theme Park Limited;
- (c) Network China Technology Limited; and
- (d) Animate China Technology Limited.

The Investor considers that the above subsidiaries are currently some of the main subsidiaries of the Group and in its view, are with the highest profitability in foreseeable future. The Investor, therefore, considers that it will be essential for the Group to retain the existing management talents of these subsidiaries upon Completion to continue their operations for the Group.

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8. EFFECT ON THE SHAREHOLDING STRUCTURES OF THE COMPANY

The table below illustrates the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation having become effective; (iii) after the completion of the Subscriptions and assuming no Convertible Bonds are converted; (iv) after the completion of the Subscriptions and the issue of the Scheme Shares and assuming no Convertible Bonds are converted; and (v) after the Completion and assuming all Convertible Bonds are converted (for illustrative purposes only):

Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation having become effective		After the completion of the Subscriptions and assuming no Convertible Bonds are converted		After the completion of the Subscriptions and the issue of the Scheme Shares and assuming no Convertible Bonds are converted (Note 9)		After the Completion and assuming all Convertible Bonds are converted	
	Existing Shares	%	New Shares	%	New Shares	%	New Shares	%	New Shares	%
The Investor and its concert parties										
<i>(Note 1)</i>										
The Investor	—	—	—	—	530,800,000	81.79	530,800,000	74.97	1,439,051,918	89.04
Bright Rise and its concert parties										
Bright Rise Enterprises Limited										
<i>(Note 2)</i>										
	134,538,000	11.38	13,453,800	11.38	—	—	—	—	—	—
Fortress Strength Limited <i>(Note 3)</i>	28,735,000	2.43	2,873,500	2.43	—	—	—	—	—	—
Bonville Glory Limited <i>(Note 4)</i>	12,900,000	1.09	1,290,000	1.09	1,290,000	0.20	1,290,000	0.18	1,290,000	0.08
East Jumbo Development Limited										
<i>(Note 5)</i>										
	12,329,000	1.04	1,232,900	1.04	1,232,900	0.19	1,232,900	0.17	1,232,900	0.08
Mr. Shinichiro Ikeda <i>(Note 6)</i>	12,000,000	1.02	1,200,000	1.02	1,200,000	0.18	1,200,000	0.17	1,200,000	0.07
Dragon Year Group Limited <i>(Note 6)</i>	49,497,000	4.19	4,949,700	4.19	4,949,700	0.76	4,949,700	0.70	4,949,700	0.31
Sub-total	249,999,000	21.15	24,999,900	21.15	24,999,900	3.85	24,999,900	3.53	24,999,900	1.55
Public Shareholders										
The SchemeCo	—	—	—	—	—	—	59,000,000	8.33	59,000,000	3.65
Other public Shareholders	932,043,000	78.85	93,204,300	78.85	109,531,600	16.88	109,531,600	15.47	109,531,600	6.78
Public float <i>(Note 7)</i>	932,043,000	78.85	93,204,300	78.85	109,531,600	16.88	168,531,600	23.86	168,531,600	10.43
Total	1,182,042,000	100	118,204,200	100	649,004,200	100	708,004,200	100	1,616,256,118	100

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Notes:

1. *The figures are provided for illustrative purposes only. The terms of the Convertible Bonds will not permit conversion if immediately after such conversion, the public float of the Shares will fall below the minimum requirements of the Listing Rules from time to time.*

As at the Latest Practicable Date, none of the parties acting in concert with the Investor has any interest in the Shares, nor will have any interest in the Company under the arrangement of the Proposed Restructuring.

2. *Bright Rise Enterprises Limited is a company incorporated in the British Virgin Islands directly wholly-owned by Mr. Chong Heung Chung Jason, the chairman of the Board and an executive Director of the Company as at the Latest Practicable Date. Mr. Chong Heung Chung Jason is expected to remain as the Director and a connected person of the Company upon Completion. As at the Latest Practicable Date, all the Shares held by Bright Rise Enterprises Limited and Mr. Chong Heung Chung Jason have been pledged to lenders who are Independent Third Parties to secure the borrowings of the Company, Bright Rise Enterprises Limited and Mr. Chong Heung Chung Jason. The Investor and the Directors will ensure the continuous compliance by the Company with the 25% minimum public float requirement under Rule 8.08(1) of the Listing Rules before and after the Completion. Appropriate actions will be taken, including but not limited to, placing down of the Shares by the Investor to placee(s) who are Independent Third Parties not connected to the Company.*
3. *Ms. Lee Sui Fong Fiona, being the spouse of Mr. Chong Heung Chung Jason, is the sole beneficial owner of all issued shares of Fortress Strength Limited.*
4. *Mr. Ting Ka Fai Jeffrey is the sole beneficial owner of all issued shares of Bonville Glory Limited which is the registered and beneficial owner of 12,900,000 Shares.*
5. *Ms. Or Den Fung Bonnie is the sole beneficial owner of all issued shares of East Jumbo Development Limited which is the registered and beneficial owner of 12,329,000 Shares.*
6. *Mr. Shinichiro IKEDA has personal interest in the Company of 12,000,000 Shares and is the sole beneficial owner of all issued shares of Dragon Year Group Limited which is the registered and beneficial owner of 49,497,000 Shares.*
7. *With reference to the Company's announcement dated 25 September 2023, as a result of the termination deed dated 25 September 2023, the Shares that are holding by each of Bonville Glory Limited, East Jumbo Development Limited, Mr. Shinichiro Ikeda and Dragon Year Group Limited, with a total of (i) 86,726,000 Shares, representing approximately 7.34% of the issue share capital as at the Latest Practicable Date; and (ii) 8,672,600 New Shares, representing approximately 1.22% of the issued share capital after the completion of the Subscriptions and the issue of the Scheme Shares with no Convertible Bonds are converted, shall be counted into public float of the Company.*
8. *The aggregate public float for each of the scenarios but without taking into account the Shares, that are holding by the parties mentioned in note 7 above as illustrated in the table above.*
9. *Pursuant to the undertaking of the Company dated 10 April 2026, the Company shall not issue the Subscription Shares to the Investor at the time of Completion if the Company does not satisfy with the public float requirement under the Listing Rules.*

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9. EQUITY FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fund-raising activities in the 12 months immediately preceding the Latest Practicable Date.

10. MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at least 25% of the Company's total issued share capital must at all times be held by the public.

Immediately after the Capital Reorganisation becoming effective and immediately after Completion, assuming that the Convertible Bonds are not converted into any CB Conversion Shares, the Investor will be interested in 530,800,000 New Shares, representing approximately 74.97% of the issued Share capital upon the Capital Reorganisation and as enlarged by the Subscription Shares and the Scheme Shares (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Capital Reorganisation, the Share Subscription and the issue of the Scheme Shares).

In light of the above, both Bright Rise Enterprise Limited and Fortress Strength Limited have agreed to fully dispose of or otherwise reduce all of their respective interests in the Company by way of placing or other means to Independent Third Parties on date of the issuance of the Subscription Shares and the Scheme Shares, so that save for the 530,800,000 New Shares owned by the Investors, all the remaining Shares can be counted towards the public float, thereby enabling the Company to comply with the minimum 25% public float requirement under 8.08(1) of the Listing Rules. RaffAello Securities (HK) Limited has been engaged as the placing agent to place down the Shares of Bright Rise Enterprise Limited and Fortress Strength Limited on a fully underwritten basis. In addition, the Company has undertaken to the Stock Exchange that it shall issue the Subscription Shares to the Investor at the time of Completion only when the Company has satisfied with the public float requirement under the Listing Rules. Therefore, the Company will be able to satisfy the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules.

The directors of the Investor have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares prior to and after Completion under Rule 8.08(1) of the Listing Rules.

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11. THE DEED OF SETTLEMENT AND THE EXECUTION OF THE DEED OF MUTUAL RELEASE

Reference is made to the Settlement Announcement.

As set out in the Settlement Announcement, Maxx Capital had entered into an agreement with Mr. Lam in relation to the Assignment on 9 February 2024 and the consideration of the Assignment, i.e. HK\$8 million, was settled by Mr. Lam's own fund. Following the completion of the Assignment, Mr. Lam had replaced Maxx Capital as the ultimate beneficial owner of the Assigned Shares and the Assigned Debt. In light of the results of the Assignment, the Company had also entered into a deed of mutual release with Maxx Capital on 9 September 2024 and pursuant to which, the parties agreed, among other things, to take the necessary steps to dismiss or discontinue each other of and from all court actions and to withdraw the relevant absolute application with no order as to costs (or the order for each party to bear its own costs) in respect of the Legal Proceedings. Summary of the terms of the Deed of Mutual Release sets out below,

Maxx Capital confirms that,

- (i) Maxx Capital fully, unconditionally and permanently released and discharged the Company of and from all claims, demands and disputes in connection with the Legal Proceedings and/or arising from the relevant documents;
- (ii) Maxx Capital will not take any further step to pursue any claim against the Company and all other relevant persons and companies arising out of or in connection with the same or substantially the same facts in the Relevant Documents and/or the Legal Proceedings; and
- (iii) Maxx Capital will not enforce and/or take out any new action against the Company in respect of the Legal Proceedings.

The Company confirms that,

- (i) the Company fully, unconditionally and permanently released and discharged Maxx Capital of and from all claims, demands and disputes in connection with the Legal Proceedings and/or arising from the Relevant Documents;
- (ii) the Company will not take any further steps to pursue any claim against Maxx Capital arising out of or in connection with the same or substantially the same facts as set out in the Relevant Documents and/or the Legal Proceedings;

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- (iii) the Company will not enforce and/or take out any new action against Maxx Capital in respect of the Relevant Documents and/or the Legal Proceedings; and
- (iv) the Company will not take any further step to execute or enforce the cost order made by the High Court dated 10 January 2023 and take all necessary steps to release, set aside and/or discharge the garnishee order nisi dated 27 February 2023 in relation to the cost order owed by Maxx Capital to the Company under the order of the High Court.

Execution of the Deed of Settlement

Having considered that the Company's current financial position and is in the process of executing the Debt Restructuring, on 9 September 2024, the Company and Mr. Lam entered into the Deed of Settlement, for the purpose of, among other matters, settle the Assigned Debt as both Mr. Lam and the Company agreed upon that it is impracticable for the Company to settle the full outstanding amount of the Assigned Debt. The Assigned Debt, based on the Company's calculation, including interests, is amounted to be approximately HK\$39.17 million as at 30 June 2024.

The 20,000,000 Assigned Shares being held by Mr. Lam (i) represent approximately 1.69% of the issued share capital of the Company as at the date of the Deed of Settlement; (ii) will represent approximately 0.308% of the issued share capital of the Company after adjusting for the effects of the Capital Reorganisation and the completion of the Subscriptions (assuming that no Convertible Bonds have been converted and no other changes in the issued share capital of the Company); and (iii) will represent approximately 0.124% of the issued share capital of the Company after adjusting for the effects of the Capital Reorganisation and the completion of the Subscriptions (assuming the issue of the Subscription Shares, the Scheme Shares and the CB Conversion Shares upon full conversion of the Convertible Bonds).

Pursuant to the Deed of Settlement, the Company has agreed to pay Mr. Lam, Mr. Lam's Settlement Sum, being an amount equivalent to the Assigned Debt multiplied by the rate of recovery to the Creditors, on a date within a reasonable period after the Scheme Administrator completing the distribution of the assets of the Creditors' Scheme after it taking effect. Mr. Lam agreed to enter into the Deed of Settlement because of the following reasons,

- (i) he sees upsides in helping the Company to avoid winding-up and delisting from the Stock Exchange as the Company is undergoing the Proposed Restructuring;

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- (ii) upon the successful completion of the Proposed Restructuring, the Company's ongoing plans to develop its business in the theme park and animation derivative segments will gain traction in the recovering economy of the PRC and the Company's business will improve significantly which will in turn increase the value of the Assigned Shares;
- (iii) the value of the Assigned Shares and the Company's means to repay the Assigned Debt depreciates and diminishes if the Company would be wound up and/or delisted from the Stock Exchange and the haircut to the Assigned Debt will improve the Company's liquidity;
- (iv) he wishes to avoid engaging the Company in litigation for the recovery of the Assigned Debt as it will be costly and time-consuming; and
- (v) he anticipates the amount of Mr. Lam's Settlement Sum, upon determined, will be higher than the consideration he paid for the Assignment.

In exchange, Mr. Lam will fully discharge the Assigned Debt and to not take any legal action against the Company or other relevant persons and companies arising out of or in connection with the Assigned Debt. For avoidance of doubt, the Assigned Debt was not included from the total amount of Claims against the Company as at 31 March 2023 and the entering into of the Deed of Settlement will not affect the operation of the Creditors' Scheme.

In the event of any non-compliance by the Company to settle Mr. Lam's Settlement Sum, Mr. Lam shall be entitled to seek immediate recovery of Mr. Lam's Settlement Sum from the Company.

Having considered that the Company's business has been gradually improving, it is intended to settle Mr. Lam's Settlement Sum with its internal resources generated from its operations.

11.1 Reasons for and the benefits of the Deed of Settlement

As the Creditors' Scheme has been sanctioned by the High Court, it is not in the interests of the Company to amend the terms therein and include Mr. Lam into the Creditors' Scheme. The arrangement under the Deed of Settlement is not more favorable than the settlement proposed under the Creditors' Scheme and can significantly reduce the amount payable by the Company to Mr. Lam and is therefore considered to be in the interests of the Company and the Shareholders as a whole.

The entering into of the Deed of Settlement does not have any implications under the Listing Rules.

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11.2 Information of Mr. Lam

Mr. Lam is a Hong Kong resident and he has been conducting businesses with the Group through Sino Action Industrial Limited, a company wholly-owned by Mr. Lam and is one of the major suppliers of the Group in the animation derivative products segment for over 16 years. As at the Latest Practicable Date, Mr. Lam holds 200,000,000 Shares, representing approximately 1.69% of the issued share capital of the Company as at the Latest Practicable Date.

11.3 Conditions precedent to the Deed of Settlement

The Deed of Settlement and the transactions contemplated thereunder have to be made in compliance with the Takeovers Code and to obtain the consent from the Executive and the approvals from Independent Shareholder(s) from the EGM.

12. IMPLICATIONS UNDER THE TAKEOVERS CODE

The Whitewash Waiver

As at the Latest Practicable Date, the Investor, its beneficial owner and parties acting in concert with any of them are not interested in any Shares. Immediately after the Capital Reorganisation becoming effective and immediately after the completion of the Share Subscription, the Investor will be interested in 530,800,000 New Shares, representing approximately 81.79% of the issued Share capital upon the Capital Reorganisation and as enlarged by the Subscription Shares (assuming that there will be no change in the issued Share capital from the Latest Practicable Date and up to completion of the Share Subscription other than as a result of the Capital Reorganisation and the issue of the Subscription Shares). As such, the Investor would be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Investor and the parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application has been made by the Investor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes (excluding those Shareholders who are interested in or involved in the Whitewash Waiver and the Special Deals) that are cast either in person or by proxy by the Independent Shareholders at the EGM by way of poll, and each of the Share Subscription, the CB Subscription, the Creditors' Scheme and the transactions contemplated thereunder would be subject

LETTER FROM THE BOARD

to the approval by more than 50% of the Independent Shareholders in separate resolutions at the EGM by way of poll. As it is a condition precedent to Completion that the Whitewash Waiver is granted by the Executive, the Debt Restructuring, the Share Subscription, the CB Subscription and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is granted but subsequently invalidated by the Executive or not approved by the Independent Shareholders at the EGM.

As at the Latest Practicable Date, the Company confirms that the Proposed Restructuring would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). Should a concern arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible and make further announcement(s) to update the Shareholders and the public on the latest developments of the Proposed Restructuring.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders and the Subscriptions become unconditional, the aggregate shareholding of the Investor, its ultimate beneficial owners and parties acting in concert with any of them in the Company will exceed 50% immediately upon Completion. The Investor, its ultimate beneficial owners and parties acting in concert with any of them may further increase their shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Scheme's Special Deals

It is proposed that the Creditors' Scheme will be implemented as detailed in this circular. Based on the records currently available to the Company, Shareholders who are also eligible to be Scheme Creditors under the Scheme Document are China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping. As at the Latest Practicable Date, save for Mr. Lam, there is no other Shareholders who are also the creditors of the Company having a Claim and have been considered not eligible as the Creditors.

LETTER FROM THE BOARD

Set out below is their respective shareholding in the Company as at the Latest Practicable Date and the respective amount payable to them as at 31 January 2026:

Creditors	Number of Shares held as at the Latest Practicable Date	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date	Outstanding Sum as at 31 January 2026	Reasons for the amount due
			<i>(HK\$' million)</i>	
China Sun Group Holding Limited	85,888,000	7.27%	88.37	It purchased bonds (i) of the amount HK\$22.60 million from Bun Tsubomi; and (ii) of the amount HK\$30.00 million from Zing, that were initially issued by the Company to Bun Tsubomi and Zing as service fees to develop the New Projects.
Ms. Chow Wai Man Grace	10,000,000	0.84%	40.19	She provided loans to the Company in the total amount of HK\$25.25 million as working capital and to settle its bonds' payables that was due in September 2021. She also purchased bond of the amount HK\$5.95 million from Bun Tsubomi which was issued by the Company to Bun Tsubomi as service fee to develop the New Projects.

LETTER FROM THE BOARD

Creditors	Number of Shares held as at the Latest Practicable Date	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date	Outstanding Sum as at 31 January 2026 <i>(HK\$' million)</i>	Reasons for the amount due
Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla	85,000,000	7.19%	34.53	They provided a loan to the Company in the amount of HK\$20.00 million to settle the Company's bonds' payable that was due in September 2021. They also purchased bonds (i) of the amount HK2.00 million from Sun Ying; (ii) of the amount HK\$4.95 million from Zing, and the funds from the bonds issued by the Company to Zing were paid as service fee for Zing to develop the New Projects; and (iii) of the amount HK\$2.75 million from Precedent Japan, which were issued by the Company to Precedent Japan as service fees to develop the New Projects.
Mr. Ho Chi Ping	20,000,000	1.69%	6.71	He, through his company, purchased bonds (i) of the amount HK\$2.5 million from Zing; and (ii) HK\$4.00 million from Precedent Japan, which were issued by the Company to Zing and Precedent Japan as service fees to develop the New Projects.
Total	<u>200,888,000</u>	<u>16.99%</u>	<u>169.80</u>	

LETTER FROM THE BOARD

As the proposed settlement of the indebtedness due to the Creditors who are Shareholders under the Creditors' Scheme is not extended to all the other Shareholders, the implementation of the Creditors' Scheme constitutes the Scheme's Special Deals under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Creditors' Scheme are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which the Creditors and their associates and parties acting in concert with any of them and those who are interested in or involved in the Scheme's Special Deals will abstain from voting on the relevant resolutions. Please also refer to the sub-section headed "Parties to abstain from voting at the EGM" to this circular.

An application will be made by the Company to the Executive for the consent to the Scheme's Special Deals under Rule 25 of the Takeovers Code.

In the event that the consent to the Scheme's Special Deals under Rule 25 of the Takeovers Code were not being obtained from the Executive or the Scheme's Special Deals were not being duly approved by the Independent Shareholders at the EGM, the Proposed Restructuring shall not proceed and the Creditors' Scheme shall not become effective.

Mr. Lam's Special Deal

Since Mr. Lam is the ultimate beneficial owner of the Assigned Shares, representing approximately 1.69% of the issued share capital of the Company as at the Latest Practicable Date, and the proposed settlement under the Deed of Settlement to Mr. Lam is not extended to all the other Shareholders, it constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code and requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Deed of Settlement are fair and reasonable; and (iii) approval by Independent Shareholders at the EGM, in which.

Mr. Lam and parties acting in concert with him and those who are interested in or involved in Mr. Lam's Special Deal, will abstain from voting on the relevant resolutions. Please also refer to the sub-section headed "Parties to abstain from voting at the EGM" to this circular.

The Company confirms that apart from being a major supplier of the Group, Mr. Lam does not have other relationship (finance, personal, business or otherwise) with the Company or any of the Directors or their respective spouses. Mr. Lam further confirms that he is a third party independent of and not connected with the Investor and the parties acting in concert with it.

For avoidance of doubt, whether the Deed of Settlement and the transactions contemplated thereunder to be proceeded or not, it will not affect the Proposed Restructuring.

LETTER FROM THE BOARD

An application will be made by the Company to the Executive for the consent to the Mr. Lam's Special Deals under Rule 25 of the Takeovers Code.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

The Investor and its ultimate beneficial owners have confirmed that none of the Investor, its ultimate beneficial owners nor any person acting in concert with any of them:

- (i) save for the Shares as set out in the section headed "8. EFFECT ON THE SHAREHOLDING STRUCTURES OF THE COMPANY", owns, controls or has direction over any Shares and right over Shares, outstanding share options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company (the "**Relevant Securities**");
- (ii) will make any acquisitions or disposals of voting rights in the Company in the period between the Latest Practicable Date and Completion;
- (iii) had not dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (iv) owns or has control or direction over any voting rights or rights over the Shares or any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (v) save for the Investor Bonds and the Investor Bond Confirmation Deed, has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities of the Company or of the Investor which might be material to the Subscriptions, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver or the Special Deals;
- (vi) save for the Investor Bonds and the Investor Loan, other than the consideration payable under the Subscriptions, has paid or will pay any other consideration, compensations or benefits in whatever form to the Company or any parties acting in concert with it in relation to the Subscription Shares and the CB Conversion Shares;

LETTER FROM THE BOARD

- (vii) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the Subscriptions, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals;
- (viii) save for the Term Sheet and the Subscription Agreements, has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscriptions, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver or the Special Deals;
- (ix) has borrowed or lent any relevant securities in the Company; and
- (x) as at the Latest Practicable Date, there is no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between the Investor, its ultimate beneficial owners and parties acting in concert with any of them on the one hand and the Company and any party acting in concert with it on the other hand.

Also, the Company confirms that

- (i) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code. The aforesaid parties had not dealt for value in any Relevant Securities of the Company during the Relevant Period;
- (ii) there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Subscription Agreements, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals or otherwise connected with the Subscription Agreements, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals;
- (iii) it had not paid and will not pay any consideration, compensation or benefit in whatever form to the Investor, its ultimate beneficial owners and parties acting in concert with any of them in respect of the Subscription Agreements, the Creditors' Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals;

LETTER FROM THE BOARD

- (iv) the subsidiaries of the Company, pension funds of the Company or of any subsidiaries of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund manager) did not own, control or have control or direction over any Relevant Securities of the Company. The aforesaid parties had not dealt for value in any such securities of the Company during the Relevant Period;
- (v) no Relevant Securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company. The aforesaid parties had not dealt for value in the Relevant Securities of the Company during the Relevant Period; and
- (vi) the Subscriptions, the Creditors’ Scheme, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). Should a concern arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible and make further announcement(s) to update the Shareholders and the public on the latest developments of the Proposed Restructuring.

Arrangements affecting and relating to the Directors and/or the Shareholders

- (i) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Subscription Agreements, the Creditors’ Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals;
- (ii) there was no agreement, arrangement or understanding (including any compensation arrangement) existed among the Investor, its ultimate beneficial owners and parties acting in concert with any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription Agreements, the Creditors’ Scheme, the Specific Mandate, the Whitewash Waiver and/or the Special Deals;
- (iii) there was no material contract entered into by the Investor, its ultimate beneficial owners and parties acting in concert with any of them in which any Director had a material personal interest;

LETTER FROM THE BOARD

- (iv) as at the Latest Practicable Date, save for the Special Deals, there is no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder, and (a) the Investor, its ultimate beneficial owners and parties acting in concert with any of them; or (b) the Company, its subsidiaries or associated companies;
- (v) as at the Latest Practicable Date, other than Mr. Chong Heung Chung Jason (executive Director) and Ms. Lee Sui Fong Fiona (his spouse), who are Shareholders but will abstain from voting at the EGM, no other Directors are Shareholders to vote for or against the resolutions at the EGM.

13. IMPLICATIONS UNDER THE LISTING RULES

As the Specific Mandate will have to be granted to the Company to allot and issue the Scheme Shares, the Subscription Shares and the CB Conversion Shares, the Proposed Restructuring will be subject to, among other things, the approval of the Independent Shareholders at the EGM.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more (on its own or when aggregated within a 12-month period), unless the Stock Exchange is satisfied that there are exceptional circumstances. The Subscriptions and the issue of the Scheme Shares will result in a theoretical dilution effect of approximately 72.66%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. However, the Company is of the view that there are exceptional circumstances for the Company having considered the adverse financial position of the Company.

As disclosed in the section headed “6. REASONS FOR AND THE PURPOSES OF THE PROPOSED RESTRUCTURING” in this letter, the Group has faced severe liquidity challenges and required urgent financial assistance to support its operation and turnaround its financial position and when the Proposed Restructuring successfully implemented, it is expected to alleviate immediate repayment pressures, discharge or compromise claims in an orderly manner, enhance creditor and stakeholder confidence through a clearer path to recovery. Given the circumstances, should the Company fail to seek new funds to enhance its financial position, the Company would likely be placed into insolvent liquidation. Therefore, the Proposed Restructuring (including the Subscriptions), which forms part of the rescue plan of the Company, are essential to reverse the Company’s existing financial conditions, and the Company considers that (i) there are exceptional circumstances for the Company to undertake the Subscriptions which in aggregate would result in

LETTER FROM THE BOARD

a theoretical dilution effect of over 25%; and (ii) the Share Subscription Price, the CB Conversion Price and the issue price of the Scheme Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In light of the above, as at the Latest Practicable Date, the Stock Exchange has concluded that the Company has demonstrated that there are exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules.

14. THE EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among others, the Capital Reorganisation, the Share Subscription, the CB Subscription, the Creditors' Scheme, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder. No Shareholders are required to be abstained from voting on the resolutions to approve the Capital Reorganisation.

Parties to abstain from voting at the EGM

Votes by following persons on the resolutions to approve the Proposed Restructuring, the Whitewash Waiver, the Scheme's Special Deals and the transactions contemplated thereunder will not be counted for Takeovers Code purposes:

- (i) the Investor and Mr. Kenichi as its ultimate beneficial owners and their respective associates;
- (ii) any parties acting in concert with the Investor and its ultimate beneficial owners; and
- (iii) the Shareholders who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and the Special Deals.

Accordingly, the following parties will abstain from voting on the resolutions to approve the Proposed Restructuring, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder at the EGM:

- (i) the Investor, its ultimate beneficial owners, their associates and parties acting in concert with any of them;
- (ii) Mr. Chong Heung Chung Jason (who is involved in the negotiations in relation to the Proposed Restructuring) and his concert parties (as disclosed in the announcement of the Company dated 25 September 2023, although the following parties have entered into a

LETTER FROM THE BOARD

termination deed to terminate the concert party deed dated 25 November 2014, these parties remain as a group of parties acting in concert within the meaning of the Takeovers Code, as the Company has not yet obtained confirmation from the Executive that it can be accepted that they are no longer acting in concert pursuant to note 3 to the definition of “acting in concert” of the Takeovers Code), namely

- (a) Bright Rise Enterprise Limited, the ultimately beneficial owner of which is Mr. Chong Heung Chung Jason;
 - (b) Fortress Strength Limited, the ultimately beneficial owner of which is Ms. Lee Sui Fong Fiona, the spouse of Mr. Chong Heung Chung Jason;
 - (c) Bonville Glory Limited, the ultimately beneficial owner of which is Mr. Ting Ka Fai Jeffrey;
 - (d) East Jumbo Development Limited, the ultimately beneficial owner of which is Ms. Or Den Fung Bonnie;
 - (e) Mr. Shinichiro Ikeda;
 - (f) Dragon Year Group Limited, the ultimately beneficial owner of which is Mr. Shinichiro Ikeda;
- (iii) China Sun Group Holding Limited (who is involved in the Scheme’s Special Deals), the ultimately beneficial owner of which is Ms. Wang Xiuhua;
- (iv) Ms. Chow Wai Man Grace (who is involved in the Scheme’s Special Deals);
- (v) Mr. Wong Yu Man James (who is involved in the Scheme’s Special Deals);
- (vi) Ms. Wong Lau Chui Chui (who is involved in the Scheme’s Special Deals);
- (vii) Mr. Ho Chi Ping (who is involved in the Scheme’s Special Deals); and
- (viii) Mr. Lam and parties acting in concert with him (who is involved in Mr. Lam’s Special Deal).

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch

LETTER FROM THE BOARD

share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the EGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof. In such event, your form of proxy will be deemed revoked.

15. THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising the independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, has been established to advise the Independent Shareholders as to whether the terms of the Proposed Restructuring, the Whitewash Waiver, the Special Deals are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. The Independent Financial Adviser has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in accordance with the requirements under the Takeovers Code on such matters.

16. RECOMMENDATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 in this circular and the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-83 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Proposed Restructuring, the Whitewash Waiver, the Special Deals are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and as to the voting of the relevant resolution(s) at the EGM including the principal factors and reasons considered by it in arriving at its opinion.

The executive Directors consider that the Proposed Restructuring and the transactions contemplated thereunder, the Whitewash Waiver, and the Special Deals are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the executive Directors recommend that the Shareholders should vote in favour of the resolutions in relation to such matters, which will be proposed at the EGM.

You are advised to read the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution(s) to be proposed at the EGM.

LETTER FROM THE BOARD

WARNING

Trading in the Shares on the Stock Exchange has been suspended since 21 November 2024. Under Rule 6.01A(1) of the Listing Rules, the Company must ensure trading in its shares to resume by the 18-month prescribed remedial period ending on 20 May 2026. Otherwise, the Stock Exchange will be entitled to delist the Company. To resume trading, the Company must demonstrate to the Stock Exchange's satisfaction that it has met all the resumption guidance, addressed all the issues arising from time to time warranting a trading suspension and re-complied with the Listing Rules by the resumption deadline. The Company will disclose updates on the satisfaction of resumption guidance by way of announcement, as and when appropriate.

Where a long-suspended issuer's corporate actions include equity fundraisings, the Stock Exchange would consider granting the required listing approval only if the issuer satisfies the Stock Exchange that upon completion of the equity fundraisings, the issuer will then have fulfilled all the resumption guidance, re-complied with the Listing Rules, and been eligible for trading resumption. Therefore, the Stock Exchange will not grant listing approval to a suspended issuer which has not demonstrated that taking into account the equity fundraisings, it would have sufficient operations and assets to warrant its continued listing under Rule 13.24 of the Listing Rules.

Publication of this circular does not indicate that the Stock Exchange is satisfied that the Company has fulfilled any resumption guidance nor the Company can demonstrate that there are exceptional circumstances as prescribed under Rule 7.27B of the Listing Rules justifying a subscription and/or issue of the Subscription Shares and Scheme Shares with theoretical dilution effect of 25% or more; nor would it constitute any decision or conclusion from the Stock Exchange not to delist the Company nor warrant any approval from the Stock Exchange on the resumption of trading in the existing shares on the Stock Exchange.

LETTER FROM THE BOARD

Completion is subject to the fulfilment of the conditions precedent to the Subscriptions and the Creditors' Scheme as set out in this circular, including but not limited to, the listing of, and permission to deal in the Subscription Shares, CB Conversion Shares and Scheme Shares having been granted by the Stock Exchange. In the event that the listing of, and permission to deal in the Subscription Shares, CB Conversion Shares and/or Scheme Shares is not granted, the Subscription Agreements and the Proposed Restructuring will not become unconditional and the Subscriptions and the Proposed Restructuring will not proceed. Accordingly, the Proposed Restructuring may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

By order of the board of
CA Cultural Technology Group Limited
Chong Heung Chung Jason
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



華夏文化科技集團
CA CULTURAL TECHNOLOGY GROUP

CA CULTURAL TECHNOLOGY GROUP LIMITED

華夏文化科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01566)

To the Independent Shareholders

Dear Sir or Madam,

- (1) ENTERING OF THE TERM SHEET AND
THE SUBSCRIPTION AGREEMENTS;**
- (2) CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE;**
- (3) DEBT RESTRUCTURING;**
- (4) ISSUE OF NEW SHARES;**
- (5) ISSUE OF CONVERTIBLE BONDS;**
- (6) APPLICATION FOR WHITEWASH WAIVER;**
- (7) SCHEME'S SPECIAL DEALS; AND**
- (8) SPECIAL DEAL IN RELATION TO DEED OF SETTLEMENT**

27 April 2026

We refer to the circular of the Company dated 27 April 2026 (the “**Circular**”), of which this letter forms part, capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board to consider the terms of the Proposed Restructuring, the Whitewash Waiver and the Special Deals and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Proposed Restructuring, the Whitewash Waiver and the Special Deals and the transactions contemplated thereunder, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

whole and to advise on how to vote. SBI China Capital Hong Kong Securities Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the Letter from the Board set out on pages 20 to 175 of the Circular and the Letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-83 of the Circular.

