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26 May 2026

To: The Independent Board Committee of
China Ecotourism Group Limited

Dear Sirs/Madams,

(1) PROPOSED RESTRUCTURING INVOLVING CREDITORS SCHEME;
(2) CONNECTED TRANSACTION – ISSUE OF SCHEME SHARES UNDER SPECIFIC MANDATE;
AND
(3) APPLICATION FOR WHITEWASH WAIVER AND CONSENT FOR SPECIAL DEAL

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 26 May 2026 (the "**Circular**"), issued by China Ecotourism Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), 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.

As disclosed in the announcement of the Company dated 11 March 2025, on 11 March 2025, the Company received the Winding-up Petition, which was filed against the Company on the same date at the Hong Kong Court by the Petitioner for the winding up of the Company under the provisions of the Companies (WUMP) Ordinance. The Winding-up Petition relates to the outstanding indebtedness in the amount of HK$78,542,936.71 (inclusive of the accrued interest). As advised by the Management and based on our review of the relevant documents provided by the Company, the indebtedness arose from a loan facility granted by the Petitioner to the Group, which was secured by a mortgage over a property owned by the Group. As the Company was unable to repay the loan when due, the Petitioner subsequently exercised its enforcement rights to dispose of the mortgaged property. However, the disposal proceeds were insufficient to fully repay the outstanding principal amount and the accrued interest of the loan.

Accordingly, the remaining unpaid principal amount, together with the accrued interest thereon, formed the outstanding indebtedness under the Winding-up Petition.

In light of the Winding-up Petition and the Company's currently severe financial difficulties, the Board intends to pursue a restructuring and to formulate the terms of the proposed Restructuring, which the Board (including the members of the Independent Board Committee) considers to be in the interest of all of the stakeholders in the Company, including the Creditors. Therefore, on 25 March 2026, the Company announced that the Group proposes to implement the proposed Restructuring, which involves, among others, (i) the Capital Reorganisation; (ii) the Share Premium Cancellation; and (iii) the Creditors Scheme.

The Creditors Scheme shall be implemented, pursuant to which the Creditors with Admitted Scheme Claim(s) would be entitled to receive the Scheme Shares in total of 326,666,666 New Shares or cash to be realised from the Disposal of the Scheme Shares (subject to the maximum Cap of 65,000,000 Scheme Shares) held by the Scheme Company on a *pari passu* basis for the respective Admitted Scheme Claim(s).

Each Creditor shall have the option to choose either (i) the Equity Option to receive the entitled Scheme Shares or (ii) the Cash Option to receive cash to be realised from the Disposal of the Scheme Shares (subject to the maximum Cap of 65,000,000 Scheme Shares) held by the Scheme Company for their benefit as detailed in the Board Letter.

IMPLICATIONS UNDER THE LISTING RULES

Connected Transaction – Issue of Scheme Shares to Directors and former Director

Based on the records of the Company with interests calculated up to 30 June 2025, the Company has certain Directors' remuneration and owed to (i) three existing Directors, namely Mr. Di Ling, Dr. Meng Zhijun and Mr. Duan Xinxiao; and (ii) Mr. Wang Anyuan, being a former Director, who had served as a Director in the past 12 months.

Subject to adjudication by the Scheme Administrators upon the Creditors Scheme taking effect, Mr. Di Ling, Dr. Meng Zhijun, Mr. Duan Xinxiao and Mr. Wang Anyuan will be Director Creditors.

Accordingly, the issue and allotment of Scheme Shares to the Director Creditors under the Creditors Scheme constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll.

Connected Transaction – Issue of Scheme Shares to deemed connected persons

Based on the records of the Company with interests calculated up to 30 June 2025, (a) among the amounts due from the Group to Trinity Eagle of approximately HK$269 million, approximately HK$80 million are receivables acquired from Ms. Lau Ting (i.e. the controlling shareholder of the Company and a former executive Director) and Ms. Chan Tan Na Donna (i.e. a former executive Director and daughter of Ms. Lau Ting) pursuant to the Assignments; and (b) among the amounts due from the Group to Mr. Norman Chan of approximately HK$6.2 million, approximately HK$4.1 million are receivables acquired from Ms. Zhu Xinxin (i.e. an executive Director).

Subject to adjudication by the Scheme Administrators upon the Creditors Scheme taking effect, Scheme Shares will be allotted and issued to Trinity Eagle and Mr. Norman Chan.

Given that Trinity Eagle proposes to enter into a transaction with the Company (i.e. the Creditors Scheme) and entered into an arrangement (i.e. the Assignments) with Ms. Lau Ting (the controlling shareholder of the Company and thus a connected person of the Company), Trinity Eagle is a deemed connected person of the Company under Rule 14A.20 of the Listing Rules.

Given that Mr. Norman Chan proposes to enter into a transaction with the Company (i.e. the Creditors Scheme) and entered into an arrangement with Ms. Zhu Xinxin (an executive Director and thus a connected person of the Company), Mr. Norman Chan is a deemed connected person of the Company under Rule 14A.20 of the Listing Rules.

Accordingly, the issue and allotment of Scheme Shares to Trinity Eagle and Mr. Norman Chan under the Creditors Scheme constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll.

As such, Ms. Lau Ting and Ms. Zhu Xinxin are involved in or interested in the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal, and the transactions contemplated thereunder and will have to abstain from voting on the relevant resolution(s).

IMPLICATIONS UNDER THE TAKEOVERS CODE

Application for Whitewash Waiver

With reference to the Board Letter, as at the Latest Practicable Date, Trinity Eagle, Mr. Chan and parties acting in concert with any of them did not hold, own, control or have direction over any Shares, outstanding options, warrants or any securities that are convertible into Shares or any derivative in respect of the securities in the Company, or hold any relevant securities in the Company.

Based on the records of the Company and as at the Latest Practicable Date, other than part of the outstanding principal amount of the New Bonds in the amount of approximately HK$189 million and the interest accrued thereon and the Working Capital Facility in the amount of approximately HK$10.48 million and the interest accrued thereon (which will be an excluded claim from the Creditors Scheme), Trinity Eagle is a creditor of the Company in relation to certain receivables in the total amount of approximately HK$80 million acquired by Trinity Eagle from Ms. Lau Ting and Ms. Chan Tan Na Donna pursuant to the Assignments on 25 March 2026 (among which (a) approximately HK$49.3 million represents advances (including accrued interest) provided to the Group by Ms. Lau Ting and approximately HK$10.5 million is the outstanding salary due to Ms. Lau Ting, and Ms. Lau Ting is a former executive Director and is interested in approximately 33.86% of the issued share capital of the Company as at the Latest Practicable Date; and (b) approximately HK$10.3 million represents advance (including accrued interest) provided to the Group by Ms. Chan Tan Na Donna and approximately HK$9.5 million is the outstanding salary due to Ms. Chan Tan Na Donna, and Ms. Chan Tan Na Donna is a former executive Director and does not have any interest in issued share capital of the Company as at the Latest Practicable Date, which is subject to adjudication and the final determination by the Scheme Administrators in accordance with the terms of the Creditors Scheme). Given that Ms. Lau Ting and Ms. Chan Tan Na Donna irrevocably and unconditionally agree to transfer the consideration payable by Trinity Eagle at the aggregate amount of HK$6.5 million upon the Creditors Scheme becoming effective pursuant to the Assignments to the Group as gift, the Assignments do not have any favourable conditions which are not extended to all Shareholders, and as such, do not constitute special deal under Rule 25 of the Takeovers Code. As such, Trinity Eagle, Mr. Chan and parties acting in concert with any of them will be interested in 179,136,362 New Shares (based on the issue price of HK$1.50 per Scheme Share), representing approximately 52.36% of the enlarged issued share capital of the Company immediately after completion of the Creditors Scheme (assuming (i) the outstanding debt to be converted at HK$1.50 per Scheme Share; (ii) the Capital Reorganisation has become effective; and (iii) there is no other change in the issued share capital of the Company from the Latest Practicable Date and up to the effective date of the Creditors Scheme (other than as a result of the Capital Reorganisation and the Creditors Scheme)).

As such, Trinity Eagle would be required to make a mandatory general offer to acquire all the issued shares of the Company (not already owned or agreed to be acquired by Trinity Eagle, Mr. Chan and parties acting in concert with any of them), unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

Trinity Eagle has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver, the Capital Reorganisation and the transactions contemplated thereunder and by at least 50% of the votes cast by the Independent Shareholders at the SGM by way of poll in respect of the Creditors Scheme, the Special Deal, and the transactions contemplated thereunder, in which Trinity Eagle, Mr. Chan and parties acting in concert with any of them, Ms. Lau Ting, Ms. Zhu Xinxin and Mr. Qiu Peiyuan who are involved in or interested in the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal, and the transactions contemplated thereunder will have to abstain from voting on the relevant resolution(s). If the Whitewash Waiver is not approved by the Independent Shareholders, the proposed Restructuring will not proceed further. For the avoidance of doubt, the Creditors Scheme is not subject to the independent shareholders' approval in respect of the Share Premium Cancellation.

Consent for Special Deal

Among the Shareholders, Mr. Qiu Peiyuan is the creditor of the Company based on the books and records of the Company.

As at the Latest Practicable Date, based on the books and records of the Company, Mr. Qiu Peiyuan (a former Director) is interested in 1,955,500 Shares (representing approximately 1.27% of the issued Shares as at the Latest Practicable Date) and is a creditor of the Company with debt in the amount of approximately HK$0.5 million (all of which is outstanding director's remuneration). Subject to adjudication and final determination by the Scheme Administrators, among the Shareholders, Mr. Qiu Peiyuan will be a Creditor. Scheme Shares may be allotted and issued to the Creditor Shareholders under the Creditors Scheme if it becomes effective and such allotment and issue of the Scheme Shares are not extended to other Shareholders who are not Creditors. If Mr. Qiu Peiyuan elects for the Cash Option, the Scheme Company shall have the right to dispose of the relevant Scheme Shares for the benefit of Mr. Qiu Peiyuan under the Disposal, and such arrangement is not extended to other Shareholders who are not Creditors. As such, the Creditors Scheme (including the Disposal under the Cash Option) constitutes a special deal under Note 5 of Rule 25 of the Takeovers Code, and requires the consent of the Executive, provided that the Independent Financial Adviser considers that the terms of the transactions contemplated thereunder are fair and reasonable and the transaction is approved by the Independent Shareholders at the SGM.

As such, Mr. Qiu Peiyuan, his associates and parties acting in concert with him will be required to abstain from voting on the relevant resolutions relating to the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal, and the transactions contemplated thereunder to be proposed at the SGM.