Having considered, among other matters, the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we are of the opinion that although the Proposed Restructuring, the Whitewash Waiver and the Special Deals and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, they are on normal commercial terms, are in the interests of the Company the Shareholders as whole and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Proposed Restructuring, the Whitewash Waiver and the Special Deals and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
CA Cultural Technology Group Limited

Mr. Ni Zhenliang
Independent
non-executive Director

Mr. Wang Guozhen
Independent
non-executive Director

Mr. Hung Muk Ming
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of a letter of advice from SBI China Capital Hong Kong Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for inclusion in this circular.



27 April 2026

*To: The Independent Board Committee and the Independent Shareholders of
CA Cultural Technology Group Limited*

Dear Sir or Madam,

- (1) ENTERING OF THE TERM SHEET AND THE SUBSCRIPTION AGREEMENTS;**
- (2) CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE;**
- (3) DEBT RESTRUCTURING;**
- (4) ISSUE OF NEW SHARES;**
- (5) ISSUE OF CONVERTIBLE BONDS;**
- (6) APPLICATION FOR WHITEWASH WAIVER;**
- (7) SCHEME'S SPECIAL DEALS;**
- AND**
- (8) SPECIAL DEAL IN RELATION TO DEED OF SETTLEMENT**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Restructuring, the Whitewash Waiver; the Scheme's Special Deals and the special deal in relation to Deed of Settlement (i.e. Mr. Lam's Special Deal), 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 27 April 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 12 December 2022, the Company and the Investor have entered into the Term Sheet to set out the in-principle understanding of the Company and the Investor with regard to the Proposed Restructuring which involves the basis and proposal for the implementations of transactions to be contemplated thereunder which include, among other things, the Debt Restructuring by way of the Creditors' Scheme, the Subscriptions, the Capital Reorganisation and Change in Board Lot Size.

Debt Restructuring

Upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance. Under the Creditors' Scheme and subject to the terms thereof, a Cash Consideration of HK\$160,000,000 will be distributed by the Company to and an aggregated of 59,000,000 Scheme Shares (at the issue price of HK\$0.1772 per New Share (the "Issue Price")) will be issued and allotted under the Specific Mandate by the Company to the SchemeCo under the Creditors' Scheme for holding for the benefits of the Creditors prior to distributing to the Creditors with Admitted Claims. There will be no cash inflow for the Company in respect of the issue of the Scheme Shares. In addition to the Cash Consideration and Scheme Shares, any sums successfully recovered from the Scheme Receivables, after deducting any costs, expenses, and taxes that may be incurred in connection with the Company's recovery actions, will also be included as part of the Scheme Assets for the benefits of the Creditors. The Scheme Receivables, if recovered, will be distributed according to the same term as the other Scheme Assets as set out in the sub-section headed "Distribution of Scheme Assets upon the Creditors' Scheme becomes effective" under "The Debt Restructuring by the Creditors' Scheme" in the Letter from the Board. Scheme Receivables are included as one of the Scheme Assets so that, upon successful recovery (if any), they may increase the attractiveness of the Creditor's Scheme. Nonetheless, it is mentioned in the Letter from the Board that the likelihood for the recovery of the Scheme Receivables in full amount before the termination of the Creditors' Scheme may be relatively low given that the debtors of the Scheme Receivables have not been responsive to the Company's demands and the potential time required for any legal actions taken against these debtors. The Company advised that no funds have been recovered from the Scheme Receivables as at the Latest Practicable Date.

The distribution of the Scheme Assets which comprises the Cash Consideration, the Scheme Shares and the Scheme Receivables, will be conducted in accordance with the terms of the Creditors' Scheme.

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Subscriptions

On 26 January 2023, the Company and the Investor entered into the Share Subscription Agreement and the CB Subscription Agreement, respectively. Pursuant to the Share Subscription Agreement, inter alia, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 530,800,000 Subscription Shares at the Subscription Consideration of approximately HK\$94.06 million, which represents a subscription price per Subscription Share of HK\$0.1772. Pursuant to the CB Subscription Agreement, inter alia, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of approximately HK\$160.94 million.

Capital Reorganisation and Change in Board Lot Size

The Capital Reorganisation comprises (a) the Share Consolidation to consolidate every ten (10) issued Existing Shares of par value HK\$0.10 each in the share capital of the Company into one (1) issued Consolidated Share of par value HK\$1.00 each; (b) the Capital Reduction to reduce the share capital of the Company by cancelling the paid-up capital to the extent of HK\$0.99 on each of the then issued new Consolidated Shares such that the par value of each issued new Consolidated Share will be reduced from HK\$1.00 to HK\$0.01; and (c) the Increase in the authorised share capital of the Company from HK\$500,000,000 divided into 5,000,000,000 Existing Shares of par value HK\$0.1 each to HK\$10,000,000,000 divided into 1,000,000,000,000 New Shares of par value HK\$0.01 each. Conditional upon the Capital Reorganisation having become effective, the Board proposes to change the board lot size for trading on the Stock Exchange from 1,000 Existing Shares to 8,000 New Shares.

Whitewash Waiver

As mentioned in the Letter from the Board, as at the Latest Practicable Date, the Investor, its beneficial owner and parties acting in concert with any of them are not interested in any Shares. Immediately after the Capital Reorganisation becoming effective and immediately after the completion of the Share Subscription, the Investor will be interested in 530,800,000 New Shares, representing approximately 81.79% of the issued Share capital upon the Capital Reorganisation and as enlarged by the Subscription Shares (assuming that there will be no change in the issued Share capital from the Latest Practicable Date and up to completion of the Share Subscription other than as a result of the Capital Reorganisation and the issue of the Subscription Shares). As such, the Investor would be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Investor and the parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

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In this regard, an application has been made by the Investor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes (excluding those Shareholders who are interested in or involved in the Whitewash Waiver and the Special Deals) that are cast either in person or by proxy by the Independent Shareholders at the EGM by way of poll, and each of the Share Subscription, the CB Subscription, the Creditors' Scheme and the transactions contemplated thereunder would be subject to the approval by more than 50% of the Independent Shareholders in separate resolutions at the EGM by way of poll.

As it is a condition precedent to Completion that the Whitewash Waiver is granted by the Executive, the Debt Restructuring, the Share Subscription, the CB Subscription and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is granted but subsequently invalidated by the Executive or not approved by the Independent Shareholders at the EGM.

The Scheme's Special Deals

As mentioned in the Letter from the Board, based on the records currently available to the Company, Shareholders who are also eligible to be Scheme Creditors under the Scheme Document are China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping. As at the Latest Practicable Date, save for Mr. Lam, there is no other Shareholders who are also the creditors of the Company having a Claim and have been considered not eligible as the Creditors. Set out below is their respective shareholding in the Company as at the Latest Practicable Date and the respective amount payable to them as at 31 January 2026:

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Creditors	Number of Shares held as at the Latest Practicable Date	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date	Outstanding sum as at 31 January 2026 (HK\$'million)
China Sun Group Holding Limited <i>(Note)</i>	85,888,000	7.27%	88.37
Ms. Chow Wai Man Grace	10,000,000	0.84%	40.19
Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla	85,000,000	7.19%	34.53
Mr. Ho Chi Ping	20,000,000	1.69%	6.71
Total	200,888,000	16.99%	169.80

Note: The ultimate beneficial owner of China Sun Group Holding Limited is Ms. Wang Xiuhua.

As at the Latest Practicable Date, the Company had not entered into any side arrangement with any Creditor, and none of the Creditors had any side arrangement(s) with any connected person to the Company in respect of the Creditors' Scheme.

As the proposed settlement of the indebtedness due to the Creditors who are Shareholders under the Creditors' Scheme is not extended to all the other Shareholders, the implementation of the Creditors' Scheme constitutes the Scheme's Special Deals under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Creditors' Scheme are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which the Creditors and their associates and parties acting in concert with any of them and those who are interested in or involved in the Scheme's Special Deals will be required to abstain from voting on the relevant resolutions. An application will be made by the Company to the Executive for the consent to the Scheme's Special Deals under Rule 25 of the Takeovers Code.

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Mr. Lam's Special Deal

Since Mr. Lam is the ultimate beneficial owner of the Assigned Shares, representing approximately 1.69% of the issued share capital of the Company as at the Latest Practicable Date, and the proposed settlement under the Deed of Settlement to Mr. Lam is not extended to all the other Shareholders, it constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code and requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Deed of Settlement are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which Mr. Lam and parties acting in concert with him and those who are interested in or involved in Mr. Lam's Special Deal, will abstain from voting on the relevant resolutions.

The Company confirms that apart from being a major supplier of the Group, Mr. Lam does not have other relationship (finance, personal, business or otherwise) with the Company or any of the Directors or their respective spouses. Mr. Lam further confirms that he is a third party independent of and not connected with the Investor and the parties acting in concert with it.

For avoidance of doubt, whether the Deed of Settlement and the transactions contemplated thereunder to be proceeded or not, it will not affect the Proposed Restructuring. An application will be made by the Company to the Executive for the consent to Mr. Lam's Special Deals under Rule 25 of the Takeovers Code.

No Shareholders are required to be abstained from voting on the resolutions to approve the Capital Reorganisation. For details of (i) parties to abstain from voting for the resolutions relating to the Proposed Restructuring, the Whitewash Waiver, the Scheme's Special Deals and the transactions contemplated thereunder; and (ii) parties to abstain from voting on the resolutions relating to the Proposed Restructuring, the Whitewash Waiver and the Special Deals and the transactions contemplated thereunder, please refer to the paragraphs headed "Parties to abstain from voting at the EGM" below in this letter.

An Independent Board Committee, comprising Mr. Ni Zhenliang, Mr. Wang Guozhen and Mr. Hung Muk Ming, in compliance with Rule 2.8 of the Takeovers Code, has been established to advise the Independent Shareholders as to whether the terms of the Proposed Restructuring, the Whitewash Waiver and the Special Deals are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account our recommendations. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

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SBI China Capital Hong Kong Securities Limited (“**SBI China**”) has not acted as financial adviser or independent financial adviser in other transactions of the Company in the past two years prior to the date of the Joint Announcement; and is not associated with the Company, the Investor or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby SBI China will receive any fees or benefits from the Company, the Investor or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. The Independent Shareholders will be informed by the Company and us as soon as possible if there is any material change to the information disclosed in the Circular pursuant to Rule 9.1 of the Takeovers Code, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Independent Shareholders accordingly. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We have reviewed (i) published information on the Company, including its annual reports for the years ended 31 March 2023 and 2024, annual results announcement for the year ended 31 March 2025 and the interim results announcement for the six months ended 30 September 2025; (ii) the bond instruments issued by the Company to the Investor on 1 November 2022 in relation to the Investor Bond A; and on 8 December 2022 in relation to the Investor Bond B; (iii) the loan agreement and the side letter dated 22 February 2023 (as amended on 1 March 2023) in relation to the Investor Loan; (iv) company profile of the Investor provided by the management of the Group; and company website of the Investor (www.kyosei-bank.co.jp); and (v) relevant information of the Comparable Transactions and the CB Comparables (both defined hereafter) for analysis purpose and such information was obtained from the website of the Stock Exchange. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We

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have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Proposed Restructuring, we have taken into consideration the following principal factors and reasons:

(1) Background to the entering into the Term Sheet and the Debt Restructuring

As mentioned in the Letter from the Board, the Group has faced severe liquidity challenges and required urgent financial assistance to support its operation and turnaround its financial position. According to the interim report released prior to the entering into the Term Sheet, as at 30 September 2022, the Group recorded net current liabilities and net liabilities in the amount of approximately HK\$533.5 million and approximately HK\$119.0 million, respectively.

In order to restructure the financial position of the Group, the Company has been attempting to raise capital through debts, but has been experiencing extreme difficulties to seek for fund sources with the Group's high level of loans and borrowings and the high gearing ratio.

Given the circumstances, should the Group fail to seek new funds to enhance its financial position, the Group would likely be placed into insolvent liquidation.

In light of the liquidity challenges faced by the Group and the failure of the Company in obtaining new funding through debts, the Group and the Company consider that a holistic restructuring was essential to turn around its business and financial position. Hence, the Company has been actively seeking to restructure its business and improve its financial position. The Group was able to identify the Investor and on 12 December 2022, entered into the Term Sheet in relation to the Proposed Restructuring. The severe liquidity challenges facing by the Group and Company remained. As at 30 September 2025, the Group recorded net current liabilities and net liabilities in the amount of approximately HK\$1,232.7 million and approximately HK\$1,154.2 million, respectively.

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As mentioned in the Letter from the Board, the aggregate gross proceeds from the Subscriptions will be HK\$255 million, being a sum equal to the consideration of the Subscriptions. The aggregate net proceeds from the Subscriptions (after deducting related expenses) are estimated to be approximately HK\$220 million and will be utilised in the following manner:

- (i) approximately HK\$160 million will be distributed to the SchemeCo as Cash Consideration for the benefits of the Scheme Creditors;
- (ii) not more than HK\$25 million will be utilised to settle the professional fees and expenses in connection with the Proposed Restructuring; and
- (iii) the residual of approximately HK\$35 million will be utilised as working capital of the Company.

As the Group is in need of financial resources to support its current operations and potentially in risk of winding up, it has been agreed by the Investor to provide initial fundings to the Group in facilitating the transactions set out under the Term Sheet and hence, the Parties have agreed to enter into the Term Sheet prior to the execution of the Subscription Agreements. The Investor has provided, including (i) the Investor Bonds; and (ii) the Investor Loan to the Group serving as rescue funding to settle professional parties fee. As mentioned in the Letter from the Board, as at the Latest Practicable Date, the Investor Loan in the total amount of HK\$25 million has been fully drawn down by the Company. In addition to the above, the Investor has indicated to the Company that the Company may, with prior consent of the Investor, withdraw from the Escrowed Consideration in the amount of JPY3,520,000,000 (which is equivalent to approximately HK\$211.2 million as at the date of the Subscription Agreements based on an exchange rate of JPY1 = HK\$0.060) in a bank account which is currently being held in escrow for the purpose of settling the Subscription Consideration prior to the Completion to support the Group's business when necessary. However, the Company confirmed that no withdrawal had been made from the Escrowed Consideration as it cannot be utilised without prior consent of the Investor; and may only be released upon approval of the Proposed Restructuring.

Incidents led to the Proposed Restructuring

(a) Default in the subscription of ACCP Global

On 8 December 2021, the Company announced that a former share subscriber of the Company, namely ACCP Global, failed to pay share consideration whilst first batch of the subscription shares were deposited to the subscriber's securities account on 29 September 2021. Please refer to the announcements of the Company dated 1 September 2021 and 8 December 2021 for details. As mentioned in "10. Litigation — (a) ACCP Global Limited (HCA1618/2021)" of

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“Appendix III General Information” of the Circular, ACCP Global refused to pay any consideration for the Shares on the grounds that the Company allegedly misrepresented that it was in good financial health and standing and was not in default of any of its existing liabilities, despite being in default of multiple bond payables upon the date of the ACCP Subscription Agreement. On that basis, ACCP Global claimed that the ACCP Subscription Agreement had been repudiated and was not obliged to perform its obligations pursuant to the ACCP Subscription Agreement. On 26 October 2021, ACCP Global filed a writ of summons (HCA1618/2021) against the Company and Mr. Chong Heung Chung Jason, the chairman and executive Director, to claim for the damages, cost, interest on the damages and further or/and other relief resulting from the alleged fraudulent misrepresentations made by the Company. In response, the Company denied the alleged misrepresentations and on 18 August 2022, filed a Defence to Counterclaim against ACCP Global, Lau Wing Chi Barry being the ultimate beneficial owner of ACCP Global and Well Link Securities Limited, the referral agent whom introduced ACCP Global to the Company and, as suspected by the Company, helped ACCP Global to breach the terms of the ACCP Subscription Agreement (being the other 2 concert parties of ACCP Global) for damages to be assessed, an account of profits and payment of sums found due, cost, interest and further or/and other relief. Please refer to “10. Litigation — (a) ACCP Global Limited (HCA1618/2021)” of “Appendix III General Information” of the Circular for latest development of the relevant litigation.

(b) Adverse share price and financing challenges

On 6 October 2021, the closing prices of the Shares had fallen significantly from HK\$2.60 to HK\$0.61, representing a drop of approximately 76.5% on a single trading day. As mentioned in the Letter from the Board, following the above, the Company noted that its public perception had been negatively affected and it had experienced more difficulties and challenges in conducting its financing for operations. For instance, the Company was forced into a less favorable position in its negotiations and then consumed more time and costs and/or been offered higher interest rates in seeking for external financial resources to sustain the Group’s operations and expenses as (i) banks and investors are less interested to provide loans to the Company such that more time are required to negotiate and the terms (including the interest) of such loans are less favorable; (ii) low participation rates by the public when the Company was conducting equity or debt financing activities; and (iii) the Company would then have to issue more Shares (resulted from a lower issue price due to the drop in the Share price and the Company’s condition) to raise money should potential investors are successfully identified.

(c) Termination of fund raising activities

On 29 December 2021, the Company announced (i) the issue of 98,170,000 new Shares at HK\$0.405 per Share as settlement shares to the creditor, namely Bloom Fort Limited (whose entire issued share capital was legally and beneficially owned by Mr. Lee Pui Kin, a Hong Kong citizen,

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and both Bloom Fort Limited and Mr. Lee Pui Kin were then Independent Third Parties); and (ii) the placing of a maximum of 98,170,000 new Shares at HK\$0.405 per Share, on a best effort basis, to independent places. Completion of the issue of settlement shares to Bloom Fort Limited took place on 14 January 2022. As for the placing of new Shares, further to the announcements dated 24 January 2022 and 25 January 2022, the placing price had been lowered from HK\$0.405 per placing Share to HK\$0.283 per placing Share. As a result, estimated net proceeds from the placing reduced from approximately HK\$38.06 million to approximately HK\$26.38 million. Nevertheless, on 14 February 2022, the Company announced termination of the relevant placing agreement (the “**Terminated Placing**”) due to inability to fulfil the conditions before the long stop date.

As advised by the management of the Company, during the first half of year 2022, the Company had discussions with financial institutions to explore the possibility of raising funds from the market and/or obtaining bank loans, but such efforts were in vain.

On 12 April 2022, the Company announced among others, the proposed rights issue on the basis of one rights share for every two existing shares at a price of HK\$0.143 per rights share to raise net proceeds of approximately HK\$79.32 million. On 20 June 2022, the underwriter for the rights issue unilaterally terminated the underwriting agreement (the “**Terminated Rights Issue**”) owing to the winding-up petition (the “**Petition**”) announced on 1 June 2022, 8 June 2022 and 13 June 2022, respectively.

(d) The winding-up petition

The Petition was filed by Maxx Capital (the “**Petitioner**”) on 27 May 2022 with the High Court for the winding-up of the Company. The Petition is in relation to the Petitioner’s claim for an outstanding debt in relation to secured guaranteed notes in the principal amount of HK\$20,000,000.00. On 22 December 2022, the Company received a statutory demand (the “**Statutory Demand**”) from the solicitors acting on behalf of the Petitioner demanding the Company to pay the total amount of HK\$25,770,082.19 within three weeks from the date of service of the Statutory Demand, failing which the creditor may present a winding-up petition against the Company. For details of the above, please refer to the announcements of the Company dated 12 April 2022, 1 June 2022, 23 June 2022 and 23 December 2022 respectively. As set out in the Settlement Announcement, Maxx Capital had entered into an agreement with Mr. Lam in relation to the Assignment on 9 February 2024 and the consideration of the Assignment, i.e. HK\$8 million, was settled by Mr. Lam’s own fund. Following the completion of the Assignment, Mr. Lam had replaced Maxx Capital as the ultimate beneficial owner of the Assigned Shares and the Assigned Debt. In light of the results of the Assignment, the Company had also entered into a deed of mutual release with Maxx Capital on 9 September 2024 and pursuant to which, the parties

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agreed, among other things, to take the necessary steps to dismiss or discontinue each other of and from all court actions and to withdraw the relevant absolute application with no order as to costs (or the order for each party to bear its own costs) in respect of the Legal Proceedings.

It is mentioned in “10. Litigation — (b) Claims from bond and other loan holders” of “Appendix III — General information” of the Circular that up to the Latest Practicable Date, several demand letters and statutory demands were served on the Company by bond and other loan holders of the Company (the “**Holders**”), the Holders which are also Creditors under the Creditors’ Scheme, demanded the Company to repay outstanding bond payables and accrued interest in an aggregate amount (up to 31 January 2026) of approximately HK\$198.09 million. For identities and details of such bond and other loan holders, please refer to “10. Litigation — (b) Claims from bond and other loan holders” of “Appendix III — General Information” of the Circular. The Company confirmed that the Holders are Scheme Creditors.

The Company announced trading halt on 13 December 2022 pending the release of an announcement which contains inside information of the Company pursuant to the Takeovers Code.

On 16 January 2023, the Company announced that certain summons filed and/or to be filed (as the case may be) by supporting creditors with respect to the Petition, including (i) Mr. Zou Sailan and Ms. Chen Tengfang, with indebtedness owed by the Company in the respective amount of HK\$11,692,523.95 and HK\$5,896,794.52; and (ii) China Sun Group Holding Limited with indebtedness owed by the Company in the amount of HK\$55,777,616.44.

On 31 January 2023, the Company announced that it was in negotiation with an investor and the creditors of the Company in respect of proposed restructuring of the Group involving a possible whitewash waiver under the Takeovers Code. On 15 March 2023, the Group released the Joint Announcement in relation to the Proposed Restructuring, the Whitewash Waiver, the Scheme’s Special Deals and the resumption of trading.

The Proposed Restructuring

The Proposed Restructuring comprises of the Capital Reorganisation, the Change in Board Lot Size, the Debt Restructuring by way of the Creditors’ Scheme and the Subscriptions. Please refer to the paragraphs under 2.5 Updates on the Creditors’ Scheme of the section headed “2. Background” in the Letter from the Board for the sequence of the transactions of the Proposed Restructuring upon the Creditors’ Scheme having been sanctioned by the High Court.

As mentioned in the Letter from the Board, out of aggregate net proceeds from the Subscriptions of approximately HK\$220 million, approximately HK\$160 million will be distributed to the SchemeCo as Cash Consideration for the benefits of the Scheme Creditors, not

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more than HK\$25 million will be utilised to settle the professional fees and expenses in connection with the Proposed Restructuring and the residual of approximately HK\$35 million will be utilised as working capital of the Company. The Company is of the view that (i) the Subscriptions will be able to provide additional working capital for the Group and facilitate the Creditors' Scheme; and (ii) to discharge and release the debts and liabilities of the Company to the Creditors, which would constitute approximately 96.33% of the total indebtedness of the Company as at 31 January 2026 upon the effective of the Creditors' Scheme, and improve its financial position upon Completion. In view of the above, the Directors consider that the Term Sheet and the Subscription Agreements were entered into upon normal commercial terms following arm's length negotiations between the Company and the Investor and that the terms of the Term Sheet (including the Share Subscription Price and the CB Conversion Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We concur with the Directors' view that the Proposed Restructuring is in the interests of the Company and the Shareholders as a whole after having considered the following factors:

- (i) as disclosed in "4. Indebtedness Statement" of "Appendix I — Financial Information of the Group" of the Circular, as at the close of business on 28 February 2026, the Group's indebtedness comprising of unsecured/secured lease liabilities, bank borrowings, other borrowings, bonds, amount due to a director, interest payable and other payable amounted to approximately HK\$1,498.1 million. Please refer to the relevant section in the Circular for details;
- (ii) the Group is in financial difficulties given its heavy indebtedness and loss making business operations. The Group recorded indebtedness of approximately HK\$1,498.1 million as at 28 February 2026; and net losses for three consecutive years of FY2023, FY2024 and FY2025 and 6M/2025. As at 30 September 2025, it recorded net current liabilities and net liabilities of approximately HK\$1,232.7 million and approximately HK\$1,154.2 million, respectively; and a bank balances and cash of approximately HK\$13.0 million only;
- (iii) the Group experienced difficulties in seeking external financial resources to sustain its operation environment and expenses as mentioned in the paragraphs (b), (c) and (d) under "Incidents led to the Proposed Restructuring of the section headed "(1) Background to the entering into the Term Sheet and the Debt Restructuring" above in this letter. In light of the Terminated Placing and the Terminated Rights Issue, the Directors believe that should the Company raise fund from the equity market, terms would not be better than that of the Terminated Placing and the Terminated Rights Issue in order to enhance the attractiveness of the Shares to potential subscriber(s)/underwriter(s). Further, we understand from the Directors that the

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Company did not receive any indication from banks on terms that could be offered during their discussions on new funding requests. New funding requests had been turned down by the banks without going into further details. Based on previous failed experiences in obtaining new funding through debt and its current financial position, interest rate/finance cost of funding from banks or debt financing (if available) may be significantly higher than the market level. Given the above, we concurred with the Directors' view that there is no alternative funding available to the Company;

- (iv) upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full; and thus, save the Company from being placed into insolvent liquidation, such that it can avoid the risk of listing status being removed from the Stock Exchange should the Company fail to repay the outstanding debts within time given by the High Court; and

- (v) we concurred with the view of the management of the Company that the Proposed Restructuring is the only viable restructuring proposal currently available to the Company on the following basis: (i) the Investor was willing to provide immediate funding in form of Investor Bonds and Investor Loan from the Escrowed Consideration to the Group as rescue funding. We have reviewed the bond instruments issued by the Company to the Investor on 1 November 2022 for convertible bond with due date extended further to 31 December 2024 in principal amount of HK\$20 million that was used by the Group on expenses related to the Proposed Restructuring; and on 8 December 2022 for convertible bond with due date extended further to 31 December 2024 in principal amount of HK\$5 million used as deposit for the CB Subscription. We have also reviewed the loan agreement and the side letter dated 22 February 2023 (as amended on 1 March 2023), the loan agreement and the side letter dated 31 May 2023; and the loan agreement and the side letter dated 4 October 2024; and noted that the Investor agreed to provide loans out of the subscription consideration and following the entering into a deed of termination and release with the Investor dated 30 January 2026, amount of the Investor Loan had been adjusted to HK\$25 million; (ii) the Group has imminent funding needs in view of its net liabilities position, large amount of Claims and loss-making business operation; (iii) the Investor's experience in theme parks management and financial background as mentioned under the paragraphs headed "(5) The Share Subscription and the CB Subscription — (a) Background of the Investor" below in this letter, which are expected to bring synergies to the business development

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of the Group; (iv) as confirmed by the management of the Group, apart from the Proposed Restructuring, the Company currently is not in discussion with any potential investor for restructuring proposal. If the Proposed Restructuring does not proceed, it is highly unlikely that another restructuring proposal, if any, could be concluded in near term; and (v) the Creditors' Scheme was approved in the creditors' meeting held on 27 June 2023 by the requisite majorities of the Creditors and on 19 March 2024, such approval has become valid after the Creditors' Scheme having been sanctioned by the High Court.

The Term Sheet

On 12 December 2022, the Company and the Investor have entered into the Term Sheet to set out the in-principle understanding of the Company and the Investor with regard to the Proposed Restructuring which involves the basis and proposal for the implementations of transactions to be contemplated thereunder which include, among other things, the Debt Restructuring by way of the Creditors' Scheme, the Subscriptions, the Capital Reorganisation and Change in Board Lot Size.

Pursuant to the Term Sheet, the Company shall proceed with the Debt Restructuring by way of the Creditors' Scheme and the Subscriptions. The Subscriptions will ultimately result in a change in control of the Company, and the Investor has applied for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance.

To facilitate the above, the Company shall implement (i) the Capital Reorganisation which involves the Share Consolidation, the Capital Reduction and the Increase in Authorised Share Capital; and (ii) the Change in Board Lot Size. The Term Sheet is legally-binding, the signing of which implies that the Company and the Investor have conditionally agreed, and are obligated, to complete all the transactions contemplated thereunder, subject to the fulfilment of their respective conditions precedent.

Based on the analysis set out in the sections headed "(3) The Capital Reorganisation and Change in Board Lot Size", "(4) The Debt Restructuring by way of the Creditors' Scheme" and "(5) The Share Subscription and the CB Subscription" below in this letter, we consider that the terms of the Term Sheet are fair and reasonable.

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(2) Information on the Group

The Company is an investment holding company and the Group is principally engaged in the trading of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in the PRC, Hong Kong and Japan.

As stated in the Letter from the Board, prior to the entering into of the Term Sheet, the Group's operations, performance and development plans across its theme park and animation derivative products businesses have been severely and persistently impacted by the global outbreak of COVID-19 in late 2019. The prolonged pandemic-related restrictions — including widespread lockdowns, border closures, travel bans, social distancing measures, and sharp declines in domestic and international visitor numbers — particularly during the peak years of 2020 to 2022, resulted in extended periods of park closures (affecting both self-operated parks in locations such as Tokyo, Qingdao, and Shanghai, as well as licensed parks such as in Guangzhou), significantly reduced footfall, cancellation or deferral of major events, seasonal attractions, offline anime showcases, exhibitions, and promotional activities, and a material contraction in revenue from ticket sales, merchandise, food & beverage, licensing, multimedia animation entertainment, and related animation derivative product trading.

Financial performance

The following table sets out selective information of the consolidated statements of profit or loss and other comprehensive income of the Group for the three years ended 31 March 2023, 2024 and 2025 (“**FY2023**”, “**FY2024**” and “**FY2025**”, respectively) and the six months ended 30 September 2024 (“**6M/2024**”) and 30 September 2025 (“**6M/2025**”) as extracted from the annual reports of the Company for the years ended 31 March 2023 (the “**Annual Report 2023**”) and 31 March 2024 (the “**Annual Report 2024**”); and the results announcements of the Company for the year ended 31 March 2025 (the “**Annual Results Announcement 2025**”) and the six months ended 30 September 2025 (the “**Interim Results Announcement 2025**”):

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	FY2023	FY2024	FY2025	6M/2024	6M/2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue (Note 1)	360,302	364,028	366,959	192,622	164,947
Cost of sales and services	(340,362)	(308,652)	(277,816)	(151,418)	(127,508)
Gross profit	19,940	55,376	89,143	41,204	37,439
Other income	16,429	586	1,023	288	341
Other gains and losses (Note 2)	2,957	(12,959)	45,893	42,762	41
Selling, marketing and/or distribution expenses	(69,198)	(22,050)	(21,832)	(12,968)	(19,743)
Administrative expenses	(155,748)	(73,031)	(70,627)	(32,376)	(28,678)
Research and development expenses (Note 3)	(262,570)	(14,907)	(8,155)	(4,693)	(5,254)
Share of (loss)/profit of a joint venture	(87,743)	—	—	(10)	—
Share of (loss)/profit of associates	(97,943)	138	(10)	—	—
Finance costs	(80,663)	(93,994)	(97,099)	(45,763)	(52,252)
Impairment loss on property, plant and equipment	—	(5,418)	—	—	—
Impairment loss on right-of-use assets	—	(8,099)	—	—	—
Impairment loss on intangible assets	(58,801)	—	—	—	—
Investment loss on investment in an associate	—	—	(2,731)	—	—
Reversal of/(provision for) impairment loss under expected credit loss model, net of reversal (Note 4)	(283,743)	(11,876)	24,009	15,052	2,419
(Loss)/profit before taxation	(1,057,083)	(186,234)	(40,386)	3,496	(65,687)
Income tax (expenses)/credit	23,937	15,923	(526)	(179)	(196)
(Loss)/profit for the period/year	(1,033,146)	(170,311)	(40,912)	3,317	(65,883)
(Loss) attributable to owners of the Company	(1,033,575)	(170,679)	(33,043)	(1,887)	(66,245)

Notes:

- The following table sets out breakdown of the Group's total revenue by business segment for the period/year as indicated:

	FY2023	FY2024	FY2025	6M/2024	6M/2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of animation derivative products	172,376	147,977	147,229	81,912	69,274
Establishment and operation of indoor theme parks	187,926	216,048	219,087	110,710	95,570
Multimedia animation entertainment	—	3	643	—	103
Total revenue	360,302	364,028	366,959	192,622	164,947

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2. Details of “Other gains and losses” are set out in the following table:

	FY2023 (Audited) HK\$'000	FY2024 (Audited) HK\$'000	FY2025 (Audited) HK\$'000	6M/2024 (Unaudited) HK\$'000	6M/2025 (Unaudited) HK\$'000
Other gains and losses					
— Net exchange (loss)/gain	632	234	(9)	21	45
— Gain on lease modification	3,058	—	—	—	—
— Gain on waiver of lease payable	—	—	18,451	46,372	—
— Net gain/(loss) on a put option to a non-controlling interest	969	(4,149)	3,894	—	—
— Gain from changes in fair value of financial assets mandatorily measured at FVPL	—	—	—	—	—
— (Loss)/gain on disposal of property, plant and equipment or fixed assets	(1,708)	(11,616)	(2,860)	(3,281)	(4)
— Loss on extinguishment of financial liability	—	—	—	—	—
— Loss arising from acquisition of an associate	—	—	—	—	—
— Gain on settlement of a legal case	—	1,377	—	—	—
— Gain on derecognition of right-of-use assets and lease liabilities	—	—	29,461	—	—
— Loss on disposal of an associate	—	—	2,926	—	—
— Gain on financial asset at fair value through profit or loss	1	—	—	—	—
— Other (loss)/gain	5	1,195	(118)	(350)	—
Total	2,957	(12,959)	45,893	42,762	41

3. As mentioned in the Annual Report 2023 and Annual Report 2024, the significant amount of the research and development expenses for FY2023 were due to the Group’s strategy for FY2023 to develop the online business including the Meta JOYPOLIS, virtual theme park, big data platform, online social media, Pop Toy platform and to upgrade the operating and gaming system of CA SEGA JOYPOLIS. The Group believed that these developments of new business can significantly increase the revenue of all the business segments of the Group.