Application has been made to the Executive for its consent to the Special Deal under Rule 25 of the Takeovers Code.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising Mr. Lau Fai Lawrence, being one of the independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, has been formed to advise the Independent Shareholders as to whether the terms of the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interest 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 remaining independent non-executive Directors, namely, Mr. Duan Xinxiao and Dr. Meng Zhijun are not included in the Independent Board Committee as they are creditors of the Company based on the books and records of the Company, and they are materially interested in the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder. We, Merdeka Corporate Finance Limited, have been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in this respect.

OUR INDEPENDENCE

We, Merdeka Corporate Finance Limited, are not associated with the Company, Trinity Eagle, Mr. Chan and parties acting in concert with any of them, Ms. Lau Ting, Ms. Zhu Xinxin and Mr. Qiu Peiyuan, or any party acting, or presumed to be acting, in concert with any of them. We do not have any relationship with or interests in the Company, Trinity Eagle, Mr. Chan and parties acting in concert with any of them, Ms. Lau Ting, Ms. Zhu Xinxin and Mr. Qiu Peiyuan, or any party acting, or presumed to be acting, in concert with any of them. We have not acted as an independent financial adviser to the other transactions of the Company in the last two years prior to the date of the Circular. Apart from normal professional fees paid or payable to us in connection with this engagement, no other arrangement exists whereby we will receive any fees or benefits from the Company, Trinity Eagle, Mr. Chan and parties acting in concert with any of them, Ms. Lau Ting, Ms. Zhu Xinxin and Mr. Qiu Peiyuan, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (a) the information, facts and representations contained or referred to in the Circular; (b) the information and facts supplied by the Group and its advisers; (c) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (d) our review of relevant public information, including but not limited to announcements, circulars and financial reports published on the websites of the Stock Exchange, as well as the industry statistics published by the relevant official authorities in the PRC. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and as at the Latest Practicable Date, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such information provided and representations made, or if there is any change to our opinion in accordance with Rule 9.1 of the Takeovers Code.

We consider that we have reviewed the relevant information currently available, including, but not limited to, (i) the announcement made by the Company dated 25 March 2026 in respect of, among others, the proposed Restructuring, application for the Whitewash Waiver and consent for Special Deal (the "**Announcement**"); (ii) the annual report of the Company for the year ended 30 June 2025 and the interim report of the Company for the six months ended 31 December 2025, respectively; (iii) other information contained in the Circular, to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Company or Trinity Eagle or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

1.1 Background information of the Group

(a) Principal businesses

As set out in the Board Letter, the Company is an investment holding company and the Group is principally engaged in (i) provision of technology and operation services for lottery systems, terminal equipment and gaming products in the China's lottery market, which covers various lottery products ranging from video lottery, computer-generated ticket games and KENO-type lottery to new media lottery (collectively, the "**Lottery Business**"); and (ii) research and development, processing, production and sales of natural and health food. As noted from the interim report of the Company for the six months ended 31 December 2025 (the "**2025/2026 Interim Report**"), the Group discontinued its ecotourism business.

(b) Financial information of the Group

Set out below is a summary of the consolidated financial information (i) for the year ended 30 June 2024 and 2025 as extracted from the Company's annual report for the year ended 30 June 2025 (the "**2024/2025 Annual Report**"); and (ii) for the six months ended 31 December 2024 and 2025 as extracted from the 2025/2026 Interim Report, respectively.

	For the six months ended 31 December		**For the year ended 30 June**	
	2025	**2024**	**2025**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	51,615	97,033	111,895	67,319
– Sales of lottery systems, terminal equipment and related products	*43,947*	*86,171*	*71,550*	*22,715*
– Sales of natural and health food	*166*	*30*	*30*	*2,464*
– Provision of technical and maintenance services	*7,502*	*10,832*	*37,656*	*39,432*
– Provision of operation and management services for the ecotourism business	–	*1,318*	*2,659*	*2,708*
Gross profit	22,622	47,211	40,967	27,436
Operating profit /(loss)	7,437	(41,514)	(41,142)	(259,484)
Loss for the period/year	(27,339)	(59,916)	(73,087)	(274,610)
Profit/(Loss) attributable to:				
Owners of the Company	(29,412)	(67,748)	(72,363)	(271,967)
Non-controlling interests	2,073	7,832	(724)	(2,643)

	As at 31 December 2025	**As at 30 June 2025**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Total assets	131,615	157,557
– Restricted bank deposits	18,011	19,385
– Cash and bank balances	58,145	59,176
Total liabilities	649,767	648,972
– Amounts due to key management personnel	14,376	14,886
– Bank and other borrowings	131,973	140,725
– Unlisted bonds	209,253	194,699
Net liabilities/Total deficit	(518,152)	(491,415)
Net current liabilities	(507,548)	(479,108)
Gearing ratio	493.7%	411.9%

For the six months ended 31 December 2025 and 2024

The Group recorded revenue from the continuing operations of approximately HK$51.6 million for the six months ended 31 December 2025, representing a decrease of approximately 46.8% as compared to the revenue of approximately HK$97.0 million for the corresponding period in 2024. Such decrease was mainly attributable to the reduction in revenue generated from the sales of lottery terminals and related equipment, which decreased from approximately HK$86.2 million for the six months ended 31 December 2024 to approximately HK$43.9 million for the six months ended 31 December 2025. As advised by the Management, such decline in sales of lottery terminals and related equipment was mainly attributable to a decrease in the sale of lottery terminals in China sports lottery market under open tender. Notwithstanding the decrease in revenue for the six months ended 31 December 2025, the Group recorded a decline in net loss of approximately HK$27.3 million, representing a narrowing of approximately 54.4% as compared to a loss of approximately HK$59.9 million for the six months ended 31 December 2024. As advised by the Management, the reduction in net loss for the six months ended 31 December 2025, as compared to the corresponding period in 2024, was primarily attributable to the absence of a one-off fair value loss of approximately HK$53.1 million recognised in 2024 in relation to a pledged property (the "**Pledged Property**"), which was taken over by the receivers on behalf of a creditor bank in the PRC (as the petitioner) in November 2023 and subsequently disposed of by the receivers in December 2024.