Management of the Group further explained that upgrading entertainment amenities of the theme parks can effectively attract more sales of admission tickets and ticket holders and increase customer loyalties to the Group. Customers’ desire to visit the Group’s theme parks plays an important role in its business. Therefore, it is necessary for the Group to improve its theme parks to cope with the ever-evolving technologies (i.e. 5G, internet-of-things, cloud computing, datafication, blockchain, artificial intelligence etc.) and to maintain competitive by bringing unique experience to existing customers and attract potential customers and investors. In this regard, the Group formulated development of a few projects (the “**New Projects**”) to fulfill the abovementioned goals, identified and appointed various related service providers. Having considered that upon completion of New Projects, the Group may enrich its entertainment services scope, improve its business performance and attract more potential investors to diversify its revenue streams, the Directors consider that it is justifiable to conduct such research and development activities.

As advised by the Company, New Projects were launched in the year 2021 and year 2022 respectively, which had been postponed due to financial difficulties encountered by the Group. The Group currently plans to apply the New Projects’ service outcomes to a large-scale AI-related indoor theme park project in Zhuhai

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currently under negotiation with potential investors, expecting to be finalised in the third quarter of 2026. Once finalised, the Group will continue and complete the relevant service projects to accommodate to the project in Zhuhai at that time.

Research and development expenses reduced from approximately HK\$262.6 million for FY2023 to approximately HK\$14.9 million for FY2024 and further reduced to approximately HK\$8.2 million for FY2025. We noted that the further reduction of research and development expenses for FY2025 was mainly because of the absence of research cost for a theme park development project (which was approximately HK\$4.4 million for FY2024) and the significant decrease in other research and development cost by approximately HK\$3.4 million under the operation of indoor theme parks. The research and development expenses increased by HK\$0.6 million from HK\$4.7 million for 6M/2024 to HK\$5.3 million for 6M/2025. The research and development expenses remained steady since the Group continued to invest on its research and development in theme park amusement.

4. For FY2023, “impairment loss under expected credit loss model, net of reversal” comprised of impairment losses of trade receivables of approximately HK\$115.6 million and other receivables and deposits of approximately HK\$167.6 million and financial asset at fair value through other comprehensive income of approximately HK\$0.6 million. For FY2024, “impairment losses under expected credit loss model, net of reversal” comprised of impairment losses of trade receivables of approximately HK\$13.8 million, reversal of impairment losses of other receivables and deposits of approximately HK\$2.0 million and impairment on financial asset at fair value through other comprehensive income of approximately HK\$29,000. For FY2025, “provision for impairment losses under expected credit loss model, net of reversal” amounted to approximately HK\$24.0 million comprised of provision for impairment losses of trade receivables of approximately HK\$7.6 million, reversal of impairment losses of other receivables and deposits of approximately HK\$31.8 million as a result of settlement arrangements with debtors and impairment on financial asset at fair value through other comprehensive income of approximately HK\$112,000.

Impacts of COVID-19 on the Group

Please refer to the paragraphs under “6. Reasons for and the purposes of the Proposed Restructuring” in the Letter from the Board for impacts of the COVID-19 on the Group’s establishment and operation of indoor theme parks business, trading of animation derivative products and multimedia animation entertainment businesses.

Please also refer to the tables under “6. Reasons for and the purposes of the Proposed Restructuring — 6.1 How the Group’s Businesses were affected at the material time” in the Letter from the Board for details of: (i) prepayments in relation to the Parks Constructions; (ii) receivables in relation to provision of PPSP Services; (iii) receivables in relation to the disposals of the Group’s intangible assets and PPE; (iv) impairment losses arise from the VR and Games Investment; and (v) breakdown of the Group’s expenses in 2022 to 2023.

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We note from the Letter of the Board the following impacts of Covid-19 on the Group:

(a) Theme park construction prepayment and impairment

In light of the stagnated construction progress, the Group has requested for refund of the prepayments it paid to establish theme parks. The Park Constructors attempted to cash out the purchased construction materials as partial repayment to the Group, but it was difficult for them to sell the said materials in the open market and return sufficient advance repayment to the Group due to the ongoing impact of the Covid-19 at the material time and the Group has not received any refund from these park constructors, which led to the Group's impairment in its other receivables in the aggregate amount of approximately HK\$298.13 million up to 31 March 2023 and further accelerated the deterioration of the Group's financial position. Please refer to "6. Reasons for and the purposes of the Proposed Restructuring — 6.1 How the Group's Businesses were affected at the material time — 1. The Theme-Park Business — The effect of the Covid-19 on the Group's theme park business" in the Letter from the Board for details of the reasons for such substantial impairment and the reasons for the Group's entering into such prepayments.

(b) Disposals of intangible assets and PPE

During 2019 to 2020, the Group entered into agreements to dispose some of its production equipment and intangible assets to cope with its development strategies. The Group was given to understand that the businesses and cashflows of the purchasers of the Group's intangible assets were affected and they could not pay their considerations to the Group due to Covid-19. They could not generate any economic returns as a result of decreased pedestrian traffic and temporary closing down of their themed e-Sports stores in the PRC as the VR Industry and e-Sports entertainment, including the equipment and games, would require the players to experience physically. Consequently, the purchasers could not continue to devote resources to develop the assets they purchased from the Group as they intended when they agreed to purchase the relevant assets from the Group. Similarly, the businesses and cashflows of the purchasers of the Group's PPE were affected as a result of the decrease in orders and demand for theme park merchandises following the downturn of the theme park industry and the temporary closing down of the theme parks in the PRC. The Group could not receive the relevant full amount of the consideration of its disposal of assets and recognized total cumulative impairment amounts on proceeds in relation to the disposed intangible assets and PPE in the amount of approximately HK\$176.53 million and approximately HK\$121.85 million respectively as at 31 March 2023. Please refer to "6. Reasons for and the purposes of the Proposed Restructuring — 6.1 How the Group's Businesses were affected at the material time — 3. The Animation and Multimedia Business —The Group's

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animation and multimedia business plan prior to the Covid-19 — the Group’s impairment losses in relation to the disposals of the Group’s intangible assets and PPE” in the Letter from the Board for details of the reasons for such substantial impairment and the reasons for the Group’s making such disposals.

(c) PPSP services and Impairment loss on trade receivables

The Covid-19 disrupted the construction industry in the PRC and the constructions of the two projects. As part of the Group’s theme park business, the Group had entered into contracts with two PRC real estate developers, BVL and MEL in 2020 to perform the provision of pre-project start package services (the “**PPSP Services**”) for two real estate development projects in Beijing and Zhuhai, which were in a state of suspension. The sum of trade receivables from the two projects were past due for an extended of time and as a result, as at the financial year ended 31 March 2023, after deducting the partial payment received by the Group of HK\$13.0 million, the Group recognized a total cumulative impairment loss on these trade receivables through provision of PPSP Services in the amount of approximately HK\$156.0 million. Please refer to “6. Reasons for and the purposes of the Proposed Restructuring — 6.1 How the Group’s Businesses were affected at the material time — 2.The Group’s PPSP Services under the theme park business — the Group’s impairment losses in relation to its trade receivables through the provision of PPSP Services” in the Letter from the Board for details of the reasons for such substantial impairment and the reasons for such trade receivables; and

(d) VR and games investment and impairment loss on other receivables

The Group entered into agreements with the Lechuang Group to, among others, (i) to invest capital into a company that was expected to be set up and operated by the Lechuang Group that develops VR related products in the PRC; and (ii) to engage members of the Lechuang Group to develop and produce, including but not limited to, a 9-dimensional experiential game that could be applied into the facilities of the Group’s theme parks. Upon completion of the VR and Games Investment, it was expected that the VR related technologies and games developed under the VR and Games Investment, featuring unique and innovative technologies, could bring enjoyable experience to the theme parks’ customers and improve the attractiveness of and sales to the theme parks of the Group. After being affected by the Covid-19, the Lechuang Group, other than providing the Group the games and software that had already been completed it said that it would return the remaining investment to the Group. However, the Lechuang Group was unable to return the investment of the Group as agreed. The investment in the Lechuang Group has not been retrieved and the payment for the game and system development has not been recovered its value, over an extended period of time, and as a result, as at the financial year ended 31 March 2023, the Group recognized a total cumulative impairment loss on its other receivables in relation to the VR and Games Investment in the amount of HK\$25.11 million. Please refer to “6. Reasons for and the

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purposes of the Proposed Restructuring — 6.1 How the Group’s Businesses were affected at the material time — 4. Other developments of the Group in relation to the VR and Games Investment — the Group’s impairment losses due to the failure of refund of investment and delivery of products in relation to the VR and Games Investment” in the Letter from the Board for details of the reasons for such substantial impairment and the reasons for the Group’s entering into such investments.

Recovery actions taken by the Group

We also understand from the Letter from the Board that the Group has taken the following actions in attempt to recover receivables:

(a) Negotiations with park constructors

The Group is currently in advanced discussions with an investor regarding the establishment of an AI-themed park with a sizable investment that require Construction Services. Although the terms and details of the project have not yet been finalized, the Group intends to sub-contract various components of the park to the Park Constructors, except for Wealth Gather, which is performing Construction Services to the Group’s Joypolis project in Xinhui. The Group will continue to negotiate with these Park Constructors on the solutions and time to resume and complete their Construction Services to the Group and/or transferred such services on to other theme park projects of the Group to make use of the unused prepayments effectively into the development of the Group.

(b) Settlement agreements with purchasers of assets

In respect of the Group’s receivables in relation to the disposals of its intangible assets and PPE, over the years, the Group has been monitoring the status of the purchasers of production equipment and intangible assets and actively negotiating with each of them to reach for solutions for the recovery of the considerations to the Group. Recently, the Directors agreed to revise the repayment terms and extend their repayment period to settle the remaining amount of the respective consideration to the Group and the Group entered into settlement agreements with purchasers of its intangible assets and PPE;

(c) Legal actions for PPSP services receivables

In respect of past due amount relating to the provision of PPSP Services to BVL and MEL, the Company had appointed legal advisers and issued legal letters to each of BVL and MEL on 30 January 2023, followed by the issuance of statutory demands to them in mid March 2026. The Company had previously discussed with BVL and MEL various alternative settlement solutions,

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including potential collaborations and repayment arrangements; however, the Group was not satisfied with the proposed offers and is negotiating and awaiting their further proposals. The top priority of the Company is still on completing the Proposed Restructuring as quickly as possible to help resolve its immediate financial difficulties, and is expected that upon Completion, or when its business improves to an extent that it is considered to be more sustainable, the Company will take actions more strictly towards these counterparties to recover its receivables.

(d) Negotiations with Lechuang Group

In respect of Lechuang Group's failure in fulfilling its obligations for VR and games investment of the Group, the Group will continue to negotiate with Lechuang Group, in particular on, the arrangement of the refunding of the investment in the amount of RMB4.5 million to the Group and the schedule for the completion of the development of the games and software for the Group. The Group will take further actions against the Lechuang Group (if and as necessary) as it deems appropriate to protect the Company's interest.

Our assessment

Although the Group has taken actions to recover receivables from the relevant parties and the Covid-19 is an exceptional circumstance which impacts has gradually diminished, having considered that:

- (i) the Group has imminent needs for additional funding to relieve its liquidity pressure; while the likelihood for recovery of these receivables is unpredictable and negotiations for repayments and payment schedules are time consuming;
- (ii) if the Company fails to repay the outstanding debts, the Company will have to repay Mr. Lam the full amount of the Assigned Debt and the abovementioned Creditors may file a new winding-up petitions against the Company that lead to greater risk that the Company would be placed into insolvent liquidation and thus, the Shares are expected to be suspended from trading and listing status of the Company will be removed from the Stock Exchange;
- (iii) if the Company is unable to raise additional general working capital in near term, it may have difficulties in continuing its theme park projects and the Park Constructors may not be able to resume Construction Services and/or transfer such services on to the Group's other theme park projects. As a result, the Group may not be able to benefit from the use of the unused prepayment for business development;

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- (iv) the settlement agreements entered between the Group and purchasers of its intangible assets and PPE contain instalment repayment term ending in April 2029 or five years from the date of the relevant settlement agreement, which cannot provide immediate funding to ease the Group's cashflow position;
- (v) as mentioned in the Letter from the Board, the Company had previously discussed with BVL and MEL various alternative settlement solutions, including potential collaborations and repayment arrangements; however, the Group was not satisfied with the proposed offers and is negotiating and awaiting their further proposals. The top priority of the Company is still on completing the Proposed Restructuring as quickly as possible to help resolving its immediate financial difficulties; and
- (vi) as mentioned in the Letter from the Board, the Company reached a consensus with the Lechuang Group that the members of the Lechuang Group should continue to develop another 10 VR games, including creating background story, content and music for the Group by 2027 by making use of the Group's IPs. The Company will continue to monitor and have ongoing negotiations with the Lechuang Group on possible solutions to recover the investment made by the Group and the receivables and compensations for the Group while also urging the Lechuang Group to complete its services owed to the Group in developing applicable games and software for the Group's theme parks.

we concur with the Directors' view that the recovery of substantial amount of the above-mentioned receivables will take many years and may not be successful, therefore, the Proposed Restructuring is an appropriate action to enable the Group to obtain immediate funding to support its working capital requirements.

FY2024 compared to FY2023

According to the Annual Report 2024, the Group's revenue increased by approximately HK\$3.7 million or approximately 1.0% from approximately HK\$360.3 million for FY2023 to approximately HK\$364.0 million for FY2024. The increase was primarily due to the increase in the revenue from establishment and operation of indoor theme parks of HK\$28.1 million.

The Group gross profit increased significantly by approximately HK\$35.4 million or approximately 177.7% from approximately HK\$19.9 million for FY2023 to approximately HK\$55.4 million for FY2024. The Group's gross profit margin improved from approximately 5.5% for FY2023 to approximately 15.2% for FY2024. The significant increase in gross profit and gross profit margin was mainly due to the decrease in cost of sales and services recognised in theme park segment for FY2024. Administrative expenses decreased from approximately HK\$155.7 million for FY2023 to approximately HK\$73.0 million for FY2024. Based on the internal record

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provided by the Company, administrative expenses for FY2024 mainly comprise of professional fees of approximately HK\$14.0 million, directors fees of approximately HK\$3.7 million, salaries of approximately HK\$26.0 million, MPF and social insurance of approximately HK\$6.2 million. As advised by the Company, higher administrative expenses while gross profit was relatively thin for FY2023 mainly due to substantial amount of amortization of administrative expenses and professional fees incurred during FY2023.

The loss attributable to owners of the Company decreased by approximately HK\$862.9 million or approximately 83.5% from approximately HK\$1,033.6 million for FY2023 to approximately HK\$170.7 million for FY2024. The reasons included (i) a decrease in an impairment loss of approximately HK\$45.3 million on property, plant and equipment, right-of-use assets and intangible assets; (ii) a decrease in an impairment loss of approximately HK\$271.9 million on certain other receivables and trade receivable which have been significantly past due; (iii) a decrease in selling, marketing and distribution expenses of approximately HK\$41.7 million; (iv) a decrease in research and development expenses of approximately HK\$247.7 million; and (v) a decrease in the share of loss of a joint venture and of associates of approximately HK\$185.8 million; and (vi) a decrease in administrative expenses of approximately HK\$82.7 million.

FY2024 compared to FY2025

According to the Annual Results Announcement 2025, the Group's revenue increased by approximately HK\$2.9 million or approximately 0.8% from approximately HK\$364.0 million for FY2024 to approximately HK\$367.0 million for FY2025. The increase was due to the increase in revenue from establishment and operation of indoor theme parks by approximately 3.0 million primarily due to increase in sales of theme park machineries; and the increase in revenue from multimedia animation entertainment (included income from licencing of animation characters, income for ticket sales for VR Game Centre, trading of VR gaming machines and event activities) by approximately HK\$0.5 million, which were partly offset by the decrease in revenue from sales of animation derivative products by approximately HK\$0.7 million.

The Group's gross profit margin improved from approximately 15.2% for FY2024 to approximately 24.3% for FY2025. The significant increase in gross profit and gross profit margin was mainly due to the decrease in cost of sales and services recognized in theme park segment for FY2025 as a result of significant drop in depreciation expenses on theme park assets.

Administrative expenses decreased by approximately 3.3% from approximately HK\$73.0 million for FY2024 to approximately HK\$70.6 million for FY2025. Based on the Annual Results Announcement 2025, administrative expenses for FY2025 mainly comprise of legal and professional fees of approximately HK\$14.6 million and staff costs of approximately HK\$27.5 million.

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The loss attributable to owners of the Company decreased by approximately HK\$137.6 million or approximately 80.6% from approximately HK\$170.7 million for FY2024 to approximately HK\$33.0 million for FY2025. The reasons included (i) an increase in gross profit of approximately HK\$33.8 million; (ii) a decrease in an impairment loss of approximately HK\$13.5 million on property, plant and equipment and right-of-use assets; (iii) reversal of impairment loss of approximately HK\$31.8 million on certain other receivables which have been significantly past due but partially settled during FY2025; and (iv) an increase in other gain or loss of approximately HK\$58.9 million mainly arising from derecognition of right-of-use assets and lease liabilities.

6M/2024 compared to 6M/2025

According the Interim Results Announcement 2025, the Group's revenue decreased by approximately HK\$27.7 million or approximately 14.4% from approximately HK\$192.6 million for 6M/2024 to approximately HK\$164.9 million for 6M/2025. The decrease was primarily due to the decrease in sales of animation derivative products by approximately HK\$12.6 million and the decrease in establishment and operation of indoor theme parks by approximately HK\$15.1 million.

The Group's gross profit margin improved slightly from approximately 21.4% for 6M/24 to approximately 22.7% for 6M/25. The decrease in the gross profit was mainly due to the decrease in cost of service of theme park business due to the decrease in depreciation and amortisation expenses.

Administrative expenses decreased by approximately 11.4% from approximately HK\$32.4 million for 6M/24 to approximately HK\$28.7 million for 6M/25. Based on the internal record provided by the Company, administrative expenses for FY2025 mainly due to the decrease in professional fees by approximately HK\$6.1 million, which was partly offset by the increase in service fees by approximately HK\$0.9 million and the increase in depreciation by approximately HK\$2.2 million.

The loss attributable to owners of the Company increased significantly by approximately HK\$64.3 million or approximately 34.8 times from approximately HK\$1.9 million for 6M/24 to approximately HK\$66.2 million for 6M/25. The increase was primarily due to: (i) the decrease in other gains in amount of approximately HK\$42.7 million mainly from the absent of one-time gain from the waiver of lease payable; (ii) the decrease in reversal of impairment loss under expected credit loss model, net of provision, in the amount of approximately HK\$12.6 million; (iii) the increase in finance costs in amount of approximately HK\$6.5 million; and (iv) the decrease in gross profit in the amount of approximately HK\$3.8 million from the establishment and operation of indoor theme parks during the period under review.

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Financial position

The following table sets out the consolidated statement of financial position of the Group as at 31 March 2023, 31 March 2024 and 31 March and 30 September 2025 as extracted from the Annual Report 2023, the Annual Report 2024, the Annual Results Announcement 2025 and the Interim Results Announcement 2025:

	As at 31 March		As at 30 September	
	2023	2024	2025	2025
	(Audited)	(Audited)	(Audited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	562,497	407,934	427,775	413,017
Total liabilities	1,447,359	1,453,279	1,516,405	1,567,261
Net current (liabilities)	(1,002,057)	(1,123,635)	(1,180,242)	(1,232,729)
Net (liabilities)	(884,862)	(1,045,345)	(1,088,630)	(1,154,244)

Comparison between 31 March 2023 and 31 March 2024

The Group's total assets decreased by approximately 27.5% (or approximately HK\$154.6 million) from approximately HK\$562.5 million as at 31 March 2023 to approximately HK\$407.9 million as at 31 March 2024 mainly due to:

- (i) the decrease in property, plant and equipment by approximately 47.2% (or approximately HK\$56.1 million) from approximately HK\$118.9 million as at 31 March 2023 to approximately HK\$62.7 million as at 31 March 2024. The decrease was mainly due to the decrease in cost by approximately HK\$95.4 million which was partly offset by the decrease in depreciation and impairment by approximately HK\$39.2 million. The decrease in cost was mainly because of the disposals of leasehold improvements of approximately HK\$60.4 million and exchange adjustments of approximately HK\$37.0 million arisen from year-end balances translation as advised by the management of the Group;
- (ii) the decrease in right-of-use assets by approximately 34.3% (or approximately HK\$43.1 million) from approximately HK\$125.8 million as at 31 March 2023 to approximately HK\$82.7 million as at 31 March 2024. The decrease was mainly due to the decrease in cost by approximately HK\$24.1 million and the increase in accumulated depreciation

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and impairment by approximately HK\$19.1 million. The decrease in cost was mainly because of the effect of foreign currency exchange difference of approximately HK\$19.1 million and the transfer to property, plant and equipment of approximately HK\$5.0 million;

- (iii) the decrease in trade receivables by approximately 22.8% (or approximately HK\$12.3 million) from approximately HK\$53.9 million as at 31 March 2023 to approximately HK\$41.6 million as at 31 March 2024. The decrease was mainly due to the increase in accumulated impairment losses by approximately HK\$13.8 million;
- (iv) the decrease in other receivables, deposits and prepayments by approximately 11.4% (or approximately HK\$7.3 million) from approximately HK\$63.8 million as at 31 March 2023 to approximately HK\$56.5 million as at 31 March 2024. As advised by the management of the Group, the decrease was mainly due to (i) exchange difference arisen from year-end balances translation, and (ii) the fact that the Joypolis in Shanghai had gradually ceased running operations since April 2024 before its disposal in September 2024; and
- (v) the decrease in bank balances and cash by approximately 67.7% (or approximately HK\$24.5 million) from approximately HK\$36.2 million as at 31 March 2023 to approximately HK\$11.7 million as at 31 March 2024. The Company advised that relatively high bank balances and cash as at 31 March 2023 was due to acquisition of Investor Loan towards year end. Expenditures for daily operations and debt restructuring, including directors' emoluments and staff salaries, office rent, professional fee, interest and tax paid, had driven bank balances and cash to lower level as at 31 March 2024.

The Group's total liabilities increased slightly by approximately 0.41% (or approximately HK\$5.9 million) from approximately HK\$1,447.4 million as at 31 March 2023 to approximately HK\$1,453.3 million as at 31 March 2024 mainly due to the increase in other payables and accruals by approximately 39.7% (or approximately HK\$79.4 million) from approximately HK\$199.9 million as at 31 March 2023 to approximately HK\$279.3 million as at 31 March 2024.

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The abovementioned increase in other payables and accruals was partly offset by among others,

- (i) the decrease in lease liabilities by approximately 27.7% (or approximately HK\$39.7 million) from approximately HK\$143.5 million as at 31 March 2023 to approximately HK\$103.8 million as at 31 March 2024;
- (ii) the decrease in tax payable by approximately 39.5% (or approximately HK\$16.9 million) from approximately HK\$42.8 million as at 31 March 2023 to approximately HK\$25.9 million as at 31 March 2024; and
- (iii) the decrease in contract liabilities by approximately 17.2% (or approximately HK\$10.0 million) from approximately HK\$58.2 million as at 31 March 2023 to approximately HK\$48.2 million as at 31 March 2024.

Comparison between 31 March 2024 and 31 March 2025

The Group's total assets increased by approximately HK\$19.9 million, or approximately 4.9% from approximately HK\$407.9 million as at 31 March 2024 to approximately HK\$427.8 million as at 31 March 2025 mainly due to:

- (i) the increase in right-of-use assets by approximately 43.1% (or approximately HK\$35.7 million) to approximately HK\$118.4 million as at 31 March 2025. As advised by the management of the Group, the increase in right-of-use assets was mainly due to the renewal of a tenancy agreement with the term of 12 years and monthly rent of JPY17,400,000 (around HK\$840,000) of Joypolis in Tokyo during the year; and a discount applied for the tenancy period; and
- (ii) the increase in trade receivables by approximately 38.6% (or approximately HK\$16.1 million) to approximately HK\$57.7 million as at 31 March 2025. As advised by the management of the Group, the increase in trade receivables was mainly due to the increase in bulk sales of theme park tickets in March 2025. As at 31 March 2025, included in the Group's trade receivables are debtors with aggregate gross amount of approximately HK\$233.7 million (before provision for impairment, which amounted to approximately HK\$225.7 million as at 31 March 2024) which were past due for more than 365 days and/or with history of default. The Directors consider credit risk has increased significantly on these trade receivables and considered the receivables as credit-impaired,

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The abovementioned increases in right-of-use assets and trade receivables was partly offset by among others:

- (i) the decrease in property, plant and equipment by approximately 32.4% (or approximately HK\$20.3 million) to approximately HK\$42.4 million as at 31 March 2025 mainly due to the depreciation of the property, plant and equipment as advised by the management of the Group;
- (ii) the absence of interest in associates as at 31 March 2025, which was approximately HK\$5.7 million as at 31 March 2024. As advised by the management of the Group, the loss of disposal of an associate amounted to approximately HK\$ 2.9 million and impairment in valuation of an associate amounted to approximately HK\$2.8 million as at 31 March 2024; and
- (iii) the decrease in other receivables, deposits and prepayments by approximately 12.5% (or approximately HK\$7.1 million) to approximately HK\$49.5 million as at 31 March 2025 mainly due to the decrease in rental deposit by approximately HK\$4.0 million to approximately HK\$0.7 million as at 31 March 2025 mainly due to the termination of lease of Shanghai theme park and takeover of lease of Hong Kong office by the Investor as advised by the management of the Group; and the decrease in prepayments by approximately HK\$2.6 million to approximately HK\$47.5 million as at 31 March 2025 mainly due to the decrease in prepayment for business operation as at year end date as advised by the management of the Group.

The Group's total liabilities increased by approximately HK\$63.1 million, or approximately 4.3% from approximately HK\$1,453.3 million as at 31 March 2024 to approximately HK\$1,516.4 million as at 31 March 2025, mainly due to (i) the increase in other payables and accruals by approximately 21.1% (or approximately HK\$58.8 million) to approximately HK\$338.2 million as at 31 March 2025 mainly due to the increase in accrued interest payable as advised by the management of the Group; and (ii) the increase in lease liabilities by approximately 5.4% (or approximately HK\$5.6 million) to approximately HK\$109.4 million as at 31 March 2025 mainly due to the renewal of a tenancy agreement during the year as advised by the management of the Group.

Comparison between 31 March 2025 and 30 September 2025

The Group's total assets decreased by approximately HK\$14.8 million, or approximately 3.5% from approximately HK\$427.8 million as at 31 March 2025 to approximately HK\$413.0 million as at 30 September 2025 mainly due to (i) the decrease in property, plant and equipment by approximately 9.7% (or approximately HK\$4.1 million) to approximately HK\$38.3 million as at

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30 September 2025 mainly due to the depreciation of the property, plant and equipment as advised by the management of the Group; (ii) the decrease in right-of-use assets by approximately 4.2% (or approximately HK\$5.0 million) to approximately HK\$113.4 million as at 30 September 2025 mainly due to the depreciation of the right-of-use assets as advised by the management of the Group; and (iii) the decrease in trade receivables by approximately 8.7% (or approximately HK\$5.0 million) to approximately HK\$52.6 million as at 30 September 2025 mainly due to the increase in trade receivable from sales of animation derivatives as advised by the management of the Group.

The Group's total liabilities increased by approximately HK\$50.8 million, or approximately 3.4% from approximately HK\$1,516.4 million as at 31 March 2025 to approximately HK\$1,567.2 million as at 30 September 2025 mainly due to (i) the increase in bank borrowings and other borrowings by approximately 6.8% (or approximately HK\$14.3 million); and (ii) the increase in other payables and accruals by approximately 12.7% (or approximately HK\$42.9 million) to approximately HK\$381.1 million mainly due to the increase in accrued interest as advised by the management of the Group which was partly offset by the decrease in lease liabilities by approximately 4.5% (or approximately HK\$4.9 million).

Disclaimer of opinion

Auditors mentioned in the Annual Results Announcement 2025 that the existence of material uncertainties may cast significant doubt on the Group's ability to continue as a going concern given the following conditions:

- the Group recorded a net loss of HK\$40,912,000 for FY2025, and, as at 31 March 2025, the Group recorded net current liabilities position of HK\$1,180,242,000 and net liabilities position of HK\$1,088,630,000. The Group's total bank and other borrowings, bonds payable and guaranteed notes amounted to HK\$958,235,000, out of which HK\$909,320,000 were due for repayment or would be due for repayment within the next twelve months, while its cash and cash equivalents amounted to HK\$11,384,000 only as at 31 March 2025; and
- as at 31 March 2025, the Group has defaulted on repayment of certain bonds payable, a guaranteed note and other borrowings of approximately HK\$712,655,000, HK\$25,000,000 and HK\$78,977,000 respectively which were included as part of current liabilities as at 31 March 2025. Furthermore, the Group has received several demand letters and statutory demands from bondholders in relation to the repayment of the overdue principals and interest. We noted from "D. Notes to the unaudited pro forma financial information of the Group" in Appendix II of the Circular, that the gain on Debt

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Restructuring and Special Deals will reconcile with the Group's bond payable of approximately HK\$722,094,000, guaranteed note of approximately HK\$17,318,000 and other borrowings of approximately HK\$65,250,000.

The Directors have prepared a cash flow forecast covering a period of 12 months from the date of approval of the consolidated financial statements which takes into account of the plans and measures being taken by the Group to improve the Group's liquidity and financial position. Auditors are of the view that the validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the successful eventual outcome of the abovementioned plans and measures for future actions, as follows (the "Uncertainties"):

- (i) successfully completing the debt restructuring of the Group's bonds payables and amounts owed to the creditors;
- (ii) successfully dismissing the statutory demands;
- (iii) successfully obtaining additional new sources of financing as and when needed;
- (iv) successfully implementing measures to collect outstanding sales proceeds and control costs and expenses effectively; and
- (v) successfully maintaining relationship with the Group's other existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings and other debts with principal and interest payments are in default.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

In our assessment and analysis, we considered various factors including the disclaimer of opinion in the Annual Results Announcement 2025. We are of the view that the Proposed Restructuring (including the Creditors' Scheme and the Subscriptions) is essential to address the Significant Uncertainties raised by the auditors above. If the Proposed Restructuring fails to proceed as planned, the Group will continue facing heavy indebtedness owed to the Creditors and liquidity problems, and will be unable to address (i) and (ii) of the Significant Uncertainties. In addition, the Group will be unable to repay its outstanding debts, exposing the Company to greater risk of insolvent liquidation, and if the statutory demands will not be dismissed, trading in Shares

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is expected to be suspended and the Company's listing status will be removed from the Stock Exchange. If the Significant Certainties cannot be addressed, the auditors may make accounting adjustments as they deem appropriate, which may result in a significant deterioration of the Group's financial position.

(3) The Capital Reorganisation and Change in Board Lot Size

The Board has proposed the Capital Reorganisation which will involve:

- (i) the Share Consolidation — every ten (10) issued Existing Shares of par value HK\$0.10 each in the share capital of the Company will be consolidated into one (1) issued Consolidated Share of par value HK\$1.00 each;
- (ii) the Capital Reduction — the share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.99 on each of the then issued new Consolidated Shares such that the par value of each issued new Consolidated Share will be reduced from HK\$1.00 to HK\$0.01.

According to the audited consolidated financial statements of the Company for FY2024, the accumulated loss of the Company was approximately HK\$1,479,067,000. The credit arising from the Capital Reduction in the amount of approximately HK\$117,022,158 will be fully applied to set off part of the consolidated accumulated loss of the Company; and

- (iii) the Increase in Authorised Share Capital — the authorised share capital of the Company will be increased from HK\$500,000,000 divided into 5,000,000,000 Existing Shares of par value HK\$0.1 each to HK\$10,000,000,000 divided into 1,000,000,000,000 New Shares of par value HK\$0.01 each.