As at 31 December 2025, the Group had outstanding bank and other borrowings with an aggregate principal amount of approximately HK$132.0 million, representing a decrease from approximately HK$140.7 million as at 30 June 2025. Meanwhile, the Group's net current liabilities and total deficit as at 31 December 2025 amounted to approximately HK$507.5 million and HK$518.2 million, respectively, representing increases of approximately 5.9% and 5.4%, respectively, as compared to 30 June 2025. Such financial position indicates that the Group continued to face significant liquidity pressure and remained in a net liabilities position, reflecting its ongoing financial difficulties. As advised by the Management, the net liabilities position of the Group was primarily attributable to (i) the significant erosion of the Group's asset base as a result of substantial impairment provisions of approximately HK$508.1 million recognised in prior years in respect of its loans receivable and investments following the defaults on the repayments of borrowers of the loans granted by the Group (details of the loans are set out in the section headed "3. Reasons for and benefits of the proposed Restructuring" below in this letter); and (ii) the significant reduction in asset value following the disposal of the Pledged Property by the receivers at proceeds of approximately HK$130.8 million, which was below its carrying amount of approximately HK$318.4 million as at 30 June 2023 being latest audited financial year end the Pledged Property was taken over as mentioned above.

As further illustrated in the above table, the Group had an aggregate cash and bank balances of approximately HK$76.2 million as at 31 December 2025, which were insufficient to cover its total liabilities of approximately HK$649.8 million, including the estimated Admitted Scheme Claims of approximately HK$490.0 million. As advised by the Management, the majority of the Group's cash balances were held by its subsidiaries in the PRC for maintaining the Group's core operations in the Chinese lottery market, including manufacturing and materials procurement, and part of the Group's cash balances comprised restricted bank balances pledged for the performance and fulfillment of contracts in the Group's lottery business. The Management further advised that the Company's average daily usable cash balance was not more than approximately HK$0.5 million, which was financed by the Working Capital Facility and primarily used for maintaining the Company's listing status (i.e. registration fees and legal and professional fees) and handling share registration matters.

For the year ended 30 June 2025 and 30 June 2024

The Group recorded total revenue of approximately HK$111.9 million for the year ended 30 June 2025, representing an increase of approximately 66.2% as compared to approximately HK$67.3 million for the corresponding period in 2024, which was mainly attributable to the growth in revenue generated from the sales of lottery terminals and related equipment, which increased from approximately HK$22.7 million for FY2024 to approximately HK$71.6 million for the year ended 30 June 2025. As advised by the Management, such growth in sales of lottery terminals and related equipment was mainly attributable to an increase in the sale of lottery terminals under open tender. The Group recorded a loss of approximately HK$73.1 million for FY2025, representing a narrowing of approximately 73.4% as compared to a net loss of approximately HK$274.6 million for FY2024. As advised by the Management, the decrease in net loss for FY2025 as compared with FY2024 was primarily attributable to the absence of a one-off fair value loss recognised in FY2024. Such one-off fair value loss amounted to approximately HK$131.8 million and was related to the markdown in value of the Pledged Property following the Group's failure to repay its liabilities under a loan facility provided by the petitioner. As a result, the carrying amount of the Pledged Property was reduced from approximately HK$315.8 million to approximately HK$184.0 million, being its valuation for sale under repossession.

As at 30 June 2025, the Group had outstanding bank and other borrowings of approximately HK$140.7 million, as compared to approximately HK$7.7 million as at 30 June 2024. The gearing ratio of the Group, defined as total liabilities divided by total assets, was approximately 411.9% as at 30 June 2025, as compared to approximately 466.8% as at 30 June 2024. As at 30 June 2025, the Group recorded net current liabilities of approximately HK$479.1 million, as compared to approximately HK$408.0 million as at 30 June 2024, and net liabilities of approximately HK$491.4 million, as compared to approximately HK$420.3 million as at 30 June 2024. Such financial position indicates that the Group remained in a net liabilities position with elevated leverage and continued to face liquidity pressure. As advised by the Management, the net liabilities position of the Group was primarily attributable to (i) the significant erosion of the Group's asset base due to the defaults on the repayments of borrowers of the loans granted by the Group; and (ii) the significant reduction in asset value following the disposal of the Pledged Property by the receivers as mentioned above.

With reference to the 2025/2026 Interim Report, apart from the Group's net liabilities and net current liabilities position, the Group had also experienced defaults in respect of certain borrowings and bonds, which gave rise to enforcement actions, including the appointment of joint and several receivers and managers over the shares held by a wholly owned subsidiary in Goldwide Limited. In addition, the Company has been subject to winding-up petitions, including the petition filed on 11 March 2025 by a creditor in relation to an outstanding indebtedness of approximately HK$78.5 million. According to the Company's announcement dated 27 February 2026, the hearing of such petition was further adjourned to 1 June 2026.

In light of the above, the Creditors Scheme represents a critical and integral component of the Company's proposed Restructuring, as upon completion of the Creditors Scheme, all the claims of the Creditors against the Company and liabilities of the Company, and all the claims of the Creditors against the subsidiaries of the Company with such liabilities guaranteed by the Company will be compromised, discharged and released in full. Accordingly, the implementation of the Creditors Scheme is expected to substantially alleviate the Group's debt burden and improve its financial position and liquidity.

2. Background information of Trinity Eagle

Trinity Eagle is a limited liability company incorporated in the British Virgin Islands on 15 April 2025 and beneficially wholly owned by Mr. Chan. Trinity Eagle is principally engaged in investment holding. As at the Latest Practicable Date, with interests calculated up to 30 June 2025, the Group is in debt to Trinity Eagle in the sum of approximately HK$269 million, among which (i) approximately HK$189 million is the outstanding principal amount of the New Bonds;

and (ii) approximately HK$80 million is the receivables acquired from Ms. Lau Ting and Ms. Chan Tan Na Donna pursuant to the Assignments.

In November 2024, Mr. Chan (being the ultimate beneficial owner of Trinity Eagle) acquired the interest in the New Option 1 Bonds in the outstanding principal amount of HK$148.9 million and the interest accrued thereon from BFAM Asian Opportunities Master Fund, L.P. Immediately prior to the settlement of the Exchange Proposal on 9 July 2025, Mr. Chan was the ultimate beneficial owner of the New Option 1 Bonds in the outstanding principal amount of approximately HK$148.9 million with interest accrued thereon amounting to approximately HK$40.3 million as at 9 July 2025. Upon the settlement of the Exchange Proposal on 9 July 2025, the New Bonds in part of the principal amount of approximately HK$189 million was issued to Trinity Eagle (as the nominee of Mr. Chan), which is subject to adjudication and the final determination by the Scheme Administrators in accordance with the terms of the Creditors Scheme.

In addition to the New Bonds, on 18 December 2024, Mr. Chan also provided the Working Capital Facility to China LotSynergy Group Limited (a direct wholly-owned subsidiary of the Company) in the amount of up to HK$15 million for the purpose of financing the general working capital requirements of the Group. The Working Capital Facility shall bear compound interest at 18% per annum with an availability period ending on 30 June 2026 or such later date as the parties may agree in writing. Any amount drawn under the Working Capital Facility shall be repaid on the date falling 12 months from the relevant drawdown date(s) or such other date as the parties may agree in writing.

The obligations of China LotSynergy Group Limited under the Working Capital Facility are secured by a share charge over 100% share capital of Champ Mark Investments Limited (an indirect subsidiary of the Company) and guaranteed by the Company. As at the Latest Practicable Date, part of the Working Capital Facility in the amount of approximately HK$10.48 million has been drawn down. Any amounts owed by the Group to Mr. Chan under the Working Capital Facility will be excluded claims and will not be discharged or settled by the Creditors Scheme.

Further, pursuant to the Trinity Eagle Undertaking, Trinity Eagle agrees to provide a facility in the amount of up to HK$9.75 million to China LotSynergy Group Limited (a direct subsidiary of the Company) for the Company to discharge its obligations under the Price Protection. The loan under the Trinity Eagle Undertaking may be drawn during the Disposal Period (i.e. the 6-month period commencing from the date on which the adjudication and the final determination by the Scheme Administrators having been completed) and shall bear compound interest at 18% per annum and shall be repaid on the date falling 12 months from the relevant drawdown date(s) or such other date as the parties may agree in writing.

The obligations of China LotSynergy Group Limited under the loan to be provided pursuant to the Trinity Eagle Undertaking are unsecured but are guaranteed by the Company. Any amounts owed by the Group to Mr. Chan under the loan to be provided pursuant to the Trinity Eagle Undertaking will be excluded claims and will not be discharged or settled by the Creditors Scheme.

Mr. Chan, aged 48, graduated from York University in Canada in 1999. He has over 20 years of corporate management and business experience in different fields, including trading, import and export, distribution and retail of reptiles and related products. Mr. Chan is also a professional investor with over 20 years of experience spanning multiple asset classes including but not limited to real estate investment such as industrial and commercial properties in Hong Kong, and land and properties in Indonesia and Canada, equity investment, investment in debt and distressed assets in Hong Kong, and foreign exchange. In order to leverage his corporate management experience and utilise the existing management's experience in the lottery business of the Group, Mr. Chan intends to retain the existing management team in the operating subsidiaries of the Group.

Each of Trinity Eagle and Mr. Chan is an Independent Third Party and was not a former Shareholder.

3. Reasons for and benefits of the proposed Restructuring

As understood from the Board Letter, the Company is in financial distress and faces liquidity constraints, with insufficient financial resources to satisfy its outstanding indebtedness. As disclosed in the annual reports of the Company, the Group has recorded net losses consistently since the year ended 31 December 2015, with net losses of approximately HK$73.1 million for FY2025, and the Group continued to record a net loss of approximately HK$27.3 million for the six months ended 31 December 2025, indicating its ongoing loss-making position. The Group's financial position has continued to deteriorate, as evidenced by its total deficit increasing from approximately HK$420.3 million as at 30 June 2024 to approximately HK$491.4 million as at 30 June 2025, and further to approximately HK$518.2 million as at 31 December 2025. Meanwhile, the Group's gearing ratio (defined as total liabilities over total assets), further increased from approximately 466.8% as at 30 June 2024 to approximately 493.7% as at 31 December 2025, indicating a continued deterioration in the Group's financial position.