Effects of the Capital Reorganisation

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, before and after the Capital Reorganisation becoming effective (assuming no Shares are issued or repurchased from the Latest Practicable Date until the effective date of the Capital Reorganisation):

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	As at the Latest Practicable Date	Capital Reorganisation having become effective
Par value per Share	HK\$0.10 per Existing Share	HK\$0.01 per New Share
Amount of authorised share capital	HK\$500,000,000	HK\$10,000,000,000
Number of authorised Shares	5,000,000,000 Existing Shares	1,000,000,000,000 New Shares
Number of issued Shares	1,182,042,000	118,204,200
Paid up share capital	HK\$118,204,200	HK\$1,182,042

Conditions precedent of the Capital Reorganisation

Completion of the Capital Reorganisation is conditional upon:

- (i) the special resolutions in relation to the Capital Reorganisation having been passed by the Shareholders in the EGM;
- (ii) the Cayman Court granting an order confirming the Capital Reduction;
- (iii) compliance with any conditions which the Cayman Court may impose in relation to the Capital Reduction;
- (iv) registration by the Registrar of Companies in the Cayman Islands of the order of the Cayman Court confirming the Capital Reduction and a minute approved by the Cayman Court containing the particulars required under the Companies Act (as revised) of the Cayman Islands with respect to the Capital Reduction;
- (v) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the New Shares resulting from the Capital Reorganisation; and
- (vi) compliance with the relevant legal procedures and requirements under the laws of the Cayman Islands and the Listing Rules, and the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

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The Capital Reorganisation shall be completed prior to, and for the purpose of effectuating, the Debt Restructuring and the Subscriptions. The Capital Reorganisation will become effective when the conditions mentioned above are fulfilled. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Change in Board Lot Size

As at the Latest Practicable Date, the Shares are traded in board lots of 1,000 Existing Shares. Conditional upon the Capital Reorganisation having become effective, the Board also proposes to change the board lot size for trading on the Stock Exchange from 1,000 Existing Shares to 8,000 New Shares.

Based on the closing price of HK\$0.09 per Existing Share (equivalent to the theoretical closing price of HK\$0.90 per New Share) as quoted on the Stock Exchange on the Last Trading Day, the value of each existing board lot of 1,000 Existing Shares is HK\$90 and the theoretical value for each new board lot of 8,000 New Shares, assuming the Capital Reorganisation has become effective, would be HK\$7,200.

Based on the closing price of HK\$0.05 per Existing Share (equivalent to the theoretical closing price of HK\$0.50 per New Share) as quoted on the Stock Exchange on the Last Trading Day, the value of each existing board lot of 1,000 Existing Shares is HK\$50 and the theoretical value for each new board lot of 8,000 New Shares, assuming the Capital Reorganisation has become effective, would be HK\$4,000.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders. The Change in Board Lot Size is not subject to Shareholders' approval at the EGM.

Reasons for the Capital Reorganisation and Change in Board Lot Size

It is mentioned in the Letter from the Board that other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position (save for the credit arising from the Capital Reduction which will be fully applied to set off part of the consolidated accumulated loss of the Company) of the Company. The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

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It is also mentioned in the Letter from the Board that the Directors are of the opinion that the proposed Capital Reorganisation will reduce the consolidated accumulated losses of the Company and give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future. The Increase in Authorised Share Capital will accommodate future expansion and growth of the Group and to provide the Company with greater flexibility to raise funds by allotting and issuing new Shares in the future as and when necessary. The Capital Reduction will reduce the par value of the issued Consolidated Shares from HK\$1.00 per Consolidated Share to HK\$0.01 per New Share. Under the laws of the Cayman Islands, a company may not issue shares at a discount to the par value of such shares. Accordingly, the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future.

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, pursuant to the requirements set out in "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, the expected board lot value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the Shares had been traded below HK\$0.10 on average and the Shares were trading at under HK\$2,000 per board lot over the past six months (based on the closing price per Share as quoted on the Stock Exchange), the Board proposes to implement the Share Consolidation and the Change in Board Lot Size in order to comply with the trading requirements of the Listing Rules. The Share Consolidation will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares and the trading price of the Shares per board lot.

Having considered the reasons above, we concur with the Directors' view that terms of the Capital Reorganisation are fair and reasonable; and the Capital Reorganisation and Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

(4) The Debt Restructuring by way of the Creditors' Scheme

Based on the available books and records of the Company, the estimated total amount of Claims against the Company as at 31 March 2023 was approximately HK\$1,105.6 million.

As mentioned in the Letter from the Board, under the Creditors' Scheme and subject to the terms thereof, a Cash Consideration of HK\$160,000,000 will be distributed by the Company to and an aggregate of 59,000,000 Scheme Shares (at the issue price of HK\$0.1772 per New Share) will

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be issued and allotted under the Specific Mandate by the Company to the SchemeCo under the Creditors' Scheme for holding for the benefits of the Creditors prior to distributing to the Creditors with Admitted Claims. There will be no cash inflow for the Company in respect of the issue of the Scheme Shares. In addition to the Cash Consideration and Scheme Shares, any sums successfully recovered from the Scheme Receivables, after deducting any costs, expenses, and taxes that may be incurred in connection with the Company's recovery actions, will also be included as part of the Scheme Assets for the benefits of the Creditors. The Scheme Receivables, if recovered, will be distributed according to the same term as the other Scheme Assets as set out in the sub-section headed "Distribution of Scheme Assets upon the Creditors' Scheme becomes effective" under "4. The debt restructuring by the Creditors' Scheme — 4.4 Distribution of Scheme Assets upon the Creditors' Scheme becomes effective" in the Letter from the Board. It should be noted that the likelihood for the recovery of the Scheme Receivables in full amount before the termination of the Creditors' Scheme may be relatively low given that the debtors of the Scheme Receivables have not been responsive to the Company's demands and the potential time required for any legal actions taken against these debtors. If the Scheme Administrators are satisfied that all dividend has been distributed (which may take around twelve months or more upon the Effective Date, subject to the recovery progress of the Scheme Receivables), they shall give a notice to terminate the Creditors' Scheme, upon which the Scheme Receivables which are unrecovered would be written off in the Creditors' Scheme and no longer be considered as part of the Scheme Assets.

The following table sets out amount of each Scheme Receivable as illustrated in "4. The Debt Restructuring by way of the Creditors' Scheme — 4.3 The Scheme Assets and Scheme Receivables — Details and breakdowns of the Scheme Receivables" in the Letter from the Board:

Name of Debtors	Amount <i>(HK\$'000)</i>	Status (extracted from notes 2, 3 and 4 of the relevant section in the Letter from the Board)
1. Shenzhen Happy Animation Co., Ltd.* (深圳市歡樂動漫有限公司), beneficially owned by Wang Ruoming	7,500.00	A legal demand letter was issued by the Company to this debtor on 26 July 2023 requesting for a recovery of HK\$7.5 million (equivalent to the RMB6.0 million) to the Group. The Group had filed a lawsuit to 深圳前海合作區人民法院, court in Futian, Shenzhen, and demanded for a compensation for an amount of RMB6.0 million from this debtor. However, the Company is uncertain as to whether it will be able to recover this receivable as the repayment method and timing have not been agreed or determined and as at the Latest Practicable Date, the Company did not receive any return so far.

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Name of Debtors	Amount (HK\$'000)	Status (extracted from notes 2, 3 and 4 of the relevant section in the Letter from the Board)
2. GZLC and GZCA	5,358.60	<p>A legal demand letter was issued by the Company to these debtors in November 2022 requesting for a recovery of RMB4.5 million to the Group. The Group had filed a lawsuit and had provided evidence to 廣州市南沙區人民法院, court in Nansha, Guangzhou, for their review and demanded for a compensation for an amount of RMB4.5 million from these debtors. Currently, the lawsuit has been withdrawn after GZLC offered alternative settlement arrangements to the Group and the Group and GZLC have resumed negotiations. Pursuant to the negotiations, the Lechuang Group has agreed to continue developing games for incorporation into the Group's theme parks in accordance with the Group's specifications. While the Lechuang Group is completing the ongoing game development, the Group is also reviewing and assessing the alternative proposals from the Lechuang Group, including a potential share swap arrangement with its members in lieu of a refund of the Group's previous investment. In light of the above, the Group is not expected to receive, and has not received as at the Latest Practicable Date, any cash returns from these debtors that can be included into the Scheme Assets.</p>

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Name of Debtors	Amount (HK\$'000)	Status (extracted from notes 2, 3 and 4 of the relevant section in the Letter from the Board)
3. ACCP Global Lau Wang Chi Barry Well Link Securities Limited, beneficially owned by Hui Chor Tak	215,000.00	ACCP Global has received winding-up order from the High Court on 24 April 2023, so Lau Wing Chi Barry and Well Link Securities Limited shall have to bear the legal consequences of the case to indemnify the Group the damages resulted from the ACCP Subscription. Upon taking legal advice, the Company is of the view that this litigation is a meritorious case and the Company is expected to be awarded by the High Court to recover to such sums (whether fully or partially). A hearing of the case took place on 15th July 2024 and the proceedings against ACCP Global will continue pending the leave to be granted by the High Court. As at the last hearing, no decision has been made and the next hearing scheduled to be held on 27 August 2026. The Company will continue its action against ACCP Global, Lau Wang Chi Barry and Well Link Securities Limited.
Total:		<u>227,858.60</u>

None of the debtors or their respective ultimate beneficial owners in respect of the Scheme Receivables are related to the Company and its connected persons. The Company, after considering of the above mentioned debtors' latest business relationships with the Group and their latest business operations after the Covid-19, is no longer interested in involving into any further collaborations with these debtors. The Scheme Receivables are included as one of the Scheme Assets so that, upon successful recovery (if any) may increase the attractiveness of the Creditors' Scheme. Nonetheless, it is mentioned in the Letter from the Board that the likelihood for the recovery of the Scheme Receivables in full amount before the termination of the Creditors' Scheme may be relatively low given that the debtors of the Scheme Receivables have not been responsive to the Company's demands and the potential time required for any legal actions taken against these debtors. The Company advised that no funds have been recovered from the Scheme Receivables as at the Latest Practicable Date.

Creditors, Shareholders and potential investors of the Company should be reminded that the Company may or may not be able to recover any amount from the Scheme Receivables before the termination of the Creditors' Scheme (which will be decided by the Scheme

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Administrator) given the uncertainties involved in recovering them. For avoidance of doubt, should the Company not able to recover the Scheme Receivables from its recovery actions, there would not be any impact to the Creditors' Scheme.

The distribution of the Scheme Assets which comprise the Cash Consideration, the Scheme Shares and the Scheme Receivables, will be conducted in accordance with the terms of the Creditors' Scheme. The Issue Price is the same as the Share Subscription Price and the CB Conversion Price, and as mentioned in the Letter from the Board, the Share Subscription Price was arrived at after arm's length negotiations between the Company and the Investor with reference to (i) the net liabilities position and the net loss of the Group; (ii) that the Group has received winding-up petitions and statutory demands and is in desperate need of fundraising and debt restructuring; (iii) the prevailing market conditions; (iv) that the Group has already exhausted and attempted other means of fundraising and that the Subscriptions represent the only viable option available to the Group; (v) the amount of funds required to be raised by the Company for the Debt Restructuring; (vi) the acceptability of the Creditors towards the terms of the Creditors' Scheme, such as, the value of the Scheme Assets which is affected by the Share Subscription Price and the issue price of the Scheme Shares; and (vii) that an issue price with large discount is not uncommon among companies involving creditors' scheme and/or debt restructuring. Please refer to the paragraphs headed "Evaluation of the Share Subscription Price" and "Evaluation of the CB Conversion Price" under "(5) The Share Subscription and the CB Subscription — (d) The Share Subscription Price and the CB Conversion Price" below in this letter for assessment on the fairness and reasonableness of the Share Subscription Price and the CB Conversion Price.

On 27 June 2023, the Creditors' Scheme was approved in the creditors' meeting by the requisite majorities of the Creditors and on 19 March 2024, such approval has become valid after the Creditors' Scheme having been sanctioned by the High Court. There is no fixed timetable for the Creditors' Scheme to become effective after the High Court's sanction. Its effectiveness is conditional solely upon the satisfaction of the conditions precedent stipulated in the Creditors' Scheme.

Upon the Creditors' Scheme becomes effective, the Scheme Administrators will, among other things, despatch the claim form to the Creditors to call proof and perform adjudication on the claims received in order to verify and determine the amount of the Admitted Claims. As soon as practicable after the adjudication of claims, including the amount of the Admitted Claims, the Scheme Administrators will:

- (a) declare and pay the first interim cash dividend to all Scheme Creditors with Admitted Claims on a pro rata basis in respect of the amount of their Admitted Claims to distribute the Cash Consideration, subject to the reservation of any Unadmitted Claims and Scheme Costs;

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- (b) send the form of election to the Scheme Creditors with Admitted Claims to elect either
 - (i) the cash option; or
 - (ii) the equity option (but not both) in respect of their entitlement of the Scheme Shares for the portion of the Admitted Claims that are not satisfied by the Cash Consideration.

As advised by the Company, cash option and equity option are available with an aim to enhance the attractiveness of the Scheme as, for example, (i) the Scheme Creditors will be able to retain certain interest in the Company if they think that background of the Investor will benefit the Group in business development and will bring better return to its shareholders after the Debt Restructuring; or (ii) the Scheme Creditors may choose to instruct the Scheme Administrator selling their respective Scheme Shares for cash, if they wish to do so.

For details of the arrangement on the distribution of the Scheme Assets to the Scheme Creditors who opt for equity option and the Scheme Creditors who opt for cash option, please refer to “4. The Debt Restructuring by way of the Creditors’ Scheme — 4.4 Distribution of Scheme Assets upon the Creditors’ Scheme becomes effective” in the Letter from the Board.

According to the Creditors’ Scheme, the Scheme Assets will be dealt with by the Scheme Administrators in the following order of priority:

- (i) firstly, to pay preferential claims (the Company did not have any preferential claims as at the Latest Practicable Date);
- (ii) secondly, to pay the Scheme Costs; and
- (iii) thirdly, to pay dividend in respect of the Scheme Creditors with Admitted Claims.

The proportion of the dividend payable will be of an amount to be determined and distributed from time to time by the Scheme Administrators under the Creditors’ Scheme, having regard to:

- (i) the amount of Scheme Assets available;
- (ii) the amount of Admitted Claims; and
- (iii) any sum to be retained out of the Scheme Assets for the Scheme Costs as may be determined by the Scheme Administrators under the Creditors’ Scheme.

According to the terms of the Creditors’ Scheme, the Scheme Administrators will be empowered to declare interim dividend(s) from time to time. Unadmitted Claims will not be entitled to any dividend.

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Based on the Company's records as at 31 March 2023 for the preparation of the Creditors' Scheme, each of the Subsidiary Creditors has a Claim against the Company as a result of the assignment of the trade receivables of the Subsidiary Creditors to the Company. We noted from the Letter from the Board the differences between collecting funds by Subsidiary Creditors and collecting fund by the Company on behalf of Subsidiary Creditors are that:

- (i) it would be more efficient for the Company to centralise its resources to pursue further legal actions and/or conduct further negotiations with these counterparties in order to recover such sums;
- (ii) the management of the Group would be able to allocate and distribute its financial resource optimally during an exceptionally difficult period for the Group, among other things, to settle imminent expenses of members of the Group so as to maintain the operation of the Group's theme park business as a whole;
- (iii) it can avoid duplicate procedures and the extra time incurred for the transfer the proceeds from the receivables (in case of recovery) to the Company from the Subsidiary Creditors;
- (iv) the Company would be able to conduct negotiations with the debtors more effectively given its listed status; and
- (v) given the material amount of and the low likelihood of recovery of the trade receivables, it would be more efficient and beneficial to the Company to negotiate directly with the counterparties to look for alternative repayment options, such as (a) immediate partial repayment; (b) restarting the respective construction and/or renovation projects; (c) reduction of outstanding principal amount; (d) additional collateral/guarantee; (e) revising the repayment schedule; and (f) increasing interest rates or other matters favorable to the Company.

The indebtedness amount owed by the Company to the Subsidiary Creditors were resulted from (i) the assignment of the Subsidiary Creditors' trade receivables, which arise from the refund of prepayments in relation to the theme park constructions and disposals of intangible assets and PPEs of the Group and PPSP Services for other third parties (including the provision of authorization of IP-rights) by the Subsidiary Creditors, to the Company; and (ii) that the Company collected certain payments on behalf of the Subsidiary Creditors which were generated from operation of the Subsidiary Creditors. For avoidance of doubt, although the liabilities of the Group to the Subsidiary Creditors will be discharged upon the Creditors' Scheme becoming effective, the Company remains entitled to pursue the counterparties to recover the receivable sums owed to the Group. Regardless of the results above, the Subsidiary Creditors, who became creditors of the

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Group as a result of assigning their trade receivables to the Group to facilitate the Company's recovery actions, have indicated that they will not lodge any notice of claim for dividend purposes and will not receive any dividend from the Creditors' Scheme (including the Scheme Assets and Scheme Receivables, if any); such portion of the Scheme Assets will instead be distributed to the other Scheme Creditors.

As mentioned in the Letter from the Board, as at the Latest Practicable Date, none of the Scheme Creditors are connected persons of the Company; and as confirmed by the Company, as at the Latest Practicable Date, none of the Scheme Creditors are connected persons of Mr. Chong Heung Chung Jason. Should the issuance of the Scheme Shares to the Creditors constitutes connected transaction under Chapter 14A of the Listing Rules, the Company will comply with the relevant requirements thereof, including but not limited to, obtaining the approval of the independent Shareholders at a general meeting of the Company. Pursuant to the terms of the Creditors' Scheme, the Scheme Assets are payable to the Scheme Administrator, and upon which the Creditors' Scheme will become effective. The subsequent distribution of Scheme Assets by the Scheme Administrator to the Creditors will be handled by the Scheme Administrator independently and accordingly, even if the resolution(s) in relation to the above matters were being voted down by the independent Shareholders, the Debt Restructuring will not be affected and the Scheme Administrator will have to distribute Cash Consideration (as if such Creditor(s) elected the cash option) to such Creditor(s). The Company will provide an update on the Creditors' Scheme by way of announcement(s) as and when appropriate.

Conditions of the Creditors' Scheme

Completion of the Creditors' Scheme is conditional upon:

- (a) the High Court sanctions the Creditors' Scheme and a copy of the order of the High Court sanctioning of the Creditors' Scheme is delivered to the Registrar of Companies in Hong Kong for registration;
- (b) the Capital Reorganisation having become effective;
- (c) the completion of the Subscriptions having taken place;
- (d) all consents and approvals required for the transfer of the Scheme Shares to the SchemeCo have been obtained; and

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- (e) resolutions in relation to the issue of the Scheme Shares under the Specific Mandate having been duly passed by the Independent Shareholders in the general meeting, and the Board having been granted the Specific Mandate in accordance with the Listing Rules.

None of the conditions set out above can be waived. As at the Latest Practicable Date, save for condition (a) above, all the other conditions precedent to the Creditors' Scheme have not been fulfilled.

The Creditors' Scheme shall become effective on the date, being the latest of (a) the date of delivery of an official copy of the order of the High Court sanctioning the Creditors' Scheme to the Registrar of Companies in Hong Kong for registration; (b) the date of the completion of the transfer of the Cash Consideration to the SchemeCo; and (c) the date of the completion of the transfer of the Scheme Shares to the SchemeCo. Upon the Creditors' Scheme having become effective, the Company shall be able to utilise the proceeds from the Subscriptions for the purpose of, among other things, settlement of Cash Consideration for the Creditors' Scheme. As at the Latest Practicable Date, the Creditors' Scheme had not come into effect.

Having considered that:

- (i) upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance. We considered that upon completion of the Debt Restructuring, financial position of the Group can be largely alleviated following the discharge and release of debts and liabilities; and the Group will be in a better position to obtain new financing for business development and daily operations. Besides, it will enable the Group to fulfil certain going concern assumptions on the completion of Debt Restructuring; and avoid the risk of listing status being removed from the Stock Exchange should the Company fail to repay the outstanding debts within time given by the High Court;
- (ii) the Issue Price is the same as the Share Subscription Price and the CB Conversion Price, which are considered as fair and reasonable as demonstrated in the paragraphs headed "Evaluation of the Share Subscription Price" and "Evaluation of the CB Conversion Price" under "(5) The Share Subscription and the CB Subscription — (d) The Share

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Subscription Price and the CB Conversion Price” below in this letter. The alignment of the Issue Price to the Share Subscription Price and the CB Conversion Price provides equitable treatment to the Creditors and the Investor; and

- (iii) the dilution of the shareholding interests of the existing public Shareholders is considered not unreasonable as set out in the section headed “(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares” below in this letter. The dilution impact is acceptable in the view of the restructuring and financing needs of the Group. Given the net loss and net liabilities position and high gearing ratio of the Group, it may face difficulties in seeking new funds from equity market or bank borrowings; and the auditors’ disclaimer of opinion will remain,

we concur with the Directors’ view that the Debt Restructuring by way of the Creditors’ Scheme is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

(5) The Share Subscription and the CB Subscription

(a) Background of the Investor

As mentioned in the Letter from the Board, the Investor is a company incorporated under the laws of Japan and is principally engaged in (i) real estate related businesses including but not limited to, urban development, properties construction, brokering, real estate valuation and properties management; and (ii) financial related services including but not limited to, trading of securities, asset management and selling of financial products. The Investor is a diversified conglomerate established for over 25 years with over 20 subsidiaries covering a wide range of business activities in Japan, including but not limited to, real estate development, urban development and hotels and theme parks management.

Based on financial information of the Investor for FY2024 and a company profile of the Investor provided by the management of the Group, we understand that the Investor possesses group capital of JPY380 million (equivalent to approximately HK\$19.7 million based on exchange rate of JPY1=HK\$0.051713) and net assets of JPY782 million (equivalent to approximately HK\$40.4 million based on exchange rate of JPY1=HK\$0.051713) as at 31 March 2024. The Investor began operating the fund business from 2007. Its accumulated investors have approached to 48,990 since 2007 and have raised fund of US\$1,628.89 million from 2007 to 2022. Based on the company website of the Investor (www.kyosei-bank.co.jp), it operates theme park business using real estate assets, notably the Ise Ninja Kingdom in Japan.

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The Investor is beneficially wholly-owned by Mr. Kenichi, who is also the president and representative director of the Investor. To the best knowledge of the Company, the Investor and the parties acting in concert with it are Independent Third Parties.

As at the Latest Practicable Date, the directors of the Investor are Mr. Kenichi, Dr. Hiroshi Kaneko, Mr. Takahiro Haga and Mr. Kuniaki Yanase.

Having considered that (i) the Investor has provided immediate funding of Investor Bonds with total principal amount of HK\$25 million and the Investors Loan of HK\$25 million to the Group as rescue funding; and (ii) the Investor's financial strength and industry knowledge and experience in theme park operation in Japan as discussed above will bring business synergies to the Group's theme park business in Japan; and provide resources and/or working capital to support the Group's operation when needed, we concur with the Directors that the Investor becoming a Shareholder is in the interests of the Group and its Shareholders as a whole.

Intention of the Investor in relation to the Group

As mentioned in the Letter from the Board, it is the intention of the Investor to continue the existing businesses of the Group and has no intention to put forward any major changes to the businesses of the Group after the Completion. As at the Latest Practicable Date, the Investor has not entered and does not intend to enter into any agreement, arrangements, understanding (i) to acquire and/or develop any new business nor (ii) to dispose of or downsize the existing businesses and/or material operating assets, of the Group unless appropriate opportunities arise. The Investor will continue to review the operations of the Group from time to time in order to enhance a long-term growth potential for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. Subject to the result of the review, the Investor may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. Should such corporation actions materialize, further announcement(s) will be made in accordance with the Listing Rules.

Proposed changes to the Board composition

As at the Latest Practicable Date, the Board comprises two executive Directors and three independent non-executive Directors.

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The Investor intends to nominate Dr. Hiroshi Kaneko as an executive Director upon Completion. Such appointment of Director nominated by the Investor will not take effect earlier than the posting of the Circular in compliance with Rule 26.4 of the Takeovers Code and any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

It is currently expected that, upon Completion Dr. Hiroshi Kaneko will primarily be responsible for overseeing the Group's overall business operations and the formulation of its business and strategic development. Mr. Chong Heung Chung Jason, having regard to his experience in the theme park and toy industries, will continue to assist in monitoring the Group's overall operations and Ms. Liu Moxiang will primarily focus on the implementation of strategies and the management of the Group's business in Japan.

Save for the Investor's intention regarding the Group as set out above, as at the Latest Practicable Date, the Investor (i) has not identified any potential candidate to be appointed as new director(s) to the Board; and (ii) has no intention to make material changes to the management and discontinue any employment of the employees of the Group or to dispose of or re-allocate the Group's assets which are not in the ordinary and usual course of business of the Group.

(b) Proceeds from the Subscriptions

According to the Letter from the Board, the gross proceeds from the Share Subscription and the CB Subscription are estimated to be approximately HK\$94.06 million and approximately HK\$160.94 million respectively. The aggregate net proceeds from the Subscriptions (after deducting related expenses) are estimated to be approximately HK\$220 million. The Company intends to use net proceeds of approximately HK\$160 million (i.e. approximately 72.7% of net proceeds) for distribution to the Scheme as Cash Consideration for the benefits of the Scheme Creditors, not more than HK\$25 million (i.e. not more than approximately 11.4% of net proceeds) for settlement of professional fees and expenses in connection with the Proposed Restructuring and the residual of approximately HK\$35 million (i.e. approximately 15.9% of net proceeds) for the working capital requirement of the Company.

The Investor is expected to settle the Subscription Consideration with its internal resources. As at the date of the Joint Announcement, the Investor has deposited the Escrowed Consideration in the amount of JPY3,520,000,000 (which is equivalent to approximately HK\$211.2 million as at the date of the Subscription Agreements based on an exchange rate of JPY1 = HK\$0.060) in a bank account which is currently being held in escrow for the purpose of settling the Subscription Consideration. The said deposit will be converted into Hong Kong dollars upon completion of the

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Share Subscription and the Investor shall be entitled to refund of any surplus or be liable to pay the shortfall amount to make up the Subscription Consideration as a result of the currency conversion.

After adjusting for the effects of the Capital Reorganisation, the 530,800,000 Subscription Shares will represent approximately 81.79% of the issued Share capital upon completions of the Capital Reorganisation and the Share Subscription (assuming that no Convertible Bonds have been converted into CB Conversion Shares and there will be no other changes in the issued share capital of the Company from the Latest Practicable Date and up to the Completion).

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the New Shares in issue on the date of allotment and issue of the Subscription Shares.

Having considered that:

- (i) the severe liquidity challenges facing by the Group and Company persisted. Prior to the entering into the Term Sheet as at 30 September 2022, the Group recorded net current liabilities and net liabilities in the amount of approximately HK\$533.5 million and approximately HK\$119.0 million, respectively. According to the Annual Results Announcement 2025, the Group recorded net loss of approximately HK\$48.6 million for FY2025, and, as at 31 March 2025, the Group recorded net current liabilities of approximately HK\$1,180.2 million and net liabilities of approximately HK\$1,088.6 million. The Group's total bank and other borrowings, bonds payable and guaranteed notes amounted to approximately HK\$958.2 million, out of which approximately HK\$909.3 million were due for repayment or would be due for repayment within the next twelve months;
- (ii) the Group likely has no sufficient financial resources to meet the indebtedness of the Creditors. The Group only had bank balances and cash of approximately HK\$11.4 million and approximately HK\$13.0 million as at 31 March 2025 and as at 30 September 2025, respectively;
- (iii) as discussed in details under “(1) Background to the entering into the Term Sheet and the Debt Restructuring” above in this letter, the Group encountered difficulties in raising funds from the market or obtaining bank loans and thereafter it is not cost-effective nor feasible for the Group to obtain debt financing and/or carry out other forms of equity financing; and the Subscriptions are currently the only available means to the Group to fulfill its funding needs; and

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(iv) the Share Subscription and the CB Subscription can reduce the Group's indebtedness serving as rescue funding from the Investor to the Group and facilitate the implementation of the Debt Restructuring by way of the Creditors' Scheme, which will discharge and release the debts and liabilities of the Company to the Creditors; and save the Group from possible insolvent liquidation. As mentioned in the Letter from the Board, Maxx Capital's petition was no longer valid as it entered into an agreement with Mr. Lam that resulted in the Assignment and a deed of mutual release with the Company to, among other matters, dismiss or discontinue all court actions against the Company. In the absence of the Debt Restructuring, should the Company fail to repay the outstanding debts within the time given by the High Court, the Company will have to repay Mr. Lam the full amount of the Assigned Debt and the abovementioned Creditors may file a new winding-up petitions against the Company that lead to greater risk that the Company would be placed into insolvent liquidation. Thereafter, the Shares are expected to be suspended from trading and the listing status of the Company is expected to be removed from the Stock Exchange,

we concur with the Directors' view that the Share Subscription and the CB Subscription are in the interest of the Company and the Shareholders as a whole.

(c) Principal terms of the Subscriptions

For the avoidance of doubt, completions of the Share Subscription and the CB Subscription are subject to the Capital Reorganisation having become effective. The Share Subscription Agreement and the CB Subscription Agreement are inter-conditional and the completions of the Share Subscription and the CB Subscription shall take place simultaneously.

The Share Subscription

The principal terms of the Share Subscription are summarised as below:

Date	:	26 January 2023
Subscriber	:	the Investor
Issuer	:	the Company
Subscription Consideration	:	HK\$94,057,760

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Price per Subscription Share	:	HK\$0.1772
Number of Shares to be issued under the Share Subscription	:	530,800,000 Subscription Shares
The issued Share capital of the Company upon completion of the Capital Reorganisation and the Share Subscription	:	649,004,200 New Shares

For further details, please refer to the section headed “5. The Subscriptions — 5.1 The Share Subscription” in the Letter from the Board.

The CB Subscription

The principal terms of the CB Subscription are summarised as below:

Date	:	26 January 2023
Issuer	:	The Company
Subscriber	:	The Investor
Principal Amount	:	approximately HK\$160.94 million
Initial CB Conversion Price	:	HK\$0.1772, per CB Conversion Share, being the same as the Share Subscription Price. The CB Conversion Price shall from time to time be subject to adjustment upon occurrence of consolidation or sub-division of Shares in accordance with the provisions of the Convertible Bonds. The relevant adjustment shall be determined by the auditor. <i>(Note)</i>
Interest	:	Non-interest bearing and be freely transferable.

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- Maturity Date : The date falling on the 3rd anniversary of the date of issue of the Convertible Bonds; and if that is not a Business Day, the Business Day immediately after such date. Unless previously converted, the Convertible Bonds will be redeemed by the Company on the Maturity Date at its principal amount outstanding.
- CB Conversion Shares : Based on the initial CB Conversion Price of HK\$0.1772 per CB Conversion Share, a total of 908,251,918 CB Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, representing approximately 56.19% of sum of the enlarged Share capital upon completion of the Capital Reorganisation and the issue of the Subscription Shares, the Scheme Shares and the CB Conversion Shares upon full conversion of the Convertible Bonds.
- Restrictions on conversion of the Convertible Bonds : The Bondholder(s) (which will be the Investor immediately upon completion of the CB Subscription, or any person(s) subject to the transfer of the Convertible Bonds, if any) shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds into ordinary New Shares if the issue of CB Conversion Shares following the exercise by the Bondholder(s) of the conversion rights attached to the Convertible Bonds would result in (i) the Company not meeting the requirement under the Listing Rules that not less than 25% (or such other percentage as may from time to time be specified in the Listing Rules) of the Shares shall be held by the public immediately after the conversion; or (ii) a mandatory general offer obligation will be triggered under the Takeovers Code.
- Ranking of the CB Conversion Shares : The CB Conversion Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the New Shares in issue on the date of allotment and issue of the CB Conversion Shares.

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Note: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the fraction:

$$\frac{A}{B}$$

where:

“A” is the nominal amount of one Share immediately after alteration; and

“B” is the nominal amount of one Share immediately before alteration.

For further details, please refer to the section headed “5. The Subscriptions — 5.3 The CB Subscription” in the Letter from the Board.

Adjustments to conversion price

In assessing the fairness and reasonableness of the adjustment terms of the Convertible Bonds with regard to the CB Conversion Price, we have compared such adjustment mechanism with the relevant adjustment mechanism of one sample selected from the CB Comparables (Whitewash and Restructuring) (as defined below), one sample selected from the CB Comparables (Whitewash) (as defined below) and one sample selected from the CB (Restructuring) (as defined below) and noted that the adjustment mechanism to the Conversion Price contains a formula for calculating Conversion Price adjustment in the event that an alternation to the nominal value of the Shares as a result of consolidation or subdivision. This formula is the same as that of the sample CB Comparables, i.e. Momentum Financial Holdings Limited (stock code: 1152), Sheng Yuan Holdings Limited (stock code: 851) and CIFI Holdings (Group) Limited (stock code: 884). Adjustment terms of the Convertible Bonds with regard to the CB Conversion Price is not uncommon upon occurrence of consolidation or sub-division.

(d) The Share Subscription Price and the CB Conversion Price

The Subscription Price, the CB Conversion Price and the Issue Price represent:

- (i) a discount of approximately 65.25% to the closing price of HK\$0.51 per New Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation which is equivalent to the closing price of the New Shares on the day prior to the suspension of trading of the Shares on 21 November 2024;

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- (ii) a discount of approximately 78.39% to the closing price of HK\$0.820 per New Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 77.63% to the average closing price of HK\$0.792 per New Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 78.02% to the average closing price of HK\$0.806 per New Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (v) a discount of approximately 81.17% to the average closing price of HK\$0.941 per New Share as quoted on the Stock Exchange for the last thirty trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (vi) a premium of approximately HK\$9.033 per New Share over the audited consolidated net liabilities value attributable to Shareholders per Share as at 31 March 2025 of approximately HK\$9.210 per New Share and adjusted for the effect of the Capital Reorganisation; and
- (vii) a premium of approximately HK\$9.588 per New Share over the unaudited consolidated net liabilities value attributable to Shareholders per Share as at 30 September 2023 of approximately HK\$9.765 per New Share and adjusted for the effect of the Capital Reorganisation.

Evaluation of the Share Subscription Price

For the purpose of providing the Independent Shareholders with a general reference for companies listed on the main board of the Stock Exchange engaged in similar transaction as those of the Proposed Restructuring, we identified subscription of new shares under specific mandate relating to creditors' scheme or debt restructuring and involving whitewash waiver application which were (i) announced during the period between 1 April 2022 and the Latest Practicable Date by companies currently listed in Hong Kong, being a period of approximately 48 months; and (ii) completed as at the Latest Practicable Date. As only three comparable transactions (i.e. that of Fullsun International Holdings Group Co., Limited (stock code: 627), China Bozza Development Holdings Limited (stock code: 1069) and IDT International Limited (stock code: 167)) were identified, we extended our review period to approximately 60 months from 1 April 2021 to the Latest Practicable Date (the "**Review Period**"), to cover more comparable transactions.

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We have identified an exhaustive list of six transactions which met the aforesaid criteria (the “**Comparable Transactions**”). We note that the restructuring proposal of the Comparable Transactions, the structure and terms thereof, including but not limited to, (i) business size, financial performance and financial position; (ii) the subscription price and amount and the use of proceeds; and (iii) the background of the transaction, are different from the Company. Nevertheless, we consider that the Comparable Transactions approved by the independent shareholders of the respective companies (the “**Share Subscription Comparables**”) can provide a general reference to the Independent Shareholders in respect of the range of discount of subscription price to closing price on the last trading day prior to the date of the respective restructuring agreements.

Company name (stock code)	Date of announcement	Principal business as at the date of announcement	Discount of the	Discount of the	Discount of the	Discount of the	Maximum
			issue price to average closing price per share for the last trading day prior to the date of agreement	issue price to average closing price per share for the last ten trading days up to and including the last trading day prior to the date of agreement			
			Approximate %	Approximate %	Approximate %	Approximate %	Approximate %
IDT International Limited (167)	1 November 2024	principally engaged in the design, development, manufacturing and sales of electronic products and smart wearable devices	(44.40)	(46.80)	(47.10)	N/A (Note 4)	(89.92)
China Bozza Development Holdings Limited (1069) (Note 2)	30 December 2022	principally engaged in forestry management, ginseng-related business and investment holding	(87.12)	(87.62)	(87.73)	(89.61)	(84.60)
Fullsun International Holdings Group Co., Limited (627) (Note 3)	13 September 2022	principally engaged in the development and sale of residential and commercial properties in the PRC including Hong Kong	(93.60)	(92.40)	(92.40)	25.9	(2.08)

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Company name (stock code)	Date of announcement	Principal business as at the date of announcement	Discount of the	Discount of the	Discount of the	Discount of the	Maximum
			issue price to average closing price per share	issue price to average closing price per share			
			Approximate %	Approximate %	Approximate %	Approximate %	Approximate %
China Wood International Holding Co., Limited (1822)	10 March 2022	principally engaged in (i) sale and distribution of furniture wood, manufacturing and sales of antique style wood furniture and imported timber flooring processing businesses; and (ii) car rental business in the PRC	(32.30)	(29.50)	(31.30)	N/A (Note 4)	(86.84)
C&D Newin Paper & Pulp Corporation Limited (731) (formerly known as Samson Paper Holdings Limited)	22 November 2021	principally engaged in (i) paper manufacturing business; (ii) paper trading business including sale of paper and cardboard, office suppliers and consumables and supplies for paper manufacturing; (iii) FMCG business; (iv) PID business; and (v) other businesses including trading of consumable aeronautic parts and the provision of related services, and provision of logistic services and marine services	(96.68)	(96.61)	(96.71)	(99.34)	(91.93)
National United Resources Holdings Limited (254)	24 June 2021	principally engaged in bus transportation services, passenger operation and car rental services	(92.30)	(92.80)	(92.90)	N/A (Note 4)	(79.20)
Median			(89.71)	(90.01)	(90.07)	(89.61)	(88.38)

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Company name (stock code)	Date of announcement	Principal business as at the date of announcement	Discount of the issue price to average closing price per share for the last five trading days up to and including the last trading day prior to the date of agreement	Discount of the issue price to average closing price per share for the last ten trading days up to and including the last trading day prior to the date of agreement	Discount of the issue price to average closing price per share for the last ten trading days up to and including the last trading day prior to the date of agreement	Discount of the issued price to the latest published net assets value prior to the date of agreement	Maximum dilution of the public shareholders under restructuring proposal
			<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>
Average			(74.40)	(74.29)	(74.69)	(54.35)	(87.43)
Maximum			(96.68)	(96.61)	(96.71)	25.90	(92.08)
Minimum			(32.30)	(29.50)	(31.30)	(99.34)	(79.20)
The Company			(78.39)	(77.63)	(78.02)	N/A (Note 4)	(88.05)

(Note 1)

Notes:

1. Maximum dilution of the public shareholders of the Company is calculated on the basis of completion of the Subscriptions, the issue of the Scheme Shares and conversion of all Convertible Bonds.
2. Name of the company has been changed to “China Health Technology Group Holding Company Limited” with effect from 27 November 2023.
3. Name of the company has been changed to “Japan Kyosei Group Company Limited” with effect from 23 January 2024.
4. Relevant company recorded net liabilities in the latest published financial information prior to the date of agreement.

As shown in the above table, the discount of the subscription prices of the Comparable Transactions to closing prices of the shares of the Share Subscription Comparables on the last trading day prior to the date of the relevant restructuring agreements ranged from approximately 32.3% to approximately 96.7%, with a median of approximately 89.7% and an average of approximately 74.4%.

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We consider that a heavily discounted Share Subscription Price under current circumstances is inevitable in view of:

- (i) factors set out in the paragraphs under the section headed “(1) Background to the entering into the Term Sheet and the Debt Restructuring — The Proposed Restructuring” above in this letter including:
 - (a) as at the close of business on 28 February 2026, the Group’s indebtedness amounted to approximately HK\$1,498.1 million;
 - (b) the Group is in financial difficulties given its heavy indebtedness and loss making business operations;
 - (c) the Group experienced difficulties in seeking external financial resources to sustain its operation environment and expenses; and based on previous failure experiences in obtaining new funding through debt and its current financial position, interest rate/finance cost of funding from banks or debt financing (if available) may be significantly higher than the market level;
 - (d) the Proposed Restructuring is the only viable restructuring proposal currently available to the Company; and
- (ii) the completion of the Creditors’ Scheme is conditional upon the completion of the Subscriptions having taken place. A deep discounted Share Subscription Price is necessary to incentivise investor participation and facilitate the completion of the Creditors Scheme. The discount of the Share Subscription Price to closing price on the last trading day prior to the date of the Share Subscription Agreement of approximately 78.4% falls within the range of discounts of the Comparable Transactions and is below the median discount of the Comparable Transactions.

On the basis that:

- (i) the Group is facing heavy indebtedness owed to the Creditors, insolvent financial position and liquidity challenges such that deep discount of the Share Subscription Price to the closing price per Share is inevitable to increase attractiveness of the Subscriptions to the Investor;
- (ii) it is anticipated that Subscriptions will be able to provide additional working capital for the Group and facilitate the Creditors’ Scheme, discharge and release the debts and liabilities of the Company owed to the Creditors, which would constitute approximately

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96.33% of the total indebtedness of the Company as at 31 January 2026 upon the effective of the Creditors' Scheme as mentioned in the Letter from the Board, and improve its financial position upon Completion. As a result, certain uncertainties on the Directors' plans and measures to improve the Group's liquidity and financial position to be raised by auditors in the Annual Results Announcement 2025 and discussed in the "Disclaimer of opinion" under the section headed "(2) Information on the Group" above in this letter can be addressed; and

- (iii) the discount of the Share Subscription Price to the closing price per Share is below the median discount of the issue price to the closing price per share on the last trading day of the Share Subscription Comparables. Independent Shareholders should note that the industry, business size, financial performance and financial position of the Company are different from the subject companies of the Share Subscription Comparables. However, the Share Subscription Comparables can demonstrate the recent market practices of subscription of new shares under specific mandate relating to creditors' scheme or debt restructuring and involving whitewash waiver application conducted by companies listed on the main board of the Stock Exchange and thus they are fair and representative for our analysis,

we consider that the Share Subscription Price is fair and reasonable.

Taking into consideration that the dilution of the existing public Shareholders' interests in the Company after completion of the Capital Reorganisation and the issue of the Subscription Shares and the Scheme Shares is acceptable as set out in "(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares" below in this letter, we consider that terms of the Share Subscription Agreement are fair and reasonable.

Evaluation of the CB Conversion Price

We note that none of the Comparable Transactions involved proposed issuance of convertible bonds/notes.; and no direct comparables during the Review Period can be identified for the CB Subscription (i.e. companies listed on the main board of the Stock Exchange, which announced proposed issuance of convertible bonds/notes, whitewash waiver application and proposed restructuring at the same time (the "**CB Comparables (Whitewash and Restructuring)**"); and completed as at the Latest Practicable Date), except Momentum Financial Holdings Limited (stock code: 1152). In order to provide a more comprehensive and sufficient samples for assessing the CB Conversion Price, we compared the CB Conversion Price with companies currently listed on the main board of the Stock Exchange issued convertible bonds/shares with whitewash waiver application element or proposed restructuring element; and completed as at the Latest Practicable Date, in addition to Momentum Financial Holdings Limited (stock code: 1152). We identified an

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exhaustive list of (i) five transactions announced during the Review Period which involved both the whitewash waiver application; and the issuance of convertible bonds/conversion shares (the “**CB Comparables (Whitewash)**”); and (ii) 11 transactions announced during the Review Period which involved both the proposed restructuring; and the issuance of convertible bonds (the “**CB Comparables (Restructuring)**”). By analyzing three sets of comparables (being CB Comparables (Whitewash and Restructuring), CB Comparables (Whitewash) and CB Comparables (Restructuring)) together, our assessment incorporated a broader and more sufficient sample size, thereby enhancing the reliability of the analysis and provide Independent Shareholders with a fair and balanced comparison to evaluate the CB Conversion Price. The CB Comparables (Whitewash) are comparable as they required the grant of whitewash waiver from the SFC; and the CB Comparables (Restructuring) are comparable as they involved convertible bond issuances in the context of corporate restructuring, reflecting the distressed financial position and restructuring needs of the relevant companies.

CB Comparables (Whitewash and Restructuring)

Company name	Date of announcement	Size of convertible bonds/ conversion shares <i>(million)</i>	Duration <i>(years)</i>	Interest rate per annum <i>(%)</i>	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day <i>approximately %</i>	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day <i>approximately %</i>
Momentum Financial Holdings Limited (1152)	8 January 2025	HK\$91.53	2.00	3.00	(73.33)	(71.26)

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CB Comparables (Whitewash)

Company name	Date of announcement	Duration (years)	Interest rate per annum (%)	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day approximately %	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day approximately %
True Partner Capital Holding Limited (8657)	4 February 2026	2	3%	(77.78)	(76.47)
China Greenland Broad Greenstate Group Company Limited (1253)	27 September 2023	<0.5	N/A	(16.67)	(6.54)
Beijing Gas Blue Sky Holdings Limited (6828)	26 September 2022	3	Hong Kong Interbank Offered Rate (HKBOR) plus 1.8% per annum	12.38	5.92
Synergy Group Holdings International Limited (1539)	15 September 2021	< 0.5	N/A	(81.48)	(78.63)
Sheng Yuan Holdings Limited (851)	1 April 2021	2.00	1.00	0	1.33

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CB Comparables (Restructuring)

Company name	Date of announcement		Duration (years)	Interest rate per annum (%)	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day approximately %	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day approximately %
Country Garden Holdings Company Limited (2007)	14 November 2025	convertible bond	6.5	nil	504.65	528.02
		(A)			<i>(Note 1)</i>	<i>(Note 1)</i>
		convertible bond	9.5	nil	2,225.58	2,315.46
		(B)			<i>(Note 1)</i>	<i>(Note 1)</i>
		convertible bond	6.5	nil	147.19	147.75
		(C)			<i>(Note 1)</i>	<i>(Note 1)</i>
CIFI Holdings (Group) Limited (884)	16 October 2025		4.00	nil	392.3	517.2
					<i>(Note 2)</i>	<i>(Note 2)</i>
Sunac China Holdings Limited (1918)	18 August 2025	convertible bond 1	0.5	nil	341.56	352.13
					<i>(Note 3)</i>	<i>(Note 3)</i>
		convertible bond 2	> 2.5	nil	150	155.98
					<i>(Note 3)</i>	<i>(Note 3)</i>

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Company name	Date of announcement		Duration (years)	Interest rate per annum (%)	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day approximately %	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day approximately %
Times China Holdings Limited (1233)	7 July 2025	convertible bond 1	1.5	nil	31.2 times <i>(Note 4)</i>	31.2 times <i>(Note 4)</i>
		convertible bond 2	1.5	nil	52 times <i>(Note 4)</i>	52 times <i>(Note 4)</i>
China Carbon Neutral Development Group Limited (1372)	30 May 2025		2.00	5.00	(83.53)	(80.14)
Guangdong-Hong Kong Greater Bay Area Holdings Limited (1396)	25 April 2025		1.00	nil	90.31	156.05
Shimao Group Holdings Limited (813)	13 December 2024	convertible bonds to creditors	1.00	nil	404.20	368.70
		convertible bonds to controlling shareholder	1.00	nil	404.20	368.70

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Company name	Date of announcement	Duration (years)	Interest rate per annum (%)	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day approximately %	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day approximately %	
Kaisa Group Holdings Ltd. (1638)	29 November 2024	Tranche A, Tranche B and Tranche C of the connectable bonds	from approx. 1.00 to 3.00	nil	2,481.50 <i>(Note 5)</i>	2,413.2 <i>(Note 5)</i>
		Tranche D, Tranche E, Tranche F, Tranche G and Tranche H of the convertible bonds	from approx. 4.00 to 8.00	nil	2,101.1 <i>(Note 5)</i>	2,042.9 <i>(Note 5)</i>
Sino-Ocean Group Holding Limited (3377)	29 October 2024	class A convertible bonds	2.00	nil	356.00 <i>(Note 6)</i>	383.00 <i>(Note 6)</i>
		class B convertible bonds	2.00	nil	1,672 <i>(Note 6)</i>	1,777 <i>(Note 6)</i>
		class C convertible bonds	2.00	nil	5,219 <i>(Note 6)</i>	5,536 <i>(Note 6)</i>
		class D convertible bonds	2.00	nil	3,381 <i>(Note 6)</i>	3,589 <i>(Note 6)</i>

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Company name	Date of announcement	Duration (years)	Interest rate per annum (%)	Premium/ (discount) of conversion price over/(to) the closing price on the last trading day approximately %	Premium/ (discount) of conversion price over/(to) the average closing price for the last five consecutive trading days up to and including the last trading day approximately %	
Sunac China Holdings Limited (1918) (Note 7)	13 June 2023	(i)	5.00	nil	(12.66) (Note 8)	(14.89) (Note 8)
		(ii)	9.00	1.00	336.68 (Note 9)	325.53 (Note 9)
Rare Earth Magnesium Technology Group Holdings Limited (601)	18 January 2022	5.00	nil	0	1.69	
The Company		3.00	nil	(78.39)	(77.63)	

Notes:

- Premium over the minimum conversion price of HK\$2.60 per share, HK\$10.00 per share and HK\$1.10 per share for convertible bond (A), convertible bond (B) and convertible bond (C) respectively.
- The initial conversion ordinary conversion price is HK\$1.6 per share. If at any time after the restructuring effective date, the volume-weighted average price of the shares for 90 trading days exceeds the trigger conversion price of HK\$5.0 per share, all convertible bonds that remains outstanding shall be automatically and mandatory converted into shares at the trigger conversion price.
- Premium over the initial conversion price of HK\$6.80 per share for convertible bond 1; and premium over the initial conversion price of HK\$3.85 per share for convertible bond 2.
- Premium over the conversion price of HK\$6.00 per share for convertible bond 1; and premium over the conversion price of HK\$10.00 per share for convertible bond 2.

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5. Principal amount in aggregate of tranche A, tranche B, tranche C, tranche D, tranche E, tranche F, tranche G and tranche H based on the maximum number of conversion shares to be allotted and issued under the convertible bonds will be US\$6,892,219,129.
6. Premium over the minimum conversion price of HK\$1.46 per share, HK\$5.67 per share, HK\$17.02 per share and HK\$11.14 per share for class A, class B, class C and class D convertible bonds respectively.
7. This Comparable Transaction contained (i) CB in principal amount of US\$1,000 million with term of 9 years and interest at 1% per annum; and (ii) MCB in aggregate principal amount selected by scheme creditors subject to cap of US\$1,750 million with term of 5 years and no interest bearing.
8. This is calculated based on the assumption of initial MCB Minimum Conversion Price (as defined in the relevant circular dated 13 June 2023) of HK\$4 per share. Please refer to the relevant circular for details.
9. This is calculated based on the initial CB Conversion Price of HK\$20 per share. Please refer to the relevant circular for details.

We noted that the CB Conversion Price is the same as the Share Subscription Price, which represents (i) the discount of approximately 78.39% to the closing price of HK\$0.820 per New Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and (ii) the discount of approximately 77.63% to the average closing price of HK\$0.792 per New Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation. The abovementioned discounts are relatively deep as compared with the premium/discount of the CB Comparables (Whitewash and Restructuring), the CB Comparables (Whitewash) (except Synergy Group Holdings International Limited) and the CB Comparables (Restructuring) (except China Carbon Neutral Development Group Limited).

We consider that the relatively deep discount of the CB Conversion Price to the closing price of the Shares as compared with the CB Comparables (Whitewash and Restructuring), the CB Comparables (Whitewash) and the CB Comparables (Restructuring) (together, the “**CB Comparables**”) is inevitable in view of, in particular, substantial shareholding interest will be obtained by the Investor after the Completion and assuming all Convertible Bonds are converted, representing up to 89.04% of the issued Shares. This is higher than the maximum shareholding that would be obtained by the incoming shareholder(s) of Shimao Group Holdings Limited after full conversion of the convertible bonds. Among the CB Comparables (Whitewash and Restructuring) and the CB Comparables (Restructuring), incoming shareholders of Shimao Group Holdings Limited obtained the highest shareholding interests of approximately 81.3% upon full conversion of the convertible bonds or approximately 79.3% upon full conversion of both the convertible bonds and controlling shareholder convertible bonds. Given the Group suffered losses for consecutive years and recorded net liabilities position, a relatively deep discount to the CB Conversion Price is reasonable to encourage the Investor to hold higher percentage of shareholding stake in the Company.

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As for the five CB Comparables (Whitewash), one of them (i.e. Synergy Group Holdings International Limited) had deeper discount than the discount of the CB Conversion Price to the closing price of the Shares. The other four (i.e. not counting Synergy Group Holdings International Limited) do not involve introduction of new shareholder(s) but would increase shareholding interests of the existing shareholder(s) after full conversion of the convertible bonds. Deeper discount is reasonable to attract new investor(s) for participation in business development of a company in financial difficulties.

Also, taking into consideration that (i) the term to maturity is within respective ranges of the CB Comparables (excluding the extreme cases of China Greenland Broad Greenstate Group Limited and Synergy Group Holdings International Limited which had term to maturity of less than half year); (ii) the Conversion Price adjustment mechanism contains a formula for calculating Conversion Price adjustment in the event that an alternation to the nominal value of the Shares as a result of consolidation or subdivision. This formula is the same as that of certain CB Comparables having disclosed conversion price adjustment mechanism in their respective circulars as discussed in “(5) The Share Subscription and the CB Subscription — (c) Principal terms of the Subscriptions — Adjustment to conversion price” above in this letter; (iii) the Convertible Bonds are non-interest bearing and this is favourable to the Company; and (iv) the dilution of the existing public Shareholders’ interests in the Company after completion of the Capital Reorganisation and the issue of the Subscription Shares and the Scheme Shares is not unreasonable as set out in “(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares” below in this letter, we consider that terms of the CB Subscription Agreement (including the CB Conversion Price) are fair and reasonable.

(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares

As illustrated in the table under the section headed “8. Effect on the shareholding structures of the Company” in the Letter from the Board (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation having become effective; (iii) after the completion of the Subscriptions and assuming no Convertible Bonds are converted; (iv) after the completion of the Subscriptions and the issue of the Scheme Shares and assuming no Convertible Bonds are converted; and (v) after the Completion and assuming all Convertible Bonds are converted (for illustrative purposes only):

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Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation having become effective		After the completion of the Subscriptions and assuming no Convertible Bonds are converted		After the completion of the Subscriptions and the issue of the Scheme Shares and assuming no Convertible Bonds are converted (Note 9)		After the Completion and assuming all Convertible Bonds are converted	
	Existing Shares	%	New Shares	%	New Shares	%	New Shares	%	New Shares	%
The Investor and its concert parties										
<i>(Note 1)</i>										
The Investor	—	—	—	—	530,800,000	81.79	530,800,000	74.97	1,439,051,918	89.04
Bright Rise and its concert parties										
Bright Rise Enterprises Limited										
<i>(Note 2)</i>										
	134,538,000	11.38	13,453,800	11.38	—	—	—	—	—	—
Fortress Strength Limited <i>(Note 3)</i>	28,735,000	2.43	2,873,500	2.43	—	—	—	—	—	—
Bonville Glory Limited <i>(Note 4)</i>	12,900,000	1.09	1,290,000	1.09	1,290,000	0.20	1,290,000	0.18	1,290,000	0.08
East Jumbo Development Limited										
<i>(Note 5)</i>										
	12,329,000	1.04	1,232,900	1.04	1,232,900	0.19	1,232,900	0.17	1,232,900	0.08
Mr. Shinichiro Ikeda <i>(Note 6)</i>	12,000,000	1.02	1,200,000	1.02	1,200,000	0.18	1,200,000	0.17	1,200,000	0.07
Dragon Year Group Limited <i>(Note 6)</i>	49,497,000	4.19	4,949,700	4.19	4,949,700	0.76	4,949,700	0.70	4,949,700	0.31
Sub-total	249,999,000	21.15	24,999,900	21.15	24,999,900	3.85	24,999,900	3.53	24,999,900	1.55
Public Shareholders										
The SchemeCo	—	—	—	—	—	—	59,000,000	8.33	59,000,000	3.65
Other public Shareholders	932,043,000	78.85	93,204,300	78.85	109,531,600	16.88	109,531,600	15.47	109,531,600	6.78
Public float <i>(Note 7)</i>	932,043,000	78.85	93,204,300	78.85	109,531,600	16.88	168,531,600	23.86	168,531,600	10.43
Total	1,182,042,000	100	118,204,200	100	649,004,200	100	708,004,200	100	1,616,256,118	100

Notes:

- The figures are provided for illustrative purposes only. The terms of the Convertible Bonds will not permit conversion if immediately after such conversion, the public float of the Shares will fall below the minimum requirements of the Listing Rules from time to time.

As at the Latest Practicable Date, none of the parties acting in concert with the Investor has any interest in the Shares, nor will have any interest in the Company under the arrangement of the Proposed Restructuring.

- Bright Rise Enterprises Limited is a company incorporated in the British Virgin Islands directly wholly-owned by Mr. Chong Heung Chung Jason, the chairman of the Board and an executive Director of the Company as at the Latest Practicable Date. Mr. Chong Heung Chung Jason is expected to remain as the Director and a connected person of the Company upon Completion. As at the Latest Practicable Date, all the Shares held by Bright Rise

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Enterprises Limited and Mr. Chong Heung Chung Jason have been pledged to lenders who are Independent Third Parties to secure the borrowings of the Company, Bright Rise Enterprises Limited and Mr. Chong Heung Chung Jason. The Investor and the Directors will ensure the continuous compliance by the Company with the 25% minimum public float requirement under Rule 8.08(1) of the Listing Rules before and after the Completion. Appropriate actions will be taken, including but not limited to, placing down of the Shares by the Investor to placee(s) who are Independent Third Parties not connected to the Company.

3. Ms. Lee Sui Fong Fiona, being the spouse of Mr. Chong Heung Chung Jason, is the sole beneficial owner of all issued shares of Fortress Strength Limited.
4. Mr. Ting Ka Fai Jeffrey is the sole beneficial owner of all issued shares of Bonville Glory Limited which is the registered and beneficial owner of 12,900,000 Shares.
5. Ms. Or Den Fung Bonnie is the sole beneficial owner of all issued shares of East Jumbo Development Limited which is the registered and beneficial owner of 12,329,000 Shares.
6. Mr. Shinichiro IKEDA has personal interest in the Company of 12,000,000 Shares and is the sole beneficial owner of all issued shares of Dragon Year Group Limited which is the registered and beneficial owner of 49,497,000 Shares.
7. With reference to the Company's announcement dated 25 September 2023, as a result of the termination deed dated 25 September 2023, the Shares that are holding by each of Bonville Glory Limited, East Jumbo Development Limited, Mr. Shinichiro Ikeda and Dragon Year Group Limited, with a total of (i) 86,726,000 Shares, representing approximately 7.34% of the issue share capital as at the Latest Practicable Date; and (ii) 8,672,600 New Shares, representing approximately 1.22% of the issued share capital after the completion of the Subscriptions and the issue of the Scheme Shares with no Convertible Bonds are converted, shall be counted into public float of the Company.
8. The aggregate public float for each of the scenarios but without taking into account the Shares, that are holding by the parties mentioned in note 7 above as illustrated in the table above.
9. Pursuant to the undertaking of the Company dated 10 April 2026, the Company shall not issue the Subscription Shares to the Investor at the time of Completion if the Company does not satisfy with the public float requirement under the Listing Rules.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more (on its own or when aggregated within a 12-month period), unless the Stock Exchange is satisfied that there are exceptional circumstances. We noted from the Letter from the Board, as at the Latest Practicable Date that the Stock Exchange has concluded that the Company has demonstrated that there are exceptional circumstances for the purpose of Rule 7.27B of the Listing Rules.

We concur with the Directors that it is fair and reasonable to issue the Subscription Shares, the Scheme Shares, and the CB Conversion Shares that will result in a theoretical dilution effect of approximately 72.66% in light of:

- (i) the Company's net loss and net liabilities position as well as high gearing ratio;

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- (ii) its failures in seeking new funds from equity market or bank borrowings to enhance financial position;
- (iii) chance of being placed into insolvent liquidation whereby the Company may be suspended from trading and the listing status of the Company is expected to be removed from the Stock Exchange;
- (iv) the Subscriptions and the issue of the Scheme Shares will provide an opportunity for the Group to discharge all the debts and liabilities of the Company owed to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed “11. The Deed of Settlement and the Execution of the Deed of Mutual Release” in the Letter from the Board);
- (v) auditors’ disclaimer of opinion included in the Annual Results Announcement 2025. It is expected that issue of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares can address auditors’ certain uncertainties on the Directors’ plans and measures, such as the debt restructuring of the Group’s bonds payables and amounts owed to the creditors of the Group will be successfully completed; and the statutory demands will be successfully dismissed; and
- (vi) the Group is unable to identify other funding alternatives and it is practically difficult to issue Subscription Shares and the Scheme Shares without a substantial discount given the financial position of the Group.

Rule 7.27B of the Listing Rules stipulated company in financial difficulties and the proposed issue forms part of the rescue proposal as an example of exceptional circumstances. Therefore, we consider that the Company’s distressed financial position, inability to raise funds and imminent risk of liquidation and delisting under (i), (ii) and (iii) mentioned in the paragraph above and the Subscriptions and the issue of the Scheme Shares forms part of the rescue proposal, constitute exceptional circumstances under Rule 7.27B of the Listing Rules.

(7) Financial effect of the Subscriptions and the Debt Restructuring by way of the Creditors’ Scheme

Net assets/(liabilities) and gearing

According to the interim results for 6M/2025 provided by the Company, the Group had net liabilities of approximately HK\$1,154.2 million as at 30 September 2025. The gearing ratio of the Group, which was calculated as bank and other borrowings, lease liabilities, guaranteed note and

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bonds, divided by total assets, was approximately 260.9% as at 30 September 2025. The allotment and issue of the Subscription Shares and the Scheme Shares to settle the indebtedness due to the Creditors under the Creditors' Scheme would reduce the liabilities of the Company.

The Convertible Bonds, when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which will be subject to assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards.

Assuming the asset position of the Group has no material change as compared to the asset position of the Group as at 30 September 2025, according to "Appendix II — Unaudited Pro forma financial information of the Group", upon the Completion, the liabilities of the Group are expected to reduce from approximately HK\$1,567.3 million to approximately HK\$543.9 million as at 30 September 2025; and the gearing ratio of the Group is expected to reduce from approximately 260.9% to approximately 76.3% as at 30 September 2025 on pro forma basis as referred in Appendix II of the Circular, leading to an improvement to the financial position of the Group.

Working capital

As the indebtedness due to the Creditors would be mainly settled by the proceeds from the Subscriptions and the Scheme Shares, substantial future cash outflow from the Group would be avoided in repaying the claims in cash. Following the Completion, the indebtedness due to the Creditors would be settled and the liabilities of the Group is expected to decrease, which would improve the working capital of the Group. It is also mentioned in the Letter from the Board that of aggregate net proceeds from the Subscriptions of approximately HK\$220 million, approximately HK\$35 million will be utilised as working capital of the Company.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial performance and the financial position of the Group will be upon the Completion.

(8) The Whitewash Waiver

As mentioned in the Letter from the Board, as at the Latest Practicable Date, the Investor, its beneficial owner and parties acting in concert with any of them are not interested in any Shares. Immediately after the Capital Reorganisation becoming effective and immediately after the completion of the Share Subscription, the Investor will be interested in 530,800,000 New Shares, representing approximately 81.79% of the issued Share capital upon the Capital Reorganisation and as enlarged by the Subscription Shares (assuming that there will be no change in the issued Share capital from the Latest Practicable Date and up to completion of the Share Subscription

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other than as a result of the Capital Reorganisation and the issue of the Subscription Shares). As such, the Investor would be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Investor and the parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

In this regard, the Investor has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes (excluding those Shareholders who are interested in or involved in the Whitewash Waiver and the Special Deals) that are cast either in person or by proxy by the Independent Shareholders at the EGM by way of poll, and each of the Share Subscription, the CB Subscription, the Creditors' Scheme and the transactions contemplated thereunder would be subject to the approval by more than 50% of the Independent Shareholders in separate resolutions at the EGM by way of poll. As it is a condition precedent to Completion that the Whitewash Waiver is granted by the Executive, the Debt Restructuring, the Share Subscription, the CB Subscription and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is granted but subsequently invalidated by the Executive or not approved by the Independent Shareholders at the EGM.

Completion of the Share Subscription is conditional upon the Whitewash Waiver having been granted by the SFC and relevant resolution(s) having been duly passed by the Independent Shareholders. The Share Subscription Agreement and the CB Subscription Agreement are inter-conditional and the completions of the Share Subscription and the CB Subscription shall take place simultaneously.

Having considered that:

- (i) the Share Subscription and the CB Subscription are in the interests of the Company and the Shareholders as a whole. The Group is facing severe financial distress, including persistent losses, substantial net liabilities, heavy indebtedness and significant borrowings due for repayment. With limited cash resources and unsuccessful attempts to raise funds through the equity market or bank borrowings, the Share Subscription and CB Subscription represent the viable means of securing rescue financing. These measures will provide additional working capital, reduce indebtedness through the Creditors' Scheme and relieve the Company from its obligations to the Creditors, thereby safeguarding it from possible insolvent liquidation;

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- (ii) the introduction of the Investor as a new controlling shareholder of the Company who has industry knowledge and experience in theme parks management; and financial strength as described in the paragraphs headed “(5) The Share Subscription and the CB Subscription — (a) Background of the Investor” above in this letter, will bring synergies to the business development of the Group; and
- (iii) dilution effect of the Subscriptions is not unreasonable as set out in “(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares” above in this letter,

we are of the view that the grant of the Whitewash Waiver is in the interests of the Company and the Independent Shareholders as a whole, and is fair and reasonable as far as the Independent Shareholders are concerned.

(9) The Scheme’s Special Deals

As mentioned in the Letter from the Board, based on the records currently available to the Company, Shareholders who are also eligible to be Scheme Creditors under the Scheme Document are China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping. Please refer to “Introduction — The Scheme’s Special Deals” above in this letter for their respective shareholding in the Company as at the Latest Practicable Date. As at the Latest Practicable Date, save for Mr. Lam, there is no other Shareholders who are also the creditors of the Company having a Claim and have been considered not eligible as the Creditors.