The deteriorating financial condition of the Group since 2015 has been attributable to multiple factors, mainly (i) the expiry of the Group's China Welfare Lottery Video Lottery supply contract on 28 June 2015, which had negatively affected the Group's income from provision of lottery terminals and lottery sale channels, with such income decreasing by approximately 44.46% for the year ended 31 December 2015 as compared with 2014, and thus resulting in a significant impact on the Group's cash flow and profitability since then; (ii) the loans granted by the Group between 2014 and 2018, which the aggregate principal sum amounted to approximately HK$468.0 million, details of which are set out in below table. Following the defaults on the repayments of borrowers of the loans, the Company has recorded accumulated impairment losses of approximately HK$501.3 million on the loan receivables as at 31 December 2019; and (iii) the impairment provision made by the Group for the year ended 31

December 2019 in relation to the consideration of HK$35.0 million for the Group's subscription of 37.5% interest in Pan Asia Blockchain Lottery Limited on 5 September 2018, taking into account the low likelihood of recovery of the investment, given that the other parties involved in the Group's subscription have become uncontactable and Pan Asia Blockchain Lottery Limited had ceased operation.

Notwithstanding that the Company has considered various actions to recover the abovementioned loan receivables and the consideration for subscription, including but not limited to, engaging debt recovery agents and commencing formal legal actions, taking into account the financial difficulties of the borrowers, the enormous amount of financial and human resources potentially required for the Group to pursue such recovery actions, and the highly unpredictable outcomes, the Company considered that no practical further actions can be taken by the Group to recover most of the loan receivables and the consideration for subscription. As at the Latest Practicable Date, approximately RMB20.0 million of the outstanding loan receivables due from Zhongrong Green Financial Leasing Co.,Ltd.* (中融綠色融資租賃有限公司) (being the Loan 9(a) & 9(b) in the table below) have been fully settled pursuant to the loan restructuring agreement dated 31 December 2020 entered into between Zhongrong Green Financial Leasing Co., Ltd.* (中融綠色融資租賃有限公司) and Guangzhou Three Rings Yongxin Technology Company Limited* (廣州市三環永新科技有限公司) (a PRC subsidiary of the Company).

Table: Summary of the loans (the "Loans") granted by the Company

The table below sets forth the details of the loans granted by the Group between 2014 and 2018:

Loan	Borrower (collectively, the "Borrowers")	Date of agreement for the respective loan	Ultimate beneficial owner	Amount of the (a) principal and (b) interest rates	Term of the respective loan and repayment terms	Reasons of default
1	Seng Keng Promocao De Jogos Sociedade Unipessoal Limitada	21 August 2014	Mr. Bai He (白鶴)	(a) HK$50,000,000 (b) 8% p.a.	Within 180 days; repayable on demand at request of the Lender, or Borrower may repay a portion before the maturity date	The borrower failed to repay the outstanding principal upon maturity/demand, and the Group subsequently lost contact with the borrower.
2	Global Link Investment Limited	14 May 2014	Mr. Xing Wei Dong (邢衛東)	(a) HKD80,000,000 (b) 7% p.a.	4 months	The borrower failed to repay the outstanding principal upon maturity/demand, and the Group subsequently lost contact with the borrower.

Loan	Borrower (collectively, the "Borrowers")	Date of agreement for the respective loan	Ultimate beneficial owner	Amount of the (a) principal and (b) interest rates	Term of the respective loan and repayment terms	Reasons of default
3	Wealthy Capital Enterprises Inc.	4 February 2016	Ms. Cheung Kwan (張軍)	(a) HKD100,000,000 (b) 6% p.a.	Approximately 10 months	The borrower failed to repay the loan upon maturity. The relevant guarantor was later subject to bankruptcy proceedings.
4a	Unionconcept Investment Ltd.	21 November 2016	Mr. Yu Yang (于洋)	(a) HKD48,000,000 (b) 5% p.a.	12 months, may repay before the maturity date	The borrower failed to repay the outstanding loan upon maturity/demand, and the Group subsequently lost contact with the borrower.
4b	Unionconcept Investment Ltd.	12 December 2016	Mr. Yu Yang (于洋)	(a) HKD40,000,000 (b) 5% p.a.	12 months, may repay before the maturity date	The borrower failed to repay the outstanding loan upon maturity/demand, and the Group subsequently lost contact with the borrower.
5a	Oceanic Ray Limited	15 January 2015	Mr. Chen Lei (陳蕾)	(a) HKD20,000,000 (b) 5.5% p.a.	1 year, may repay before the maturity date	The borrower failed to repay the outstanding loan upon maturity/demand, and the Group subsequently lost contact with the borrower.
5b	Oceanic Ray Limited	9 August 2016	Mr. Chen Lei (陳蕾)	(a) HKD25,000,000 (b) 5% p.a.	6 months, may repay before the maturity date	The borrower failed to repay the outstanding loan upon maturity/demand, and the Group subsequently lost contact with the borrower.
6	Shenzhen Sea World Industrial Development Co., Ltd.* (深圳市海上世界實業發展有限公司)	23 June 2016	Mr. Zou Xian Min (鄒先敏)	(a) RMB15,000,000/ HKD17,301,000 (b) 8% p.a.	4 months, may repay prior to the maturity date	The borrower failed to repay the loan upon maturity, and the Group subsequently lost contact with the borrower. The borrower was later subject to liquidation/bankruptcy.

Loan	Borrower (collectively, the "Borrowers")	Date of agreement for the respective loan	Ultimate beneficial owner	Amount of the (a) principal and (b) interest rates	Term of the respective loan and repayment terms	Reasons of default
7	Beijing Huishengxin Business Service Co., Ltd.* (北京匯晟鑫商務服務有限公司)	10 August 2016	Ms. Qu Shao Ying (曲少穎)	(a) RMB16,000,000/ HKD18,454,000 (b) 6.8% p.a.	6 months, may repay before the maturity date	The borrower failed to repay the loan upon maturity, and the Group subsequently lost contact with the borrower. The borrower's business licence was later revoked.
8a	Shenzhen Xiangfu Yeguang Jewelry Co., Ltd.* (深圳市祥富業廣珠寶有限 公司)	5 March 2018	Mr. Peng Fu (彭富)	(a) RMB5,000,000/ HKD5,767,000 (b) 4.35% p.a.	24 months, may repay before the maturity date	The borrower failed to repay the loan upon maturity, and the Group subsequently lost contact with the borrower. The borrower's business licence was later revoked.
8b	Shenzhen Xiangfu Yeguang Jewelry Co., Ltd.* (深圳市祥富業廣珠寶有限 公司)	8 March 2018	Mr. Peng Fu (彭富)	(a) RMB35,000,000/ HKD40,369,000 (b) 4.35% p.a.	12 months	The borrower failed to repay the loan upon maturity, and the Group subsequently lost contact with the borrower. The borrower's business licence was later revoked.
9a&b	Zhongrong Green Financial Leasing Co., Ltd.* (中融綠色融資租賃有限公 司)	18 May 2018	Mr. Hai Shi Xun (海世勛)	(a) RMB20,000,000/ HKD23,068,000 (b) 8% p.a.	RMB20 million, provided in two tranches: (i) Tranche 1: RMB10 million for 1 year from drawdown; (ii) Tranche 2: RMB10 million for 6 months from drawdown (and extended for an additional 1 year)	The borrower had financial difficulty and the loan was subsequently restructured and settled.

The Loans were granted over several years as part of the Group's then business development strategy, as the Management believed that the borrowers' ultimate beneficial owners were reliable business contacts whos PRC networks could assist the Group in expanding its traditional lottery business across Mainland China. Before granting the Loans, the Group conducted due diligence through Management's business network, enquiries on the Borrowers and their ultimate beneficial owners, company searches on the Borrowers and, where applicable, additional background checks. However, the expected business expansion did not materialise as anticipated, and the Borrowers' repayment ability subsequently deteriorated due to adverse market conditions, COVID-19, financial distress and/or loss of contact with their ultimate beneficial owners, which resulted in the substantial defaulted amount and impairment of the Loans.

For our due diligence, we have obtained and reviewed (i) a legal opinion obtained by the Company from Hong Kong legal advisers on the merit and recoverability of certain loans and investment (the "**Legal Opinion**"); and (ii) the relevant documents regarding the Company's recovery actions for one of its loan receivable (being Loan (3) from the above table). We also discussed with the Management on the Company's assessment of the potential costs and time involved in pursuing such recovery actions. Based on our review on the relevant documents and discussion with the Management, we noted that the recovery actions for such loan receivables may require a period of several years to proceed and may involve substantial costs relating to administrative and legal fees, while the recoverable amount for the Company is expected to be limited, as a substantial portion of the proceeds from the disposal of the borrowers' assets would first be applied towards repayment of other priority claims or expenses such as, but not limited to, the official receiver's fee, liquidators'/receivers' fee, repayment of secured indebtedness and/or legal fee, etc.. In addition, based on the Legal Opinion, we noted that the recoverability of the certain loan receivables and investment is considered low due to various legal and practical impediments, including litigation risks, substantial costs and enforcement uncertainties. We further noted that any legal proceedings or recovery actions would likely take several years to conclude and, even if successful, would not address the Group's immediate cashflow issue. Therefore, the outcome and economic benefit of such recovery actions remain uncertain. As a consequence of the Board's assessment, the Group recognised substantial impairment provisions against the Loans. As at 31 December 2021, the original loan receivables had been fully impaired and recorded a nil net carrying amount. In reaching such assessment, the Board had also taken into account the Group's actual experience in pursuing recovery actions in respect of Loan (3), through which the Board understood that such recovery actions would likely involve considerable time and costs, while the likelihood and amount of recovery remained uncertain. Separately, Loan 9(a) and Loan 9(b) were settled pursuant to a debt restructuring arrangement for RMB6.33 million, with the remaining outstanding balance written off and/or impaired in the Group's financial statements.