As advised by the Company, as at the Latest Practicable Date, save for China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui Priscilla and Mr. Ho Chi Ping, none of the Creditors and their ultimate beneficial owners are Shareholders.

As the proposed settlement of the indebtedness due to the Creditors who are Shareholders under the Creditors’ Scheme is not extended to all the other Shareholders, the implementation of the Creditors’ Scheme constitutes the Special Deals under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Creditors Scheme are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which the Creditors and their associates and parties acting in concert with any of them and those who are interested in or involved in the Scheme’s Special Deals will abstain from voting on the relevant resolutions. An application will be made by the Company to the Executive for the consent to the Scheme’s Special Deals under Rule 25 of the Takeovers Code.

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Given that (i) upon completion of the Debt Restructuring, subject to the terms of the Creditors' Scheme, whether they are admitted or unadmitted by the Scheme Administrators, all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed "11. The Deed of Settlement and the execution of the Deed of Mutual Release" in the Letter from the Board) will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance; (ii) the settlement to the Creditors under the Creditors' Scheme will be made in accordance with the terms of the Creditors' Scheme which apply equally to all Creditors; (iii) terms of the Debt Restructuring by way of the Creditors' Scheme are fair and reasonable and is in the interests of the Company and the Shareholders as a whole as discussed in the paragraphs headed "(4) The Debt Restructuring by way of the Creditors' Scheme" above in this letter; and (iv) the Share Subscription and the CB Subscription are in the interests of the Company and Shareholders as a whole as elaborated in the paragraphs under the section headed "(5) The Share Subscription and the CB Subscription" and the section headed "(8) The Whitewash Waiver" above in this letter. The approval of the Scheme's Special Deals is one of the conditions precedent for the Share Subscription and the CB Subscription, we consider that the terms of the Scheme's Special Deals are fair and reasonable, the issue of Scheme Shares to Creditors who are Shareholders under the Creditors' Scheme are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and the issue of Scheme Shares to Creditors who are Shareholders under the Creditors' Scheme is in the interests of the Company and the Shareholders as a whole.

(10) Mr. Lam's Special Deal

As mentioned in the Letter from the Board, the Company and Mr. Lam entered into the Deed of Settlement on 9 September 2024 for the purpose of, among other matters, settle the Assigned Debt (which amounted to approximately HK\$39.17 million as at 30 June 2024) and as advised by the Management Company of the Company, such amount arrived to approximately HK\$55.4 million as at 31 January 2026. Pursuant to the Deed of Settlement, the Company has agreed to pay Mr. Lam, Mr. Lam's Settlement Sum, being an amount equivalent to the Assigned Debt multiplied by the rate of recovery to the Creditors, on a date within a reasonable period after the Scheme Administrator completing the distribution of the assets of the Creditors' Scheme after it taking effect. In exchange, Mr. Lam will fully discharge the Assigned Debt and to not take any legal action against the Company or other relevant persons and companies arising out of or in connection with the Assigned Debt.

In the event of any non-compliance by the Company to settle Mr. Lam's Settlement Sum, Mr. Lam shall be entitled to seek immediate recovery of Mr. Lam's Settlement Sum from the Company. As mentioned in the Letter from the Board, it is intended to settle Mr. Lam's Settlement Sum with its internal resources generated from its operations. As advised by the management of the Group,

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the rate of recovery to the Creditors as at 31 January 2026 is estimated to be around 30.15% and the recovery amount of the Assigned Debt as at 31 January 2026 is estimated to be around HK\$16.6 million, being the Mr. Lam's Settlement Sum expected. Based on (i) the Company's estimation on the recovery amount of Assigned Debt as at 31 January 2026; (ii) the management accounts for the eleven months ended 28 February 2026, being the most recent consolidated accounts available by the Company, that bank balances and cash of the Group amounted to HK\$17.4 million as at 28 February 2026, which will be sufficient to settle Mr. Lam's Settlement Sum; (iii) the financial situation of the Group has shown stability. Revenue of the Group increased slightly from approximately HK\$364.0 million for FY2024 to approximately HK\$367.9 million for FY2025 where net loss of the Group narrowed from approximately HK\$170.3 million for FY2024 to approximately HK\$40.9 million for FY2025. Despite revenue decreased from approximately HK\$192.6 million for 6M/2024 to approximately HK\$164.9 million for 6M/2025; and the Group turned from a net profit of approximately HK\$3.3 million for 6M/2024 to a net loss of approximately HK\$65.9 million for 6M/2025, the Group maintained bank balances and cash at approximately HK\$13.0 million as at 30 September 2025, which further increased to approximately HK\$17.4 million as at 28 February 2026 according to the management accounts for the eleven months ended 28 February 2026; and (iv) the Group's business operation will be supported by the working capital of approximately HK\$35 million raised from the Subscriptions, we are of the view that the Group is expected to have sufficient internal resources to settle Mr. Lam's Settlement Sum.

Since Mr. Lam is the ultimate beneficial owner of the Assigned Shares, representing approximately 1.69% of the issued share capital of the Company as at the Latest Practicable Date, and the proposed settlement under the Deed of Settlement to Mr. Lam is not extended to all the other Shareholders, it constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code and requires (i) consent by the Executive; (ii) an independent financial adviser to public state in its opinion that the terms of the Deed of Settlement are fair and reasonable; and (iii) approval by Independent Shareholders at the EGM, in which Mr. Lam and parties acting in concert with him and those who are interested in or involved in Mr. Lam's Special Deal, will abstain from voting on the relevant resolutions.

Having taken into consideration of the following factors:

- (i) pursuant to the Deed of Settlement, Mr. Lam will fully discharge the Assigned Debt and not to take any legal action against the Company or other relevant persons and companies arising out of or in connection with the Assigned Debt in exchange of the Company to settle Mr. Lam's Settlement Sum;

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- (ii) repayment of Mr. Lam's Settlement Sum by the Company will not prejudice interests of its creditors under the Creditors' Scheme. Scheme Assets will be for the benefits of the Scheme Creditors, which comprise Cash Consideration from the Subscriptions, Scheme Shares and Scheme Receivables. Scheme Assets will not be applied to settle Mr. Lam's Settlement Sum. The Company intends to settle Mr. Lam's Settlement Sum with its internal resources generated from operations. Moreover, the arrangement under the Deed of Settlement is not more favorable than the settlement proposed under the Creditors' Scheme. Mr. Lam's Settlement Sum will not be paid by the Company before the distribution of the assets of the Creditors' Scheme; and the recovery rate will be the same as to the Creditors. Mr. Lam will take the same haircut as the Creditors.

We noted that while Scheme Creditors will receive cash and Scheme Shares; and Mr. Lam's recovery will be in cash only. However, in light of (a) the economic value of Mr. Lam's Settlement Sum remains aligned with the Scheme Creditors' recovery rate and does not confer any preferential treatment. The cash settlement mechanism reflects the practical resolution of the Assigned Debt but does not result in Mr. Lam receiving a higher recovery than the Scheme Creditors; and (b) the Company has demonstrated that it will have sufficient internal resources, supported by working capital raised from the Subscriptions, to meet obligation to repay Mr. Lam's Settlement Sum without disadvantaging the Scheme Creditors, the settlement arrangement with Mr. Lam is not more favourable to Mr. Lam;

- (iii) as mentioned in the Letter from the Board, Mr. Lam is a major supplier of the Group and as advised by the management of the Company that based on the Company's internal financial records, the Group's purchases from whom amounted to approximately HK\$141.3 million, approximately HK\$138.7 million and approximately HK\$136.4 million, representing approximately 97.3%, approximately 94.7% and approximately 85.4% of the total purchases of the Group for FY2023, FY2024 and FY2025 respectively. The Directors are of the view that it is essential to maintain stable and long-term relationship between the Group and Mr. Lam. If the Company fails to settle Mr. Lam's Settlement Sum in accordance with the Deed of Settlement, Mr. Lam would be entitled to pursue recovery of the outstanding amount. Given that Mr. Lam is the Group's major supplier, any such action could disrupt the Group's supply chain and damage its long-term business relationship with Mr. Lam. Repayment of Mr. Lam's Settlement Sum is therefore critical to avoid litigation risk and safeguard the Group's operations;

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- (iv) the Company is obliged to settle the Assigned Debt to Mr. Lam as a result of the Assignment. If Mr. Lam's Special Deal is not approved by the Independent Shareholders, the Company will be obliged to settle the full amount of Assigned Debt, rather than the reduced amount of Assigned Debt at recovery rate (i.e. Mr. Lam's Settlement Sum); and
- (v) the Creditors' Scheme has been sanctioned by the High Court on 19 March 2024. If taking the process of including Mr. Lam in the Creditors' Scheme, it will be time-consuming, costly and onerous. As such, it may not be in the interests of the Company to amend the terms therein to include Mr. Lam into the Creditors' Scheme,

we concurred with the Directors' view that the terms of the Deed of Settlement were on arm's length basis, and on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned.

Parties to abstain from voting at the EGM

Votes by following persons shall abstain from voting on the resolutions to approve the Proposed Restructuring, the Whitewash Waiver, the Scheme's Special Deals and the transactions contemplated thereunder will not be counted for Takeovers Code purposes:

- (i) the Investor and Mr. Kenichi as its ultimate beneficial owners and their respective associates;
- (ii) any parties acting in concert with the Investor and its ultimate beneficial owners; and
- (iii) the Shareholders who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and the Special Deals.

Accordingly, the following parties will abstain from voting on the resolutions to approve the Proposed Restructuring, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder at the EGM:

- (i) Mr. Chong Heung Chung Jason (who is involved in the negotiations in relation to the Proposed Restructuring) and its concert parties (as disclosed in the announcement of the Company dated 25 September 2023, although the following parties have entered into a termination deed to terminate the concert party deed dated 25 November 2014, these parties remain as a group of parties acting in concert within the meaning of the

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Takeovers Code, as the Company has not yet obtained confirmation from the Executive that it can be accepted that they are no longer acting in concert pursuant to note 3 to the definition of “acting in concert” of the Takeovers Code), namely

- (a) Bright Rise Enterprise Limited, the ultimately beneficial owner of which is Mr. Chong Heung Chung Jason;
 - (b) Fortress Strength Limited, the ultimately beneficial owner of which is Ms. Lee Sui Fong Fiona, the spouse of Mr. Chong Heung Chung Jason;
 - (c) Bonville Glory Limited, the ultimately beneficial owner of which is Mr. Ting Ka Fai Jeffrey;
 - (d) East Jumbo Development Limited, the ultimately beneficial owner of which is Ms. Or Den Fung Bonnie;
 - (e) Mr. Shinichiro Ikeda;
 - (f) Dragon Year Group Limited, the ultimately beneficial owner of which is Mr. Shinichiro Ikeda;
- (ii) China Sun Group Holding Limited (who is involved in the Scheme’s Special Deals), the ultimately beneficial owner of which is Ms. Wang Xiuhua;
- (iii) Ms. Chow Wai Man Grace (who is involved in the Scheme’s Special Deals);
- (iv) Mr. Wong Yu Man James (who is involved in the Scheme’s Special Deals);
- (v) Ms. Wong Lau Chui Chui (who is involved in the Scheme’s Special Deals);
- (vi) Mr. Ho Chi Ping (who is involved in the Scheme’s Special Deals); and
- (vii) Mr. Lam and parties acting in concert with him (who is involved in Mr. Lam’s Special Deal).

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RECOMMENDATION

Having taken into account the above principal factors and reasons, including:

For Capital Reorganisation and Change in Board Lot size

- other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position (save for the credit arising from the Capital Reduction which will be fully applied to set off part of the consolidated accumulated loss of the Company) of the Company;
- the Increase in Authorised Share Capital will accommodate future expansion and growth of the Group and to provide the Company with greater flexibility to raise funds by allotting and issuing new Shares in the future as and when necessary; and the Capital Reduction will allow greater flexibility in the pricing for any issue of new Shares in the future; and
- the Shares had been traded below HK\$0.10 on average and the Shares were trading at under HK\$2,000 per board lot over the past six months (based on the closing price per Share as quoted on the Stock Exchange). The implementation of the Share Consolidation and the Change in Board Lot Size is to comply with the trading requirements of the Listing Rules.

For the Debt Restructuring by way of the Creditors' Scheme

- as at the close of business on 28 February 2026, the Group's indebtedness amounted to approximately HK\$1,498.1 million. The Group failed to secure external financing as mentioned in the paragraphs headed "(1) Background to the entering into the Term Sheet and the Debt Restructuring — Incidents led to the Proposed Restructuring — (b) Adverse share price and financing challenges and (c) Termination of fund raising activities" above in this letter. As such, there is no alternative funding available to the Company. Apart from the Proposed Restructuring (with comprises among others, the Debt Restructuring by way of the Creditors' Scheme), the Company is not in discussion with any other potential investor; and the Proposed Restructuring is the only viable restructuring proposal currently available to the Company as discussed in paragraph (v) under the section headed "(1) Background to the entering into the Term Sheet and the Debt Restructuring - The Proposed Restructuring" above in this letter;

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- should the Company fail to repay the outstanding debts, there will be a great chance that the Company will be placed into insolvent liquidation. Thereafter, the Shares are expected to be suspended from trading and the listing status of the Company is expected to be removed from the Stock Exchange;
- reasons and benefits of the entering into the Term Sheet and the Debt Restructuring, in particular, that all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement, details of which are set out in the section headed “11. The Deed of Settlement and the execution of the Deed of Mutual Release” in the Letter from the Board) will be discharged and released in full under Sections 670, 671, 673, and 674 of the Companies Ordinance with the proceeds from the Subscriptions; and residual amount of the net proceeds from the Subscriptions will be utilised as working capital of the Company to facilitate its business operation; and
- terms of the Debt Restructuring by way of the Creditors’ Scheme are fair and reasonable and is in the interests of the Company and the Shareholders as a whole as discussed in the paragraphs headed “(4) The Debt Restructuring by way of the Creditors’ Scheme” above in this letter, having considered among others, (a) the Issue Price is the same as the Share Subscription Price and the CB Conversion Price, which are considered as fair and reasonable as demonstrated in the paragraphs headed “Evaluation of the Share Subscription Price” and “Evaluation of the CB Conversion Price” under “(5) The Share Subscription and the CB Subscription — (d) The Share Subscription Price and the CB Conversion Price” above in this letter; and (b) the dilution impact is acceptable in the view of the restructuring and financing needs of the Group.

For the Subscriptions and the Subscription Agreements

- the Proposed Restructuring will enable the Group to settle outstanding indebtedness in a formal and orderly manner with funds from the Subscriptions; and thus, alleviate the liquidity pressure and reduce the gearing level of the Group;
- should the Group fail to achieve successful outcomes from the Directors’ plans and measures on improving the Group’s liquidity and financial position, it might not be able to continue to operate as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and

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non-current liabilities as current assets and current liabilities respectively. It is expected that issue of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares can address auditors' certain uncertainties on the Directors' plans and measures;

- the Subscriptions will introduce the Investor to enrich the shareholders base of the Company. The Investor has experience in theme parks management and financial background as mentioned under the paragraphs headed “(5) The Share Subscription and the CB Subscription — (a) Background of the Investor” above in this letter, therefore it is expected that the introduction of the Investor will bring synergies to the business development of the Group. When assessing the Term Sheet, the Directors considered the financial condition of the Group and the Investor provided immediate funding of Investor Bonds with total principal amount of HK\$25 million and Investor Loan in the amount of HK\$25 million subsequently provided to the Group on 22 February 2023 as rescue funding;
- the terms of the Subscriptions (including the Share Subscription Price and the CB Subscription Price) are fair and reasonable so far as the Independent Shareholders are concerned as discussed under the section headed “(5) The Share Subscription Price and the CB Subscription” above in this letter having considered among others, (a) the dilution of the existing public Shareholders' interests in the Company after completion of the Capital Reorganisation and the issue of the Subscription Shares and the Scheme Shares is acceptable as set out in “(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares” above in this letter; (b) the Group is facing heavy indebtedness owed to the Creditors, insolvent financial position and liquidity challenges such that deep discount of the Share Subscription Price and the CB Conversion Price to the closing price per Share is inevitable to increase attractiveness of the Subscriptions to the Investor; (c) it is anticipated that Subscriptions will be able to provide additional working capital for the Group and facilitate the Creditors' Scheme, discharge and release the debts and liabilities of the Company to the Creditors. In addition to the above, for the Share Subscription, the discount of the Share Subscription Price to the closing price per Share is below the median discount of the issue price to the closing price per share on the last trading day of the Share Subscription Comparables. For the CB Subscription, the term to maturity is within respective ranges of the CB Comparables (except two with term to maturity of less than half year), the formula for Conversion Price adjustment is not uncommon; and Convertible Bonds are non-interest bearing and this is favourable to the Company;

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- the level of dilution to the shareholding interests of the public Shareholders as a result of the Proposed Restructuring is slightly below the median of dilution to the shareholding interests of the public shareholders of the Comparable Transactions as illustrated in the table under “Evaluation of the Share Subscription Price” under “(5) The Share Subscription and the CB Subscription — (d) The Share Subscription Price and the CB Conversion Price” in this letter; and is not unreasonable; and

- the positive financial effects as illustrated in the “unaudited pro forma financial information of the Group” in Appendix II to the Circular. The unaudited pro forma financial information has been prepared by the reporting accountants as if the Proposed Restructuring involving among others, the Debt Restructuring by way of the Creditors’ Scheme and the issue of Subscription Shares has been completed on 30 September 2025 to illustrate the effect of the consolidated statement of assets and liabilities of the Group as at 30 September 2025 and has been completed on 1 April 2025 to illustrate the effect of the consolidated statement of profit or loss and other comprehensive income of the Group for FY2025. According to the unaudited pro forma financial information, the bank balances and cash of the Group as at 30 September 2025 would increase from approximately HK\$13.0 million to approximately HK\$70.9 million; and net liabilities of the Group as at 30 September 2025 would reduce from approximately HK\$1,154.2 million to approximately HK\$73.0 million. The Group would record gain on Debt Restructuring and Special Deals of approximately HK\$948.0 million; and it will turn from a net loss of approximately HK\$40.9 million for FY2025 to a net profit of approximately HK\$896.9 million for FY2025.

For the Scheme’s Special Deals

- the Scheme’s Special Deals are solely for the purpose of repayment of indebtedness due to the Creditors who are also the Shareholders and forms part of the Debt Restructuring; and

- the terms of the Scheme’s Special Deals are fair and reasonable so far as the Independent Shareholders are concerned as discussed under the section headed “(9) The Scheme’s Special Deals” above in this letter having considered among others, (a) all the debts and liabilities of the Company to the Creditors (save for those due to Mr. Lam that shall be settled through the arrangement under the Deed of Settlement) will be discharged and released in full; (b) the settlement to the Creditors under the Creditors’ Scheme will be made in accordance with the terms of the Creditors’ Scheme which apply equally to all Creditors; (c) terms of the Debt Restructuring by way of the Creditors’ Scheme are fair and reasonable is in

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the interests of the Company and the Shareholders as a whole as discussed above; and (d) the approval of the Scheme's Special Deals is one of the conditions precedent for the Share Subscription and the CB Subscription, which are in the interest of the Company and the Shareholders as a whole.

For Mr. Lam's Special Deal

- entering into the Deed of Settlement between the Company and Mr. Lam and Mr. Lam's Special Deal are new developments after the Creditors' Scheme having been approved in the creditors meeting by the requisite majority of the Creditors on 27 June 2024; and on 19 March 2024, such approval has become valid after the Creditors' Scheme having been sanctioned by the High Court. It will not be time and cost effective if the Company opts for amending the terms of the Creditors' Scheme to include Mr. Lam into the Creditor's Scheme and go through the entire approval and sanctioning procedures again; and
- the terms of Mr. Lam's Special Deal are fair and reasonable so far as the Independent Shareholders are concerned as discussed under the section headed "(10) Mr. Lam's Special Deals" above in this letter having considered among others, (a) pursuant to the Deed of Settlement, Mr. Lam will fully discharge the Assigned Debt; (b) the Company intends to settle Mr. Lam's Settlement Sum with its internal resources generated from operations and will not be paid by the Company before the distribution of the assets of the Creditors' Scheme. Mr. Lam will take the same haircut as the Creditors; and (c) Mr. Lam is a major supplier of the Group and the Directors are of the view that it is essential to maintain stable and long-term relationship between the Group and Mr. Lam.

For Whitewash Waiver

- the Subscriptions are in the interest of the Company and the Shareholders as a whole in view of the Group's persistent losses, substantial net liabilities, heavy indebtedness and significant borrowings due for repayment; and the Subscriptions represent the viable means of securing rescue financing. These measures will provide additional working capital, reduce indebtedness through the Creditors' Scheme and relieve the Company from its obligations to the Creditors, thereby safeguarding it from possible insolvent liquidation; and
- dilution effect of the Subscriptions is not unreasonable as set out in "(6) Dilution effect of the Subscription Shares, the Scheme Shares, and the CB Conversion Shares" above in this letter,

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we consider that the terms of the Term Sheet in relation to the Proposed Restructuring (comprising of the Capital Reorganisation, the Change in Board Lot Size, the Debt Restructuring by way of the Creditors' Scheme and the Subscriptions), the Subscription Agreements, the Scheme's Special Deals and the grant of the Whitewash Waiver; and the terms of Mr. Lam's Special Deal are fair and reasonable so far as the Independent Shareholders are concerned.

Having taken into consideration the principal and reasons discussed above, we are of the opinion that, despite Proposed Restructuring and the transactions contemplated thereunder, the Whitewash Waiver, the Special Deals and Mr. Lam's Special Deal are not in the ordinary and usual course of business of the Group, (i) the terms of the Debt Restructuring and the Subscriptions are on normal commercial terms and (ii) the term of the Proposed Restructuring, the Whitewash Waiver and the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolution(s) in relation to the Capital Reorganisation, the Change in Board Lot Size, the Debt Restructuring by way of the Creditors' Scheme, the Subscriptions, the Whitewash Waiver, the Scheme Special Deals and Mr. Lam's Special Deal to be proposed at the EGM.

The Independent Shareholders should note that Completion is subject to the fulfilment of the conditions precedent to the Subscriptions and the Creditors' Scheme as set out in the Circular, including but not limited to, the listing of, and permission to deal in the Subscription Shares, CB Conversion Shares and Scheme Shares having been granted by the Stock Exchange. In the event that the listing of, and permission to deal in the Subscription Shares, CB Conversion Shares and/or Scheme Shares is not granted, the Subscription Agreements and the Proposed Restructuring will not become unconditional and the Subscriptions and the Proposed Restructuring will not proceed.

Yours faithfully,

For and on behalf of

SBI China Capital Hong Kong Securities Limited

Ringo Kwan

Managing Director

Evelyn Fan

Executive Director

Mr. Ringo Kwan and Ms. Evelyn Fan have been responsible officers of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) since 2005 and 2012, respectively. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three financial years ended 31 March 2023, 2024 and 2025 and for the two six months ended 30 September 2024 and 2025 are disclosed in the following documents which have been published on both the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.animatechina.com) respectively. Please refer to the hyperlinks as stated below:

- (i) The audited financial information of the Group for the year ended 31 March 2023 is disclosed in the annual report of the Company for the year ended 31 March 2023 published on 27 July 2023, from pages 51 to 162:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0727/2023072700592.pdf>

- (ii) The audited financial information of the Group for the year ended 31 March 2024 is disclosed in the annual report of the Company for the year ended 31 March 2024 published on 29 July 2024, from pages 50 to 152:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0729/2024072900496.pdf>

- (iii) The audited financial information of the Group for the year ended 31 March 2025 is disclosed in the annual results announcement of the Company for the year ended 31 March 2025 published on 20 March 2026, from pages 2 to 30:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0322/2026032200011.pdf>

- (iv) The unaudited financial information of the Group for the six months ended 30 September 2024 is disclosed in the interim report of the Company for the six months ended 30 September 2024 published on 27 December 2024, from pages 3 to 24:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1227/2024122701656.pdf>

- (v) The unaudited financial information of the Group for the six months ended 30 September 2025 is disclosed in the interim results announcement of the Company for the six months ended 30 September 2025 published on 20 March 2026, from pages 2 to 18:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0322/2026032200049.pdf>

2. FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial information and positions of the Group for the two financial years ended 31 March 2023 and 2024 extracted from the annual reports of the Company, for the financial year ended 31 March 2025 extracted from the annual results announcement of the Company, for the six months ended 30 September 2024 extracted from the interim report of the Company, and for the six months ended 30 September 2025 extracted from the interim results announcement of the Company, respectively. The Company's auditor for each of the financial years ended 31 March 2023, 2024 and 2025 and for each of the six months ended 30 September 2024 and 2025 is Messrs. KTC Partners CPA Limited (the "Auditor").

Consolidated statement of profit or loss and other comprehensive income

	For the six months ended				
	30 September		For the year ended 31 March		
	2025	2024	2025	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	164,947	192,622	366,959	364,028	360,302
Cost of sales and services	(127,508)	(151,418)	(277,816)	(308,652)	(340,362)
Gross profit	37,439	41,204	89,143	55,376	19,940
Other income	341	288	1,023	586	16,429
Other gains and losses	41	42,762	45,893	(12,959)	2,957
Selling, marketing and distribution expenses	(19,743)	(12,968)	(21,832)	(22,050)	(69,198)
Administrative expenses	(28,678)	(32,376)	(70,627)	(73,031)	(155,748)
Research and development expenses	(5,254)	(4,693)	(8,155)	(14,907)	(262,570)
Share of profit/(loss) of associates	—	(10)	(10)	138	(97,943)
Share of loss of a joint venture	—	—	—	—	(87,743)
Finance costs	(52,252)	(45,763)	(97,099)	(93,994)	(80,663)
Impairment loss on investment in an associate	—	—	(2,731)	—	—
Impairment loss on property, plant and equipment	—	—	—	(5,418)	—
Impairment loss on right-of-use assets	—	—	—	(8,099)	—
Impairment loss on intangible assets	—	—	—	—	(58,801)
Reversal of/(provision for) impairment loss under expected credit loss model, net of reversal	2,419	15,052	24,009	(11,876)	(283,743)
(Loss)/profit before taxation	(65,687)	3,496	(40,386)	(186,234)	(1,057,083)
Income tax (expense)/credit	(196)	(179)	(526)	15,923	23,937
(Loss)/profit for the period/year	(65,883)	3,317	(40,912)	(170,311)	(1,033,146)

	For the six months ended		For the year ended 31 March		
	30 September		2025	2024	2023
	2025	2024	2025	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Other comprehensive (expense)/income for the period/year	269	(2,200)	(2,372)	9,828	911
Total comprehensive (expense)/income for the period/year	(65,614)	1,117	((43,284)	(160,483)	(1,032,235)
(Loss)/Profit for the period/year attributable to:	(65,883)	3,317	(40,912)	(170,311)	(1,033,146)
Owners of the Company	(66,245)	(1,887)	(33,043)	(170,679)	(1,033,575)
Non-controlling interests	362	5,204	(7,869)	368	429
Total comprehensive (expense)/income attributable to:	(65,614)	1,117	(43,284)	(160,483)	(1,032,235)
Owners of the Company	(65,898)	(3,726)	(34,479)	(161,198)	(1,032,430)
Non-controlling interests	284	4,843	(8,305)	715	195
Loss per share					
— Basic (<i>HK cents</i>)	(6)	(1)	(3)	(14)	(87)
— Diluted (<i>HK cents</i>)	N/A	N/A	N/A	(14)	N/A

Save as disclosed above, the Group did not have any item of income or expense which was material for each of the three years ended 31 March 2023, 2024 and 2025 and for the six months ended 30 September 2024 and 2025.

No dividend was paid or declared by the Company during the three financial years ended 31 March 2023, 2024 and 2025 and for the two six months ended 30 September 2024 and 2025.

Financial position of the Group

	As at 30 September 2025 <i>HK\$'000</i> (unaudited)	As at 31 March 2025 <i>HK\$'000</i> (audited)
Total non-current assets	291,341	300,324
Total current assets	121,676	127,451
Total current liabilities	1,354,405	1,307,692
Net current liabilities	(1,232,729)	(1,180,241)
Total assets less current liabilities	(941,388)	(879,917)
Total non-current liabilities	212,856	208,712
Net liabilities	(1,154,244)	(1,088,629)
Capital and reserves		
Share capital	118,204	118,204
Reserves	(1,257,124)	(1,191,225)
Equity attributable to owners of the Company	(1,138,920)	(1,073,021)
Non-controlling interests	(15,324)	(15,608)
Total capital deficiency	(1,154,244)	(1,088,629)

There was no change in the Group's accounting policy during the three years ended 31 March 2023, 2024 and 2025 and for the six months ended 30 September 2024 and 2025 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

3. DISCLAIMER OF OPINION

Set out below is an extract of the independent auditor's reports for the financial years ended 31 March 2023, 2024 and 2025 in which the Auditor expressed a disclaimer of opinion:

For the financial year ended 31 March 2025

The following is an extract of the independent auditors' report of the Group's consolidated financial statements for the year ended 31 March 2025.

"We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis

for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Material uncertainties relating to going concern

Limitation of scope relating to the appropriateness of the going concern basis for the preparation of the consolidated financial statements

As disclosed in Note 3.1 to the consolidated financial statements, the Group reported a net loss of approximately HK\$40,912,000 for the year ended 31 March 2025, and, as at 31 March 2025, the Group was in net current liabilities position of approximately HK\$1,180,242,000 and net liabilities position of approximately HK\$1,088,630,000. As at 31 March 2025, the Group's total bank and other borrowings, bonds payable and guaranteed notes amounted to approximately HK\$958,235,000, out of which approximately HK\$909,320,000 were due for repayment or would be due for repayment within the next twelve months, while its cash and cash equivalents amounted to approximately HK\$11,384,000 only as at 31 March 2025.

As at 31 March 2025, the Group has defaulted on repayment of certain bonds payable, a guaranteed note and other borrowings of approximately HK\$712,655,000, HK\$25,000,000 and HK\$78,977,000 respectively which were included as part of current liabilities as at 31 March 2025. Furthermore, the Group has received several demand letters and statutory demands from bondholders in relation to the repayment of the overdue principals and interest. Details of which are set out in Notes 33, 36 and 50 to the consolidated financial statements.

These events and conditions, together with other matters set out in Note 3.1 to the consolidated financial statements, cast significant doubt on the Group's ability to continue as a going concern.

As detailed in Note 3.1 to the Consolidated Financial Statements, in assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the directors of the Company have prepared cash flow forecasts covering a period of 12 months from the date of approval of the consolidated financial statements which take into account of the plans and measures being taken by the Group to improve the Group's liquidity and financial position as set out in Note 3.1 to the consolidated financial statements. Based on the assessment made by the directors of the Company, assuming that the plans and measures for future

actions can be successfully implemented or executed as scheduled, the directors are of the view that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the successful eventual outcome of the plans and measures for future actions, as follows:

- (i) successfully completing the debt restructuring of its bonds payables and amounts owed to other creditors;
- (ii) successfully dismissing the statutory demands;
- (iii) successfully obtaining additional or new sources of financing as and when needed;
- (iv) successfully implementing measures to collect the outstanding sales proceeds and control costs and expenses effectively; and
- (v) successfully maintaining relationship with the Group's other existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings and other debts for which principal and interest payments are in default.

The directors of the Company are in the opinion that, based on the assumption that the plans and measures for future actions described in Note 3.1 to the consolidated financial statements would improve the liquidity and financial position of the Group, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 March 2025 and would be able to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

However, the appropriateness of the management's use of the going concern basis of accounting in the preparation of the consolidated financial statements depends on the reliability of the underlying data generated to prepare the forecasts and adequacy of support for the assumptions underlying the forecasts, including the feasibility of the plans and measures for future actions referred to above. We were unable to obtain sufficient appropriate evidence to satisfy ourselves that the assumptions underlying the forecasts, including the feasibility of the management's plans and measures for future actions to deal with these events and conditions, were reasonable and supportable. There were no alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence to support the feasibility of the above plans and measures and whether

they can be successfully implemented. As a result, we were unable to obtain sufficient appropriate evidence to conclude whether the directors' use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustments were necessary.

For the financial year ended 31 March 2024

"We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Material uncertainties relating to going concern

As set out in Note 3.1 to the consolidated financial statements, the Group recorded a net loss of approximately HK\$170,311,000 for the year ended 31 March 2024, and, as at 31 March 2024, the Group recorded net current liabilities of approximately HK\$1,123,635,000 and net liabilities of approximately HK\$1,045,345,000. The Group's total bank and other borrowings, bonds payable and guaranteed notes amounted to approximately HK\$951,375,000, out of which approximately HK\$887,745,000 were due for repayment or would be due for repayment within the next twelve months, while its cash and cash equivalents amounted to approximately HK\$11,685,000 only as at 31 March 2024.

As at 31 March 2024, the Group has defaulted on repayment of certain bonds payable, a guaranteed note and other borrowings of approximately HK\$712,400,000, HK\$25,000,000 and HK\$66,411,000 respectively which were included as part of current liabilities as at 31 March 2024. Furthermore, the Group has received several demand letters and statutory demands from bondholders in relation to the repayment of the overdue principals and interest. Details of which are set out in Notes 33, 36 and 50 to the consolidated financial statements.

These conditions, together with other matters set out in Note 3.1 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

In assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the directors of the Company have prepared a cash flow forecast covering a period of 12 months from the date of approval of the consolidated financial statements which takes into account of the plans and measures being taken by the Group to improve the Group's liquidity and financial position as set out in Note 3.1 to the consolidated financial statements. Based on the assessment made by the directors of the Company, assuming that the plans and measures can be successfully implemented or executed as scheduled, the directors are of the view that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the successful eventual outcome of the abovementioned plans and measures, which as at the date of this report cannot be ascertained with reasonable certainty and are still subject to significant uncertainties, including whether:

- (i) the debt restructuring of the Group's bonds payables and amounts owed to the creditors of the Group will be successfully completed;
- (ii) the statutory demands will be successfully dismissed;
- (iii) additional new sources of financing as and when needed will be successfully obtained;
- (iv) measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses will be successfully implemented; and
- (v) relationship with the Group's other existing lenders will be successfully maintained such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings and other debts with principal and interest payments in default.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern. We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyse provided by management to us in

relation to its plans and measures which involve future actions in its going concern assessment which takes into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustment were necessary.

For the financial year ended 31 March 2023

“We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Material uncertainties relating to going concern

As set out in Note 3.1 to the consolidated financial statements, the Group recorded a net loss of approximately HK\$1,033,146,000 for the year ended 31 March 2023, and, as at 31 March 2023, the Group recorded net current liabilities of approximately HK\$1,002,057,000 and net liabilities of approximately HK\$884,862,000. The Group's total bank and other borrowings, bonds payable and guaranteed notes amounted to approximately HK\$956,759,000, out of which approximately HK\$856,110,000 were due for repayment or would be due for repayment within the next twelve months, while its cash and cash equivalents amounted to approximately HK\$36,242,000 only as at 31 March 2023.

As at 31 March 2023, the Group has defaulted on repayment of certain bonds payable, a guaranteed note and other borrowings of approximately HK\$321,400,000, HK\$25,000,000 and HK\$65,250,000 respectively which were included as part of current liabilities as at 31 March 2023. Furthermore, winding-up petitions were lodged with the High Court by two bondholders (the “**Bondholders**”) in pursuit of the outstanding debts owed to the Bondholders. The Group has

received several demand letters and statutory demands from bondholders in relation to the repayment of the overdue principals and interest. Details of which are set out in Notes 33, 36 and 51 to the consolidated financial statements.

These conditions, together with other matters set out in Note 3.1 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

In assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the directors of the Company have prepared a cash flow forecast covering a period of 12 months from the date of approval of the consolidated financial statements which takes into account of the plans and measures being taken by the Group to improve the Group's liquidity and financial position as set out in Note 3.1 to the consolidated financial statements. Based on the assessment made by the directors of the Company, assuming that the plans and measures can be successfully implemented or executed as scheduled, the directors are of the view that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the successful eventual outcome of the abovementioned plans and measures, which as at the date of this report cannot be ascertained with reasonable certainty and are still subject to multiple uncertainties, including whether:

- (i) the debt restructuring of the Group's bonds payables and amounts owed to the creditors of the Group will be successfully completed;
- (ii) the winding-up petitions will be successfully dismissed;
- (iii) additional new sources of financing as and when needed will be successfully obtained;
- (iv) measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses will be successfully implemented; and
- (v) relationship with the Group's existing lenders will be successfully maintained such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings and other debts with principal and interest payments in default.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern. We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of

management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyse provided by management to us in relation to its plans and measures which involve future actions in its going concern assessment which takes into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustment were necessary.

4. INDEBTEDNESS STATEMENT

As at the close of business on 28 February 2026, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Circular, details of the indebtedness statement of the Group are as follows:

	<i>Notes</i>	As at 28 February 2026 HK\$
Unsecured lease liabilities	<i>i</i>	95,327,000
Secured lease liabilities	<i>ii</i>	320,000
Secured bank borrowing	<i>iii</i>	9,463,000
Unsecured bank borrowings	<i>iv</i>	38,975,000
Secured other borrowings	<i>v</i>	137,776,000
Unsecured other borrowings	<i>vi</i>	66,335,000
Unsecured bonds	<i>vii</i>	722,166,000
Amount due to a director	<i>viii</i>	385,000
Secured interest payable	<i>ix</i>	69,455,000
Unsecured interest payable	<i>x</i>	299,318,000
Unsecured other payable	<i>xi</i>	58,594,000
		1,498,114,000

Notes:

- (i) The lease liabilities are unguaranteed.

- (ii) The lease liabilities are unguaranteed and secured by pledge over certain property, plant and equipment of the Group with the value approximately HK\$322,000.
- (iii) The bank borrowing with principal amount of approximately HK\$9,463,000, which carry interest rate of 3.6% per annum, is secured by properties jointly owned by Mr. CHONG Heung Chung Jason (the chairman of the Company and an executive Director) and his spouse.
- (iv) The bank borrowings with aggregate principal amount of approximately HK\$38,975,000, of which (1) aggregate principal amount of approximately HK\$11,756,000, which carry interest rate in the range from approximately 0.2% to 0.6% per annum, are under the pre-arranged guaranteed loan facilities scheme (where the loans are guaranteed by Japanese banks pursuant to the pre-arrangement between the Japanese banks and the Japanese government) under Japanese governmental policy as implemented by the Japanese government to stimulate the economy under the Covid-19 period (and therefore, the Group had enjoyed relatively low interest rates for the loans granted under the abovementioned stimulative policy) and such policy did not apply to any other loan of the Group; and (2) aggregate principal amount of approximately HK\$27,219,000, which carry interest rate in the range from approximately 1.14% to 2.75% per annum (relatively low interests due to the low interest rates in Japan overall), are unguaranteed.
- (v) The secured other borrowings with aggregate principal amount of approximately HK\$137,776,000, of which (1) aggregate principal amount of HK\$90,250,000, which carry interest rate in the range from approximately 8.00% to 24.00% per annum, are secured by the Company's shares held by Bright Rise Enterprises Limited (wholly-owned by Mr. CHONG Heung Chung Jason, the chairman of the Company and an executive Director, "**Bright Rise**") and are guaranteed by Bright Rise and Mr. CHONG Heung Chung Jason; (2) aggregate principal amount of approximately HK\$38,140,000 from Noblefull Global Limited, a company primarily engaged in investment and lending activities and an Independent Third Party, which carry interest rate of 36% per annum, are secured by shares held by the Group in a subsidiary; (3) principal amount of approximately HK\$9,386,000, which carry interest rate of 0.25% per annum, is secured by a rental deposit held by a Japanese subsidiary.
- (vi) The other borrowings are unsecured and unguaranteed, out of which (1) aggregate principal amount of approximately HK\$862,000, which carry interest rate in the range from 0.1% to 1.92% per annum (the relatively low interest rates of these other borrowings were due to the low interest rates in Japan overall); (2) aggregate principal amount of approximately HK\$40,473,000, which carry interest rate in the range from 3.2% to 36% per annum; and (3) the Investor Loans in the amount of HK\$25 million which shall (a) be interest free if the Proposed Restructuring proceeds; or (b) have an interest rate of 10% per annum for a term of one year if the Proposed Restructuring was terminated for any reasons.
- (vii) The bond payable are unsecured, out of which aggregate principal amount of (1) approximately HK\$74,700,000, which carry interest rate in the rang from approximately 6% to 9% per annum, are personally guaranteed by Mr. CHONG Heung Chung Jason (the chairman of the Company and an executive Director); (2) HK\$52,600,000, which carry interest rate at approximately 15% per annum, is personally guaranteed by Mr. CHONG Heung Chung Jason (the chairman of the Company and an executive Director), Ms. LEE Sui Fong Fiona (Spouse of Mr. CHONG Heung Chung Jason) and Mr. WONG Yu Man James, and is corporate guaranteed by a bond holder, Skalacrest (Hong Kong) Limited; (3) HK\$25,000,000, which carry interest rate in the range from 10% to 11.48% per annum, is guaranteed by a wholly-owned subsidiary of the Company, China Theme Park Limited; and (4) the remaining of HK\$569,866,000 which carry interest rate in the range from interest-free to 24% per annum are unguaranteed.
- (viii) The amount due to a director are unsecured and unguaranteed.

- (ix) The secured interest payable with respect to certain secured other borrowings of the Group disclosed above are secured by the Company's shares held by Bright Rise and guaranteed by Bright Rise and Mr. CHONG Heung Chung Jason (the chairman of the Company and an executive Director) and by a rental deposit held by a Japanese subsidiary.
- (x) The interest payable are unsecured, out of which (1) approximately HK\$54,791,000, with respect to certain unsecured bonds are personally guaranteed by Mr. CHONG Heung Chung Jason (the chairman of the Company and an executive Director); (2) approximately HK\$36,725,000, with respect to the unsecured bonds is personally guaranteed by Mr. CHONG Heung Chung Jason (the chairman of the Company and an executive Director), Ms. LEE Sui Fong Fiona (Spouse of Mr. CHONG Heung Chung Jason) and Mr. WONG Yu Man James; and (3) the remaining are unguaranteed.
- (xi) The other payable is unguaranteed.

Save as aforesaid or as otherwise disclosed herein, the Group did not, as at the close of business on 28 February 2026, have any outstanding loan capital issued, outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchase commitments, guarantees or other material contingent liabilities.

To the best knowledge of the Directors, having made all reasonable enquiries, there has not been any material change in the indebtedness, contingent liabilities and commitments of the Group since 28 February 2026 and up to the Latest Practicable Date.

5. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that in the absence of unforeseen circumstances, following completion of the Subscription, the Debt Restructuring and the Whitewash Waiver, and taking into account of the financial resources available to the Group, the Group has sufficient working capital for its normal business for at least the twelve months from date of this circular.

6. NO MATERIAL CHANGE

Save for the following:

- (i) the Proposed Restructuring;
- (ii) as disclosed in the section headed "Appendix I Financial information of the Group – 7. Financial and trading prospect of the Group" in this circular, among other thing, after July 2025, the Group has commenced the planning and development of AI-related

projects and cooperation projects relating to Tuntun Cup products, with a view to expanding its business portfolio and exploring new growth drivers through the integration of technology, consumer products and entertainment-related applications;

(iii) as disclosed in the interim results announcement of the Company for the six months ended 30 September 2025, including but not limited to:

(a) the Group's revenue decreased by HK\$27.7 million, or approximately 14.4%, from HK\$192.6 million for the six months ended 30 September 2024 to HK\$164.9 million for the six months ended 30 September 2025 primarily due to a decrease in sales of animation derivative products of HK\$12.6 million and a decrease in the revenue from establishment and operation of indoor theme parks of HK\$15.1 million. The decrease in sales of animation derivative products was primarily due to the decrease of purchase orders placed by the customers; and the decrease in the revenue from establishment and operation of indoor theme park was primarily due to the decrease of number of visitors to the indoor theme park in Japan; and

(b) the Group recorded a loss attributable to the owners of the Company of approximately HK\$66.2 million for the six months ended 30 September 2025, representing an increase of approximately HK\$64.3 million as compared with HK\$1.9 million for the six months ended 30 September 2024 mainly attributable to, among other things,

— absence of gain on waiver of lease payable that was recorded at approximately HK\$46.4 million in the corresponding period in 2024; and

— a decrease of approximately HK\$12.7 million in the amount of reversal of impairment loss under expected credit loss model (net of provision) from approximately HK\$15.1 million for the six months ended 30 September 2024 to approximately HK\$2.4 million in the corresponding period in 2025 after settlement of payments by or set-off with certain debtors of the Group;

(iv) as disclosed in “Appendix II Unaudited Pro forma financial information of the Group” in this circular regarding certain adjustments to reflect, including but not limited to:

— the effect of a side agreement entered into between the Company and the Investor to set off HK\$25,000,000 of Subscription price against an equal amount of loan granted to the Company during the period from 1 April 2025 to 30 September 2025; and

- the payment of the accrued and remaining professional fee for restructuring of approximately HK\$12.1 million;
- (v) as disclosed in “Appendix III General information – 10. Litigation” in this circular, among other things, up to the Latest Practicable Date, several demand letters and statutory demands were served on the Company by bond and other loan holders of the Company (the “**Holders**”). The Holders which are also Creditors under the Creditors’ Scheme, demanded the Company to repay outstanding bond payables and accrued interest in an aggregate amount (up to 31 January 2026) of approximately HK\$198.09 million,

the Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 March 2025 (being the date which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

7. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Company is an investment holding company and the Group is principally engaged in the trading of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in the PRC, Hong Kong and Japan. The Company is pleased to announce that the Creditors’ Scheme has been approved by the requisite majorities of Creditors at the Scheme Meeting held on 27 June 2023. The Creditors Scheme was sanctioned without modification by the High Court on 19 March 2024. The Group believes that with the arrangement of the Creditors’ Scheme, it may continue to development its online business on Meta JOYPOLIS, virtual theme park, big data platform, online social media, Pop Toy platform and upgrading the operating and gaming system of CA SEGA JOYPOLIS.

Although the Group is facing unprecedented challenges, the Group will still continue to actively seek stability and progress in the face of uncertainties. The Group will continue to develop and launch different types of JOYPOLIS theme parks (including metaverse-themed VR parks) and present them to tourists through different real and virtual scenarios. Moreover, the Group will launch IP theme parks and different types of amusement facilities through the Group’s rich animation IP resources to cater to different target groups, so as to explore for more derivatives consumption to increase income sources.

In addition, after July 2025, the Group has commenced the planning and development of AI-related projects and cooperation projects relating to Tuntun Cup products, with a view to expanding its business portfolio and exploring new growth drivers through the integration of technology, consumer products and entertainment-related applications.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP**A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

The accompanying unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2025 and unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2025 (the “**Unaudited Pro Forma Financial Information**”) has been prepared as if proposed restructuring involving (i) the Capital Reorganisation and Change in Board Lot Size; (ii) debt restructuring; (iii) issue of new shares; (iv) issue of convertible bonds; and (v) the Special Deals (the “**Restructuring**”) has been completed on 30 September 2025 to illustrate the effect of the consolidated statement of assets and liabilities of the Group as at 30 September 2025 and has been completed on 1 April 2024 to illustrate the effect of the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2025.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2025 and the audited consolidated statement of profit of loss and other comprehensive income of the Group for the year ended 31 March 2025 after making certain unaudited pro forma adjustments resulting from the Restructuring assuming its completion on 30 September 2025 and 1 April 2024 respectively.

The Unaudited Pro Forma Financial Information of the Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Group, it may not give a true picture of the actual financial position and results of operation of the Group that would have been attained had the Restructuring actually occurred on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information of the Group does not purport to predict the Group’s future financial position and results of operation.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the financial information of the Group as set out in the annual result announcement of the Group for the year ended 31 March 2025, interim result announcement for the period from 1 April 2025 to 30 September 2025 and other financial information included elsewhere in this Circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	Pro forma adjustments						Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 September 2025 HK\$'000 (Note 1)
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2025 HK\$'000 (Note 1)	The Subscription of shares HK\$'000 (Note 2)	The Subscription of Convertible Bonds HK\$'000 (Note 3)	The Set off of Subscription price HK\$'000 (Note 4)	Implementation of the Scheme and special deals HK\$'000 (Note 5)	Professional fee HK\$'000 (Note 6)	
NON-CURRENT ASSETS							
Property, plant and equipment	38,323	—	—	—	—	—	38,323
Right-of-use assets	113,408	—	—	—	—	—	113,408
Goodwill	2,425	—	—	—	—	—	2,425
Financial assets at fair value through other comprehensive income	3,297	—	—	—	—	—	3,297
Deposits for acquisition of property, plant and equipment	72,112	—	—	—	—	—	72,112
Deposit for theme park development projects	50,000	—	—	—	—	—	50,000
Rental deposits	11,776	—	—	—	—	—	11,776
	291,341	—	—	—	—	—	291,341
CURRENT ASSETS							
Inventories	7,871	—	—	—	—	—	7,871
Trade receivables	52,648	—	—	—	—	—	52,648
Other receivables, deposits and prepayments	48,193	—	—	—	—	—	48,193
Bank balances and cash	12,964	94,058	160,942	(25,000)	(160,000)	(12,100)	70,864
	121,676	94,058	160,942	(25,000)	(160,000)	(12,100)	179,576

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	Pro forma adjustments						Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 September 2025 HK\$'000 (Note 1)	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 September 2025 HK\$'000
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2025 HK\$'000 (Note 1)	The Subscription of shares HK\$'000 (Note 2)	The Subscription of Convertible Bonds HK\$'000 (Note 3)	The Set off of Subscription price HK\$'000 (Note 4)	Implementation of the Scheme and special deals HK\$'000 (Note 5)	Professional fee HK\$'000 (Note 6)		
CURRENT LIABILITIES								
Trade payables	3,506	—	—	—	—	—	—	3,506
Other payables and accruals	381,058	—	—	—	(303,355)	(1,900)	(7,422)	68,381
Amount due to a director	247	—	—	—	—	—	—	247
Contract liabilities	14,557	—	—	—	—	—	—	14,557
Tax payable	25,562	—	—	—	—	—	—	25,562
Guaranteed note	25,000	—	—	—	(17,318)	—	—	7,682
Bonds	722,094	—	—	—	(722,094)	—	—	—
Lease liabilities	9,728	—	—	—	—	—	—	9,728
Bank and other borrowings	172,653	—	—	(25,000)	(65,250)	—	(33,207)	49,196
	1,354,405	—	—	(25,000)	(1,108,017)	(1,900)	(40,629)	178,859
NET CURRENT (LIABILITIES)/ASSETS	(1,232,729)	94,058	160,942	—	948,017	(10,200)	40,629	717
TOTAL ASSETS LESS CURRENT LIABILITIES/ASSETS	(941,388)	94,058	160,942	—	948,017	(10,200)	40,629	292,058
NON-CURRENT LIABILITIES								
Bonds	—	—	—	—	—	—	—	—
Other payables and accruals	—	—	—	—	—	—	7,422	7,422
Bank and other borrowings	53,131	—	—	—	—	—	33,207	86,338
Lease liabilities	94,758	—	—	—	—	—	—	94,758
Contract liabilities	28,028	—	—	—	—	—	—	28,028
Convertible bonds	—	—	111,552	—	—	—	—	111,552
Provision for reinstatement costs for rented premises	26,039	—	—	—	—	—	—	26,039
Obligation arising from a put option to a non-controlling interest	10,900	—	—	—	—	—	—	10,900
	212,856	—	111,552	—	—	—	40,629	365,037
NET (LIABILITIES)/ASSETS	(1,154,244)	94,058	49,390	—	948,017	(10,200)	—	(72,979)

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP

	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2025 <i>HK\$'000</i>
	Audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2025 <i>HK\$'000</i> <i>(Note 1)</i>	Implementation of the Scheme and special deals <i>HK\$'000</i> <i>(Note 5)</i>	Professional fee <i>HK\$'000</i> <i>(Note 6)</i>	
Revenue	366,959	—	—	366,959
Cost of sales and services	(277,816)	—	—	(277,816)
Gross profit	89,143	—	—	89,143
Other income	1,023	—	—	1,023
Other gains and losses	45,893	—	—	45,893
Gain on Debt Restructuring and Special Deals	—	948,017	—	948,017
Selling, marketing and distribution expenses	(21,832)	—	—	(21,832)
Administrative expenses	(70,627)	—	(10,200)	(80,827)
Research and development expenses	(8,155)	—	—	(8,155)
Share of loss of associates	(10)	—	—	(10)
Finance costs	(97,099)	—	—	(97,099)
Impairment loss on investment in an associate	(2,731)	—	—	(2,731)
Reversal of impairment loss under expected credit loss model, net of reversal	24,009	—	—	24,009
(Loss)/profit before taxation	(40,386)	948,017	(10,200)	897,431
Taxation	(526)	—	—	(526)
(Loss)/profit for the period	(40,912)	948,017	(10,200)	896,905

	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2025 HK\$'000
	Audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2025 HK\$'000 (Note 1)	Implementation of the Scheme and special deals HK\$'000 (Note 5)	Professional fee HK\$'000 (Note 6)	
Other comprehensive income/(expense):				
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurement of defined benefit plans	(856)	—	—	(856)
Fair value gain/(loss) on financial assets at fair value through other comprehensive income				
— investment in equity instrument at fair value through other comprehensive income	6	—	—	6
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Fair value loss on financial assets at fair value through other comprehensive income				
— investment in debt instrument at fair value through other comprehensive income	(132)	—	—	(132)
Exchange differences arising on translation of:				
— subsidiaries	(1,390)	—	—	(1,390)
Other comprehensive income/(expense) for the period	(2,372)	—	—	(2,372)
Total comprehensive income/(expense) for the period	(43,284)	948,017	(10,200)	894,533

	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2025 HK\$'000
	Audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2025 HK\$'000 (Note 1)	Implementation of the Scheme and special deals HK\$'000 (Note 5)	Professional fee HK\$'000 (Note 6)	
(Loss)/profit for the year attributable to:				
Owners of the Company	(33,043)	948,017	(10,200)	904,774
Non-controlling interests	(7,869)	—	—	(7,869)
	<u>(40,912)</u>	<u>948,017</u>	<u>(10,200)</u>	<u>896,905</u>
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(34,979)	948,017	(10,200)	902,838
Non-controlling interests	(8,305)	—	—	(8,305)
	<u>(43,284)</u>	<u>948,017</u>	<u>(10,200)</u>	<u>894,533</u>

D. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

- For the preparation of unaudited pro forma consolidated statement of financial position, the amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 September 2025 in the interim result announcement of the Company for the period from 1 April 2025 to 30 September 2025, whereas for the preparation of unaudited pro forma consolidated statement of profit or loss and other comprehensive income, the amounts are extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2025, which are set out in the Company's corresponding result announcement and Appendix II to this circular.
- The adjustment reflects the effect of the issuance of 530,800,000 Subscription Shares to Kyosei-Bank Co., Ltd (the "**Subscriber**") at the Subscription Price of HK\$0.1772 per Subscription Share, pursuant to which the Group will raise gross proceeds of HK\$94,057,760 and the Company's share capital will be increased by HK\$5,308,000.

- 3) The adjustment reflects the effect of the issuance of Zero Coupon Convertible Bonds to the Subscriber in the principal amount of HK\$160,942,240, pursuant to which the Group will raise gross proceeds of HK\$160,942,240. The conversion price of the Convertible Bonds is HK\$0.1772 per CB Conversion Share, and a total of 908,251,918 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full. The fair value of the liability component of the Convertible Bonds was estimated to be approximately HK\$111,552,000, in accordance with a valuation report prepared by an independent professional valuer. The residual amount of approximately HK\$49,390,000 was assigned as the equity component of the Convertible Bonds and is included in shareholders' equity.
- 4) The adjustments reflects the effect of a side agreement entered into between the Company and the Subscriber to set off HK\$25,000,000 of Subscription price against an equal amount of loan granted to the Company during the period from 1 April 2025 to 30 September 2025.
- 5) The adjustment reflects the effect of the Debt Restructuring and Special Deals. A gain on Debt Restructuring of approximately HK\$948,017,000 will be recognised to profit or loss, which is resulted from all claims instituted by the Scheme Creditors with an aggregate outstanding debt amount of approximately HK\$1,072,495,000, off-set by the Cash Consideration in the amount of HK\$160,000,000, and is resulted from a guaranteed note that will be waived (corresponding to the recovery rate of the Creditors' Scheme) upon Creditors' Scheme becomes effective pursuant to the Deed of Settlement with the principal amount of approximately HK\$17,318,000 and interest of approximately HK\$18,204,000. The aggregate debt amount to be waived under the Debt Restructuring and Special Deals, including the guaranteed note and the accrued interest thereon, is approximately HK\$1,108,017,000.

The Interest accrued on bonds and borrowings as at 31 March 2023 under the Estimated Claim, on Page 26 were classified together with the principal due to the creditors, but, under the Pro Forma Statement, classified as Other payables and accruals. Interest included in Bondholders amounting HK\$76.66 million and Other borrowers amounting HK\$14.73 million under the Estimated Claim increased to HK\$266.09 million and HK\$18.57 million as at 30 September 2025 under the Pro Forma Statement.

Further, A creditor with a principal of HK\$52.6 million included in the Other Borrowers as at 31 March 2023 under the Estimated Claim was subsequently reclassified into Bonds under the Pro Forma Statement.

A reconciliation of the gain on Debt Restructuring and Special Deals is presented as below:

	<i>HK\$'000</i>
Bonds payable	722,094
Interest payable	302,861
Guaranteed note	17,318
Other borrowings	65,250
Other payable	494
Total debts to be waived upon the Debt Restructuring and Special Deals become effective	1,108,017
Less: Off-set by the Cash Consideration	(160,000)
Gain on Debt Restructuring and Special Deals	<u>948,017</u>

- 6) The adjustment reflects the total estimated professional fees for the restructuring of approximately HK\$25,300,000 of which approximately HK\$15,100,000 has been recognised in previous years, and the remaining professional fee for restructuring of approximately HK\$10,200,000 in the Unaudited Pro Forma Consolidated Statements of Profit or Loss and Other Comprehensive Income. The adjusted reflects the payment of the accrued and remaining professional fee for restructuring of approximately HK\$12,100,000.
- 7) The adjustment reflects the extension of maturity date on certain borrowings with aggregate principal amount of approximately HK\$33,207,000 granted by 3 creditors pursuant to supplementary agreements entered into between the Group and the 3 creditors. The grant of extension is conditional upon the completion of the Debt Restructuring and Special Deals.

In addition, the adjustment also reflects the extension of maturity on an interest payable amounting to approximately HK\$7,422,000 granted by a creditor pursuant to a supplementary agreement entered into between the Group and the creditor. The grant of extension is conditional upon the completion of the Debt Restructuring and Special Deals.

The following is the text of the independent reporting accountants' assurance report, received from KTC Partners CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the unaudited pro forma financial information of the Group as set out in this Appendix and prepared for the purpose of inclusion in this circular.



27 April 2026

The Board of Directors
CA Cultural Technology Group Limited
Suite 2905, 29/F China Resources Building,
26 Harbour Road, Wanchai,
Hong Kong

Dear Sirs,

Independent Reporting Accountants' Assurance Report on the Compilation of Unaudited Pro Forma Financial Information

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CA Cultural Technology Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated statement of assets and liabilities as at 30 September 2025, unaudited pro forma consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2025, and notes as set out in Appendix II to the circular issued by the Company dated 27 April 2026 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix II to the Circular. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless otherwise specified.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed restructuring involving (i) the Capital Reorganisation and Change in Board Lot Size; (ii) debt restructuring; (iii) issue of new shares; (iv) issue of convertible bonds; and (v) the Special Deals (the “**Restructuring**”) on the Group's financial position as at 30 September 2025 as if the events and transaction described in the Circular had been taken place at 30 September 2025 and on the Group's financial performance for the year ended 31 March 2025 as if the events and transactions described in the Circular had taken place as at 1 April 2024. As part of this process, information about the Group's financial position and financial performance has been extracted by the Directors from the Group's audited consolidated financial statements included in the result announcement for the year ended 31 March 2025, on which a disclaimer of opinion has been published, and also the interim consolidated financial statements included in the result announcement for the period ended 30 September 2025.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (the “**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular” issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 1 April 2024 and 30 September 2025 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

KTC Partners CPA Limited

Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph

Practising Certificate Number: P04686

Hong Kong, 27 April 2026

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes 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 this circular (other than the information relating to the Investor and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein (other than the information relating to the Investor and parties acting in concert with it) or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information relating to the Investor and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the sole director of the Investor) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Investor accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Capital Reorganisation becoming effective (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to effective date of the Capital Reorganisation); and (iii) immediately following the completion of the Share Subscription, the issue of the Scheme Shares and the CB Subscription (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to the Completion and assuming all the Convertible Bonds are converted) will be as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>5,000,000,000</u> Shares of HK\$0.10 each	<u>500,000,000</u>

Issued and fully paid:

<u>1,182,042,000</u> Shares of HK\$0.10 each	<u>118,204,200</u>
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(ii) Immediately following the Capital Reorganisation becoming effective (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to effective date of the Capital Reorganisation)

<i>Authorised:</i>	<i>HK\$</i>
<u>1,000,000,000,000</u> Shares of HK\$0.01 each	<u>10,000,000,000</u>

Issued and fully paid:

<u>118,204,200</u> Shares of HK\$0.01 each	<u>1,182,042</u>
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(iii) Immediately following the completion of the Share Subscription, the issue of the Scheme Shares and the issue of the CB Conversion Shares (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to the Completion and assuming all the Convertible Bonds are converted)

Authorised: HK\$

<u>1,000,000,000,000</u>	Shares of HK\$0.01 each	<u>10,000,000,000</u>
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Issued and fully paid as at the Latest Practicable Date:

<u>118,204,200</u>	Shares of HK\$0.01 each	<u>1,182,042</u>
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Maximum number of Subscription Shares to be issued:

<u>530,800,000</u>	Shares of HK\$0.01 each	<u>5,308,000</u>
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Maximum number of Scheme Shares to be issued:

<u>59,000,000</u>	Shares of HK\$0.01 each	<u>590,000</u>
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Maximum number of CB Conversion Shares to be issued (based on the initial CB Conversion Price of HK\$0.1772 per CB Conversion Share):

<u>908,251,918</u>	Shares of HK\$0.01 each	<u>9,082,519.18</u>
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Maximum number of Shares in issue immediately following the Completion and all the Convertible Bonds are converted:

<u>1,616,256,118</u>	Shares of HK\$0.1 each	<u>16,162,561.18</u>
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All the Subscription Shares, the Scheme Shares and the CB Conversion Shares will rank pari passu in all respects among themselves and the New Shares in issue as at the date of allotment and issuance of the Subscription Shares, the Scheme Shares and the CB Conversion Shares, including all rights to all future dividends or distributions, which may be declared, made or paid by the Company on or after the date of allotment and issuance of the Subscription Shares, the Scheme

Shares and the CB Conversion Shares, as well as rights to voting and interest in capital. As at the Latest Practicable Date, there was no arrangements under which future dividends are waived or agreed to be waived.

Subject to as provided in the memorandum and articles of association of the Company and the applicable laws, the Company shall not alter the rights attached to the Shares, the New Shares, the Subscription Shares, the Scheme Shares and the CB Conversion Shares without passing a special resolution by the Shareholders.

As at the Latest Practicable Date, save for the Shares, no share, option, warrant, conversion right or any equity or debt securities of the Company is outstanding or is proposed to be issued for cash or otherwise and none of the Directors, promoters or experts have received any commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the proposed Capital Reorganisation, the Share Subscription, the Creditors' Scheme and the CB Subscription. The Company has not issued any new Shares since 31 March 2025, being the latest financial year end.

Save as disclosed in the paragraph headed "9. Material Contracts" in this appendix, the Group does not have any charges, mortgages or any other contingent liabilities or guarantees.

The Shares are listed on the main board of the Stock Exchange. None of the equity or debt securities of the Company is listed or dealt in any other stock exchange and listing or permission to deal in the Shares or loan capital of the Company is not being, or proposed to be, sought on any other stock exchange.

As at the Latest Practicable Date, other than the Capital Reorganisation proposed to be implemented, none of the capital of any member of the Group (i) has been altered since 31 March 2025, being the date to which the latest published audited accounts of the Company were made up, or (ii) is under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the following Director(s) has or is deemed to have any interests or short positions in the shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such

provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; or (iv) which were required to be disclosed under the Takeovers Code:

Long positions in the Shares and underlying Shares

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued Share capital of the Company
Mr. Chong Heung Chung Jason ("Mr. Chong")	Interest of a controlled corporation (<i>Note 1</i>)	134,538,000	11.38%
	Interest in persons acting in concert (<i>Note 2</i>)	249,999,000	21.15%
	Spouse interest (<i>Note 3</i>)	28,735,000	2.43%

Notes:

1. All issued shares of Bright Rise are held by Newgate (PTC) Limited. Newgate (PTC) Limited is a company incorporated in the BVI on 12 September 2014 and acts as the trustee of the trust created in the Cayman Islands by Mr. Chong on 18 November 2014, namely The Fortune Trust. The beneficiaries of The Fortune Trust currently include Mr. Chong and his family members.
2. Pursuant to the concert party agreement, the concert parties have agreed with certain arrangements pertaining to their shareholdings. Further information on the terms and conditions of the concert party agreement is set forth in the section headed "Controlling Shareholders and Substantial Shareholders – Summary of the Concert Party Agreement" in the prospectus of the Company dated 28 February 2015.
3. Ms. Lee Sui Fong Fiona ("Ms. Lee") is the spouse of Mr. Chong. Mr. Chong is deemed to be interested in the Shares interested by Ms. Lee under the SFO.

Save as disclosed above, as at the Latest Practicable Date, no other Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required,

pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; or (iv) which were required to be disclosed under the Takeovers Code.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO.

As at the Latest Practicable Date, so far as was known to the Directors, the following persons/entities, other than the Directors or chief executives of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Bright Rise Enterprises Limited	Beneficial owner	134,538,000	11.38%
	Interest in persons acting in concert (<i>Note 1</i>)	249,999,000	21.15%
Newgate (PTC) Limited	Interest of a controlled corporation (<i>Note 2</i>)	249,999,000	21.15%
	Interest in persons acting in concert (<i>Note 1</i>)	249,999,000	21.15%

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Fortress Strength Limited	Beneficial owner	28,735,000	2.43%
	Interest in persons acting in concert (<i>Note 1</i>)	249,999,000	21.15%
Ms. Lee Sui Fong Fiona	Interest in a controlled Corporation (<i>Note 3</i>)	28,735,000	2.43%
	Interest in persons acting in concert (<i>Note 1</i>)	249,999,000	21.15%
	Spouse interest (<i>Note 4</i>)	249,999,000	21.15%
Dragon Year Group Limited	Beneficial owner	49,497,000	4.19%
	Interest in persons acting in concert (<i>Note 1</i>)	249,999,000	21.15%
Mr. Shinichiro IKEDA	Personal interest	12,000,000	1.02%
	Interest in a controlled corporation (<i>Note 7</i>)	49,497,000	4.19%
	Interest in persons acting in concert (<i>Note 1</i>)	249,999,000	21.15%
Bonville Glory Limited	Beneficial owner	12,900,000	1.09%
	Interest in persons acting in concert (<i>Note 1</i>)	249,999,000	21.15%

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Ting Ka Fai Jeffrey	Interest in a controlled corporation (<i>Note 5</i>)	12,900,000	1.09%
	Interest in persons acting in concert (<i>Note 1</i>)	249,999,000	21.15%
East Jumbo Development Limited	Beneficial owner	12,329,000	1.04%
	Interest in persons acting in concert (<i>Note 1</i>)	249,999,000	21.15%
Ms. Or Den Fung Bonnie	Interest in a controlled corporation (<i>Note 6</i>)	12,329,000	1.04%
	Interest in persons acting in concert (<i>Note 1</i>)	249,999,000	21.15%

Notes:

- Pursuant to the concert party agreement, the concert parties have agreed with certain arrangements pertaining to their shareholdings. Further information on the terms and conditions of the concert party agreement is set forth in the section headed “Controlling Shareholders and Substantial Shareholders – Summary of Concert Party Agreement” in the prospectus of the Company dated 28 February 2015.
- Newgate (PTC) Limited is the sole shareholder of Bright Rise and it holds all the shares of Bright Rise in its capacity as the trustee of The Fortune Trust created by Mr. Chong in the Cayman Islands. The beneficiaries of The Fortune Trust currently include Mr. Chong and his family member. Bright Rise is the registered and beneficial owner of 134,538,000 Shares.
- Ms. Lee is the sole beneficial owner of all issued shares of Fortress Strength Limited which is the registered and beneficial owner of 28,735,000 Shares.
- Ms. Lee is the spouse of Mr. Chong and she is deemed to be interested in our Shares interested by Mr. Chong under the SFO.
- Mr. Ting Ka Fai Jeffrey is the sole beneficial owner of all issued shares of Bonville Glory Limited which is the registered and beneficial owner of 12,900,000 Shares.

6. Ms. Or Den Fung Bonnie is the sole beneficial owner of all issued shares of East Jumbo Development Limited which is the registered and beneficial owner of 12,329,000 Shares.
7. Mr. Shinichiro Ikeda is the sole beneficial owner of all issued shares of Dragon Year Group Limited which is the beneficial owner of 49,497,000 Shares.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person/entities, other than the Directors or chief executive of the Company, who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO.

4. MARKET PRICES

The table below shows the closing price of the Shares as quoted by the Stock Exchange on: (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last day on which trading took place in each of the calendar months during the Relevant Period:

Date	Closing price per Share (HK\$)
2022	
30 June	0.083
29 July	0.07
31 August	0.065
30 September	0.06
31 October	0.097
30 November	0.08
12 December (the Latest Trading Day)	0.082

*Trading of the Shares has been suspended from 13 December 2022 to
15 March 2023*

2023	
31 March	0.067
28 April	0.05
31 May	0.035
30 June	0.048
31 July	0.034
31 August	0.034

Date	Closing price per Share (HK\$)
29 September	0.029
31 October	0.027
30 November	0.027
29 December	0.027
 2024	
31 January	0.022
29 February	0.025
28 March	0.025
30 April	0.027
31 May	0.030
28 June	0.045
31 July	0.045
30 August	0.045
30 September	0.051
31 October	0.050
20 November (being the last day of trading before suspension up to the Latest Practicable Date)	0.051
29 November	Suspended
31 October–31 December	Suspended
 2025	
31 January–31 December	Suspended
 2026	
31 January–24 April (the Latest Practicable Date)	Suspended

Note: the trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 21 November 2024 to 2026.

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK\$0.141 on 13 June 2022 and HK\$0.021 on 12, 22 and 23 January 2024, 5 February 2024 and 5 March 2024 respectively.

5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date,

- (i) none of the Directors was given or would be given any benefits as compensation for loss of office or otherwise in connection with the Proposed Restructuring;
- (ii) none of the Directors has entered into any agreement, arrangement or understanding with any other person which is conditional on or dependent upon the outcome of the Proposed Restructuring or otherwise connected with the Proposed Restructuring;
- (iii) no member of the Investor or any party acting in concert with it has entered into any agreement, arrangement or understanding (including any compensation arrangement) with any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the Proposed Restructuring;
- (iv) no material contract was entered into by any member of the Investor or any party acting in concert with it in which any Director has a material personal interest;
- (v) no agreement, arrangement or understanding has been entered into by any member of the Investor or any party acting in concert with it for the transfer, charge or pledge by any of them to any other person of any New Shares to be subscribed under the Proposed Restructuring;
- (vi) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (vii) none of the Directors was materially interested in any contract or arrangement subsisting at the date of the circular which was significant to the business of the Group.

6. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date,

- (i) Save for Mr. Chong, an executive Director and the chairman of the Company, who is interested in 29,126,400 Shares, none of the Directors was interested in and had dealt for value in any Shares, convertible securities, warrants, options or derivatives or similar rights which were convertible or exchangeable into Shares during the Relevant Period;

- (ii) the Company did not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Investor, and it had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Investor during the Relevant Period;
- (iii) none of the Company or any Directors was interested in and had dealt for value in any shares, convertible securities, warrants, options or derivatives or similar rights which were convertible or exchangeable in to shares of the Investor during the Relevant Period;
- (iv) none of the Company or any Directors had borrowed or lent any Shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into Shares during the Relevant Period;
- (v) save for entering into the Term Sheet and the Subscription Agreements, no member of the Investor or any party acting in concert with it had dealt in the Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company during the Relevant Period;
- (vi) none of the Investor or any party acting in concert with it held, controlled or had direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (vii) none of the directors of the Investor held, controlled or had direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (viii) none of the Investor or any party acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (ix) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, (iii) the financial adviser, Veda Capital Limited, (iv) the Independent Financial Advisor, nor (v) any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate

under the Takeovers Code, had any interest or dealt for value in Shares, convertible securities, warrants, options, or derivatives or similar rights which are convertible or exchangeable into Shares during the Relevant Period; and

- (x) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, the Investor and the parties acting in concert with it, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code.

7. DIRECTORS' INTERESTS, CONTRACTS OF SIGNIFICANCE AND ASSETS

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 March 2025 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors and the proposed Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies, which:

- (i) are continuous contracts with a notice period of 12 months or more;
- (ii) (including both continuous and fixed term contracts) have been entered into or amended within the Relevant Period;
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period; or
- (iv) are not determinable within one year without payment of compensation (other than statutory compensation).

9. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into the ordinary course of business carried on or intended to be carried on by the Group) which have been entered into by the members of the Group within two years immediately preceding the date of the Company's announcement of a possible whitewash transaction on 31 January 2023 up to and including the Latest Practicable Date:

- (i) with reference to the Company's announcement dated 24 August 2021, the share swap agreement entered into between the Company and Future World Holdings Limited (the "**Future World**") on 24 August 2021, pursuant to which (a) the Company shall subscribe for and Future World shall allot and issue 95,000,000 shares of Future World at the price of HK\$0.10 per share for a total consideration of HK\$9,500,000; and (b) Future World shall subscribe for and the Company shall allot and issue 4,000,000 Shares at the price of HK\$2.38 per Share for a total consideration of HK\$9,520,000;
- (ii) with reference to the Company's announcement dated 1 September 2021, the ACCP Subscription Agreement entered into between the Company and ACCP Global on 1 September 2021, pursuant to which the Company has conditionally agreed to allot and issue 86,000,000 Shares at the price of HK\$2.50 per Share;
- (iii) with reference to the Company's announcement dated 29 December 2021, a settlement deed entered into between the Company and Bloom Fort Limited on 29 December 2021, pursuant to which the Company would issue 98,170,000 settlement Shares at HK\$0.405 per settlement Share to Bloom Fort Limited to settle the outstanding amount to Bloom Fort Limited of approximately HK\$40.02 million as at the material time resulted from two facilities provided to the Company by Bloom Fort Limited on 15 November 2021 with an amount up to HK\$5 million and by Skalacrest (Hong Kong) Limited on 5 April 2021 (and was subsequently assigned to Bloom Fort on 30 September 2021) with an amount up to HK\$35 million;
- (iv) with reference to the Company's announcement dated 29 December 2021, the placing agreement entered into between the Company and RIFA Securities Limited on 29 December 2021 (the "**Placing Agreement**"), pursuant to which the Company has conditionally agreed to place through RIFA Securities Limited, on a best effort basis, a maximum of 98,170,000 placing Shares at the placing price of HK\$0.405 per placing Share;

- (v) with reference to the Company's announcement dated 30 December 2021, the supplemental placing agreement entered into between the Company and RIFA Securities Limited on 30 December 2021, pursuant to which the long stop date contemplated under the Placing Agreement changed from 31 March 2022 to 14 January 2022;
- (vi) with reference to the Company's announcement dated 12 January 2022, the second supplemental placing agreement entered into between the Company and RIFA Securities Limited on 12 January 2022, pursuant to which the long stop date contemplated under the Placing Agreement further changed to 26 January 2022;
- (vii) with reference to the Company's announcement dated 24 January 2022, the third supplemental placing agreement entered into between the Company and RIFA Securities Limited on 24 January 2022, pursuant to which, among other things, (a) the placing price has been revised to HK\$0.270 per placing Shares; and (b) the long stop date contemplated under the Placing Agreement further extended to 31 January 2022;
- (viii) with reference to the Company's announcement dated 25 January 2022, the fourth supplemental placing agreement entered into between the Company and RIFA Securities Limited on 25 January 2022, pursuant to which, among other things, (a) the placing price has been revised to HK\$0.283 per placing Shares; and (b) the long stop date contemplated under the Placing Agreement further extended to 31 January 2022;
- (ix) with reference to the Company's announcement dated 23 February 2022, a settlement deed entered into between the Company and Trillion Joint Group Limited on 23 February 2022, pursuant to which the Company would issue 55,670,000 settlement Shares at HK\$0.170 per settlement Share to Trillion Joint Group Limited to settle the outstanding amount to Trillion Joint Group Limited of approximately HK\$9.57 million as at the material time resulted from a facility provided to the Company by Trillion Joint Group Limited on 4 October 2021 with an amount up to HK\$10 million;
- (x) with reference to the Company's announcement dated 23 February 2022, a settlement deed entered into between the Company and Wong Yu Man James on 23 February 2022, pursuant to which the Company would issue 42,500,000 settlement Shares at HK\$0.170 per settlement Share to Wong Yu Man James to settle the outstanding amount to Wong Yu Man James of approximately HK\$7.23 million as at the material time resulted from a facility provided to the Company by Wong Yu Man James on 19 November 2021 with an amount up to HK\$8 million;

- (xi) with reference to the Company's announcement dated 12 April 2022, the underwriting agreement entered into between the Company and Raffaello Securities (HK) Ltd. (the "**Raffaello Securities**") on 12 April 2022, pursuant to which, Raffaello Securities has agreed to subscribe for not less than 445,645,000 rights shares, and up to 465,491,500 rights shares representing an aggregate subscription amount ranging from approximately HK\$4.5 million to HK\$4.7 million, with a commission of 7.07%;
- (xii) with references to the Company's announcements dated 10 May 2022 and 25 May 2022, the supplemental underwriting agreement and the second supplemental underwriting agreement entered into between the Company and Raffaello Securities on 10 May 2022 and 25 May 2022 respectively, pursuant to which, the Company and Raffaello Securities agreed that the timetable for the Rights Issue shall have to be revised to such an extent that certain dates ought to be put off (the "**Extension**") and to carry out and give effect to the Extension;
- (xiii) the Term Sheet;
- (xiv) the Share Subscription Agreement (and the Supplemental Share Subscription Agreements) and the CB Subscription Agreement (and Supplemental CB Subscription Agreements);
- (xv) the Investor Bond Confirmation Deed; and
- (xvi) the Deed of Settlement.

10. LITIGATION

(a) ACCP Global Limited (HCA1618/2021)

On 1 September 2021, ACCP Global entered into a ACCP Subscription Agreement with the Company in relation to the ACCP Subscription. On 29 September 2021, the shares of the Company were allotted and issued to the Subscriber in two batches with the first one consisting of 40,000,000 and the second one comprising 46,000,000 of the shares of the Company. However, ACCP Global refused to pay any consideration for the Shares on the grounds that the Company allegedly misrepresented that it was in good financial health and standing and was not in default of any of its existing liabilities, despite being in default of multiple bond payables upon the date of the ACCP Subscription Agreement. On that basis, ACCP Global claimed that the ACCP Subscription Agreement had been repudiated and was not obliged to perform its obligations pursuant to the ACCP Subscription Agreement. On 26 October 2021, ACCP Global filed a writ of

summons (HCA1618/2021) against the Company and Mr. Chong Heung Chung Jason, the chairman and executive Director, to claim for the damages, cost, interest on the damages and further or/and other relief resulting from the alleged fraudulent misrepresentations made by the Company.

In response, the Company denied the alleged misrepresentations and on 18 August 2022, filed a Defence to Counterclaim against ACCP Global, Lau Wang Chi Barry being the ultimate beneficial owner of ACCP Global and Well Link Securities Limited, the referral agent whom introduced ACCP Global to the Company and, as suspected by the Company, helped ACCP Global to breach the terms of the ACCP Subscription Agreement (being the other 2 concert parties of ACCP Global) for damages to be assessed, an account of profits and payment of sums found due, cost, interest and further or/and other relief.

Having evaluated the merits of the Company's case, the Directors believe that ACCP Global's claim for the alleged misrepresentation is groundless. In view of the aforesaid, the Directors consider that no provision for this claim is necessary.

On 24 April 2023, the High Court has made a winding-up order against ACCP Global under HCCW 466/2022 so Lau Wang Chi Barry and Well Link Securities Limited shall have to bear the legal consequences of the case to indemnify the Group the damages resulted from the ACCP Subscription.

A hearing of the case took place on 15th July 2024 and the proceedings against ACCP Global will continue pending the leave to be granted by the High Court.

As at the last hearing, no decision has been made and the next hearing scheduled to be held on 27 August 2026. The Company will continue its action against ACCP Global, Lau Wang Chi Barry and Well Link Securities Limited.

For details of the share subscription, please refer to the announcements of the Company dated 1 September 2021 and 8 December 2021.

(b) Claims from bond and other loan holders

Up to the Latest Practicable Date, several demand letters and statutory demands were served on the Company by bond and other loan holders of the Company (the "**Holders**"). The Holders which are also Creditors under the Creditors' Scheme, demanded the Company to repay outstanding bond payables and accrued interest in an aggregate amount (up to 31 January 2026) of approximately HK\$198.09 million.

Details of the Holders and the corresponding payable amount

 Holders	 Nature	 Date of demand letters/ statutory demands served	 Status of demand letters/statutory demands	 Amount (HK\$)
China Sun Group Holding Limited	Other borrower	22 November 2022	On hold pending on completion of the Creditors' Scheme	88,372,285
鄒賽藍	Bonds	18 August 2022	On hold pending on completion of the Creditors' Scheme	17,206,062
Luo Suli	Bonds	30 December 2020	On hold pending on completion of the Creditors' Scheme	14,670,555
武春慶	Bonds	9 September 2022	On hold pending on completion of the Creditors' Scheme	15,001,237
王兵利	Bonds	8 October 2021	On hold pending on completion of the Creditors' Scheme	11,534,301
曲海峰	Bonds	30 June 2021	On hold pending on completion of the Creditors' Scheme	10,702,466
陳騰芳	Bonds	18 August 2022	On hold pending on completion of the Creditors' Scheme	8,573,658
陳豔平	Bonds	20 October 2022	On hold pending on completion of the Creditors' Scheme	8,408,945
唐景輝	Bonds	8 October 2021	On hold pending on completion of the Creditors' Scheme	6,667,671
馬百明	Bonds	11 April 2022	On hold pending on completion of the Creditors' Scheme	4,979,882
賴雲兵	Bonds	11 April 2022	On hold pending on completion of the Creditors' Scheme	8,212,679

Holders	Nature	Date of demand	Status of demand	Amount (HK\$)
		letters/ statutory demands served	letters/statutory demands	
郭維	Bonds	28 June 2022	On hold pending on completion of the Creditors' Scheme	2,179,126
呂鋼	Bonds	11 April 2022	On hold pending on completion of the Creditors' Scheme	1,576,726
Total				198,085,593

As of the Latest Practicable Date, no legal action has been taken by the Holders, and all of the above-mentioned payables have been included under the Creditors' Scheme; however, if the Creditors' Scheme does not proceed, the Company anticipates that these Holders shall re-submit their demand letters and statutory demands in an effort to recover the amounts owed to them.

(c) Claim from a service provider

In March 2025, iOne (Asia) Financial Press Limited, a service provider ("iOne") of the Company commenced civil proceeding against the Company in the District Court. iOne has made a claim against the Company for the sum of approximately HK\$1.86 million for professional services it rendered. The Company has filed a defence in September 2025 and the Company has received a writ of summon from the District Court in October 2025 in relation to the legal proceeding. The legal proceeding is ongoing as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

11. EXPERTS AND CONSENTS

The following is the qualification of the expert or professional adviser who have given opinions or advices contained in this circular:

Name	Qualification
SBI China Capital Hong Kong Securities Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
KTC Partners CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report or letter, as the case may be, and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did they have any rights or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which have been, since 31 March 2025, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Group.

12. CORPORATE INFORMATION**The Company**

Principal place of business of the Company in Hong Kong	Room 2905, 29th Floor China Resources Building No. 26 Harbour Road Wan Chai, Hong Kong
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Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited Tsim Sha Tsui CVC Branch 82–84 Nathan Road Kowloon, Hong Kong Hang Seng Bank Limited Chung On Street Branch 38 Chung On Street, Tsuen Wan New Territories, Hong Kong Bank of China (Hong Kong) Limited 56 and 58, Sai Kung Town Centre, 22–40 Fuk Man Road, Sai Kung, New Territories, Hong Kong
Cayman branch share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited 17M Floor Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong
Auditor	KTC Partners CPA Limited 1305–07, 13/F New East Ocean Centre 9 Science Museum Road Tsim Sha Tsui East Kowloon, Hong Kong

Company secretary	Mr. Luk Sik Tat Room 2905, 29th Floor China Resources Building No. 26 Harbour Road Wan Chai, Hong Kong
Authorised representatives	Mr. Chong Heung Chung Jason Room 2905, 29th Floor China Resources Building No. 26 Harbour Road Wan Chai, Hong Kong
	Mr. Luk Sik Tat Room 2905, 29th Floor China Resources Building No. 26 Harbour Road Wan Chai, Hong Kong
Legal adviser to the Company	<i>As to Hong Kong laws:</i> Stevenson, Wong & Co. 39/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
	<i>As to Cayman law:</i> Campbells 1301, 13/F, York House The Landmark 15 Queen's Road Central Hong Kong
Financial adviser to the Company	Veda Capital Limited Room 27, Units 405-414 Level 4, Core E Cyberport 3, 100 Cyberport Road Hong Kong

Independent financial adviser SBI China Capital Hong Kong Securities Limited
4/F, Henley Building,
No. 5 Queen's Road Central
Hong Kong

The Investor

Registered office 5/F, 7th Akiyama Building, 5-3 Kojimachi
Chiyado ku, Tokyo, Japan

Principal office 5/F, 7th Akiyama Building, 5-3 Kojimachi
Chiyado ku, Tokyo, Japan

Legal advisor to the Investor *As to Hong Kong laws:*
Louie Chan & Co.
Room 902, 9/F, General Commercial Building
156-164 Des Voeux Road, Central
Hong Kong

13. PARTICULARS OF DIRECTORS**Name****Address***Executive Directors*

Mr. Chong Heung Chung Jason Room 2905, 29th Floor
China Resources Building
No. 26 Harbour Road
Wan Chai, Hong Kong

Ms. Liu Moxiang Room 2905, 29th Floor
China Resources Building
No. 26 Harbour Road
Wan Chai, Hong Kong

Name**Address***Independent non-executive Directors*

Mr. Ni Zhenliang	Room 2905, 29th Floor China Resources Building No. 26 Harbour Road Wan Chai, Hong Kong
Mr. Wang Guozhen	Room 2905, 29th Floor China Resources Building No. 26 Harbour Road Wan Chai, Hong Kong
Mr. Hung Muk Ming	Room 2905, 29th Floor China Resources Building No. 26 Harbour Road Wan Chai, Hong Kong

14. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

15. MISCELLANEOUS

This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.animatechina.com), the SFC (www.sfc.hk) and the Stock Exchange (www.hkexnews.hk) between the period from the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;

- (ii) the annual reports of the Company for the two financial years ended 31 March 2023 and 2024, the annual results of the Company for the financial year ended 31 March 2025, the interim report for the six months ended 30 September 2024 and the interim results of the Company for the six months ended 30 September 2025;
- (iii) the letter from Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (iv) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (v) the letter of recommendation from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (vi) the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (vii) the material contracts referred to under the paragraph headed “9. Material Contracts” in this appendix;
- (viii) the letter of consents referred to under the paragraph headed “11. Experts and Consents” in this appendix; and
- (ix) this circular.

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華夏文化科技集團
CA CULTURAL TECHNOLOGY GROUP

CA CULTURAL TECHNOLOGY GROUP LIMITED

華夏文化科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01566)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “EGM”) of CA Cultural Technology Group Limited (the “Company”) will be held at 10:00 a.m. on Monday, 18 May 2026 at Room 2905, 29th Floor, China Resources Building, No. 26 Harbour Road, Wan Chai, Hong Kong to consider and, if thought fit, approve, with or without modifications, the following resolution as an ordinary resolution:

AS ORDINARY RESOLUTION

Share Consolidation

1. “**THAT** subject to the satisfaction of the conditions set out in the section headed “Letter from the Board — 3. The Capital Reorganisation and Change in Board Lot Size — 3.1. The Capital Reorganisation — Conditions of the Capital Reorganisation” in the circular of the Company dated 27 April 2026 (the “Circular”):
 - (a) every ten (10) issued existing shares of par value of HK\$0.10 each in the share capital of the Company will be consolidated into one (1) issued share of par value HK\$1.00 each (the “Consolidated Share”), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “Share Consolidation”);
 - (b) all fractional Consolidated Shares arising from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefits of the Company in such manner and on such terms as the directors (the “Director(s)”) of the Company may think fit; and

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- (c) any one Director be and is hereby authorised to do all such acts and things and execute all such documents, which are ancillary to the Share Consolidation on behalf of the Company, including under seal where applicable, as he may consider necessary or expedient to give effect to, implement and complete the Share Consolidation.”

AS SPECIAL RESOLUTION

Capital Reduction

2. **“THAT** subject to and conditional upon (i) the Share Consolidation becoming effective; (ii) an order being made by the Grand Court of the Cayman Islands (the **“Court”**) confirming the Capital Reduction (as defined below); (iii) the compliance with any conditions which the Court may impose in relation to the Capital Reduction; (iv) the registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Act (as revised) with respect to the Capital Reduction (as defined below); and (v) the Listing Committee of the Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**) granting the listing of, and permission to deal in, the new shares of par value of HK\$0.01 each (the **“New Shares”**) arising from the capital reorganisation of the Company which comprises the Share Consolidation, the Increase in Authorised Share Capital (as defined below) and the Capital Reduction (as defined below), with effect from the date on which the aforesaid conditions are fulfilled (the **“Effective Date”**):
- (a) the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.99 on each of the then issued new Consolidated Shares such that the par value of each issued new Consolidated Share will be reduced from HK\$1.00 to HK\$0.01 (the **“Capital Reduction”**);
- (b) the credit arising from the Capital Reduction in the amount of approximately HK\$117,022,158 be fully applied to set off part of the consolidated accumulated loss of the Company as at the Effective Date; and
- (c) any one Director be and is hereby authorised to do all such acts and things and execute all such documents, which are ancillary to the Capital Reduction, on behalf of the Company, including under seal where applicable, as he may consider necessary or expedient to give effect to, implement and complete the Capital Reduction.”

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AS ORDINARY RESOLUTION

Increase in Authorised Share Capital

3. **“THAT** subject to and conditional upon the Share Consolidation and the Capital Reduction becoming effective:
- (a) the authorised share capital of the Company will be increased from HK\$500,000,000 divided into 5,000,000,000 existing shares of par value HK\$0.1 each to HK\$10,000,000,000 divided into 1,000,000,000,000 new shares of par value HK\$0.01 each (the **“Increase in Authorised Share Capital”**); and
 - (b) any one Director be and is hereby authorised to do all such acts and things and execute all such documents, which are ancillary to the Increase in Authorised Share Capital, on behalf of the Company, including under seal where applicable, as he may consider necessary or expedient to give effect to, implement and complete the Increase in Authorised Share Capital.”

AS ORDINARY RESOLUTIONS

Share Subscription Agreement

4. **“THAT**
- (a) the conditional subscription agreement dated 26 January 2023 (and its supplemented agreements) (the **“Share Subscription Agreement”**, a copy of which has been produced to the Meeting and marked “A” and initialled by the chairman of the Meeting for identification purpose) entered into between the Company as issuer and Kyosei-Bank Co., Ltd. (the **“Investor”**) as subscriber in relation to the subscription of 530,800,000 News Shares (the **“Subscription Shares”**) by the Investor at the subscription price of HK\$0.1772 per Subscription Share (the **“Share Subscription”**) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (b) conditional upon the Listing Committee granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Subscription Shares, the Directors be and are hereby granted a specific mandate (the **“Subscription Shares Specific Mandate”**) to allot and issue, credited as fully paid, the Subscription Shares in accordance with the terms of the Share Subscription Agreement and such Subscription Shares (upon issue) shall rank *pari*

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passu in all respects with the New Shares in issue, provided that the Subscription Shares Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

- (c) any one Director be and is hereby authorised to take any action and execute such other documents, including under seal where applicable, as he considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Share Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Subscription Shares under the Subscription Shares Specific Mandate.”

CB Subscription Agreement

5. “THAT

- (a) the conditional subscription agreement dated 26 January 2023 (and its supplemented agreements) (the “**CB Subscription Agreement**”, a copy of which has been produced to the Meeting and marked “B” and initialled by the chairman of the Meeting for identification purpose) entered into between the Company as issuer and the Investor as subscriber in relation to the unsecured convertible bonds in the principal amount of HK\$25,000,000 (the “**Convertible Bonds**”) issued by the Company and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the conversion shares (the “**Conversion Shares**”) upon exercise of conversion rights attaching to the Convertible Bonds) be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Conversion Shares, the Directors be and are hereby granted a specific mandate (the “**Conversion Shares Specific Mandate**”) to allot and issue, credited as fully paid, the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds, provided that the Conversion Shares Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

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- (c) any one Director be and is hereby authorised to take any action and execute such other documents, including under seal where applicable, as he considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the CB Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Conversion Shares under the Conversion Shares Specific Mandate.”

AS ORDINARY RESOLUTION

Creditors' Scheme

6. **“THAT**

- (a) the proposed scheme of arrangement to be entered into between the Company and the creditor(s) pursuant to Sections 670, 671, 673 and 674 of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) (the **“Creditors' Scheme”**, the major terms of which are set out in the section headed “Letter from the Board — 4. The Debt Restructuring by way of the Creditors' Scheme” in the Circular) together with or subject to, any modification, addition or conditions approved or imposed by the High Court of Hong Kong, and the transactions contemplated thereunder and the execution and the performance thereof by the Company, be and are hereby confirmed, ratified and approved;
- (b) the proposed distribution of HK\$160,000,000 in cash to a special purpose vehicle held and controlled by the scheme administrators to hold the scheme assets (the **“SchemeCo”**) for holding for the benefits of the creditors prior to distributing to the creditors with admitted claims in accordance with the terms of the Creditors' Scheme, funded from the net proceeds from the subscriptions of the Subscription Shares and Convertible Bonds under Resolutions numbered 4 and 5 in this Notice be and is hereby confirmed and approved;
- (c) the proposed allotment and issue of 59,000,000 New Shares (the **“Scheme Shares”**) (at the issue price of HK\$0.1772 per New Share) to the SchemeCo for holding for the benefits of the creditors prior to distributing to the creditors with admitted claims in accordance with the terms of the Creditors' Scheme be and is hereby approved;
- (d) conditional upon the Listing Committee granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in the Scheme Shares, the Directors be and are hereby granted a specific mandate (the **“Scheme**

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Shares Specific Mandate”) to allot and issue, credited as fully paid, the Scheme Shares in accordance with the terms of the Creditors’ Scheme and such Scheme Shares (upon issue) shall rank *pari passu* in all respects with the New Shares in issue, provided that the Scheme Shares Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

- (e) any one Director be and is hereby authorised to take any action and execute such other documents, including under seal where applicable, as he considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Creditors’ Scheme and the transactions contemplated thereunder.”

AS ORDINARY RESOLUTION

Scheme’s Special Deals

7. **“THAT** conditional upon the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegate(s) (the **“Executive”**) granting consent to the proposed settlement of the indebtedness due to China Sun Group Holding Limited, Ms. Chow Wai Man Grace, Mr. Wong Yu Man James and Ms. Wong Lau Chui Chui and Mr. Ho Chi Ping (who together hold in aggregate 220,888,000 Shares in the Company as at the Latest Practicable Date) under the Creditors’ Scheme, and which constitutes a special deal (the **“Scheme’s Special Deals”**) under Rule 25 of The Hong Kong Codes on Takeovers and Mergers (the **“Takeovers Code”**) if the above persons and entities are admitted as scheme creditors of the Company by the scheme administrators through their participation in the Creditors’ Scheme upon taking effect of the Creditors’ Scheme, the Scheme’s Special Deals be and is hereby confirmed, ratified and approved.”

AS ORDINARY RESOLUTION

Mr. Lam’s Special Deal

8. **“THAT** conditional upon the Executive granting consent to the proposed settlement of the indebtedness due to Mr. Lam Siu Leung (who hold 20,000,000 Shares in the Company as at the Latest Practicable Date), and which constitutes a special deal (the **“Mr. Lam’s Special Deal”**) under the Takeovers Code, Mr. Lam’s Special Deal be and is hereby confirmed, ratified and approved.”

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AS SPECIAL RESOLUTION

Whitewash Waiver

9. “**THAT** subject to the passing of Resolutions numbered 1 to 4 set out in this Notice:
- (a) the whitewash waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code waiving any obligation (either unconditionally or subject to such conditions as may be required by the Executive) on the part of the Investor to make a mandatory general offer for all the New Shares not already owned or agreed to be acquired upon completion of the Share Subscription, be and is hereby confirmed and approved; and
 - (b) any one Director be and is hereby authorised to take any action and execute such other documents, including under seal where applicable, as he considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Whitewash Waiver and the transactions contemplated thereunder.”

By order of the board of
CA Cultural Technology Group Limited
Chong Heung Chung Jason
Chairman and Executive Director

Hong Kong, 27 April 2026

Registered Office:
Cricket Square,
Hutchins Drive, P.O. Box 2681,
Grand Cayman,
KY1-1111,
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*
Room 2905, 29th Floor,
China Resources Building,
No. 26 Harbour Road,
Wan Chai,
Hong Kong

Notes:

1. All resolutions at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

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3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before (i.e. 10:00 a.m. on Saturday, 16 May 2026) the time appointed for holding the EGM or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the EGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoke.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
7. For determining the entitlement of shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 May 2026 to Monday, 18 May 2026, both days inclusive, during which period no transfer of shares of the Company shall be effected. To qualify for the attendance and voting at the EGM of the Company, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 May 2026.

As of the date of this notice, the executive Directors are Mr. Chong Heung Chung Jason and Ms. Liu Moxiang and the independent non-executive Directors are Mr. Ni Zhenliang, Mr. Wang Guozhen and Mr. Hung Muk Ming.