The Scheme Shares will be allotted and issued pursuant to the terms of the Creditors Scheme and are solely to satisfy the liabilities owed by the Company to the Creditors, which will be crucial in overturning the adverse financial position of the Company. As such, notwithstanding that the issue of the Scheme Shares will inevitably cause dilution of approximately 47.84% to the interest of the existing Shareholders, it is considered that under such exceptional circumstances, there is a genuine and imminent need of the Company to implement the Creditors Scheme and to issue the Scheme Shares in order to avoid any defaults in liabilities and liquidation of the Company. Under such circumstances, there could be no substantial assets left for realisation for repayment to the Creditors, and not to mention to secure any residual value for distribution to the Shareholders. Further, given that the basis of the issue price of the Scheme Share is determined after arm's length negotiation between the Company and the Creditors with reference to the financial position of the Group, the prospects of the Group and the prevailing market condition, the Directors (including Independent Board Committee) are of the view that the issue price of the Scheme Shares is considered fair and reasonable.

Based on our discussion with the Management, we understood that the Group's ecotourism business segment had been gradually phased out and discontinued, with no revenue recorded from this segment for the six months ended 31 December 2025, and as confirmed by the Management that the Group had no plan to resume this business segment as at the Latest Practicable Date. Furthermore, we noted that the Company expects that the steady development of the PRC lottery market, together with the completion of the proposed Restructuring, will improve its liquidity position and financial flexibility, thereby enabling it to focus on expanding its core business (i.e. the Lottery Business) and pursuing new opportunities. Such new business opportunities are not intended to be limited to the lottery industry and may include other industries with growth potential. As at the Latest Practicable Date, the Company had not identified any specific new business opportunity. Based on the announcements of the Company dated 10 December 2025 and 17 December 2025, the Group successfully secured sports lottery terminal procurement and maintenance projects in major PRC sports lottery provinces, including Zhejiang and Guangdong, indicating that demand for lottery terminal products and related services remains active. We have also referred to the annual lottery sales data published by the Ministry of Finance of the People's Republic of China and noted that the PRC lottery market recorded an overall increasing trend in the recent five years, with total sales rising from approximately RMB373.3 billion in 2021 to approximately RMB627.9 billion in 2025 with a CAGR of approximately 13.9%, indicating a stable development of the industry. Coupled with the Group's continued participation in tendering activities and recent successful bids, the Group is expected to be able to benefit from the development of the PRC lottery market and support the expansion of its Lottery Business.

Prior to the decision of proceeding with the Creditors Scheme, which was initiated by the Company, the Board had endeavoured to solicit other possible financing alternatives to settle the Group's indebtedness, such as debt fundraising and equity fundraising. Pursuant to the communications with various financial institutions and banks, the Directors noted the fact that (i) due to the lack of valuable assets available to be used as collateral, the prospects of obtaining debt financing are, if not impossible, extremely low; and (ii) due to the financial distress situation of the Group, the Company was unable to obtain any favourable responses. While the Company and its restructuring adviser have explored and discussed with the Petitioner regarding restructuring proposal with a haircut, no positive feedback has been received. Given that the Winding-up Petition has already been filed by the Petitioner against the Company, the Board considered that settlements with individual creditors would not be sufficient to remove the winding-up risk, as the Petitioner could still proceed with the Petition regardless of any settlement reached with other creditors. Accordingly, the Board considered that a scheme of arrangement was necessary to achieve a comprehensive and binding restructuring of the Company's indebtedness and address the Winding-up Petition as part of the restructuring process.

As such, we concur with the Directors' view that the Creditors Scheme represents the best available and viable option, and the proposed Restructuring would be beneficial to and in the interest of the Company, the Shareholders and the Creditors as a whole.

In addition, in respect of the Cash Option, which was requested by one of the Scheme Creditors based on the Scheme Creditor's commercial considerations, the Company would not be required to deploy substantial immediate cash resources to satisfy the relevant Scheme Claims, as the Scheme Company will realise the relevant Scheme Shares on behalf of the relevant Creditors and distribute the sale proceeds to them. Further, a Price Protection mechanism is in place such that, if the Disposal Price for Disposal of the relevant Scheme Shares falls below the minimum guaranteed price of HK$0.15 per Scheme Share, the shortfall will be made up under the Price Protection arrangement, and the expenditure arising therefrom will be funded by Trinity Eagle pursuant to its Trinity Eagle Undertaking. Taking the above into account, the proposed Restructuring would be beneficial to, and in the interests of, the Company, the Shareholders and the Creditors as a whole.

Moreover, as referred to the Board Letter, assuming the proposed Restructuring had taken place on 31 December 2025, the Group's financial position (subject to audit) would have improved from net current liabilities of approximately HK$507.5 million to net current assets of approximately HK$13.0 million, and from net liabilities of approximately HK$518.2 million to net assets of approximately HK$2.4 million. This indicates that the implementation of the proposed Restructuring is expected to materially improve the Group's liquidity position and restore its solvency, which is considered to be in the interests of the Company and the Shareholders as a whole.

Having considered the following factors, among others: (i) the Group's financial performance and position, including the net loss attributable to owners of the Company of approximately HK$72.4 million and HK$272.0 million for FY2025 and FY2024, respectively, its net current liabilities and net liabilities position as at 30 June 2025 and 31 December 2025, as well as the existence of material uncertainties arising from the Group's continuous loss-making position, net current liabilities position, and its reliance on the successful implementation of the Directors' plans (including but not limited to debt restructuring) to improve liquidity, and may cast significant doubt on the Group's ability to continue as a going concern; (ii) the total estimated Admitted Scheme Claims of approximately HK$490.0 million owed by the Company to its Creditors as compared to the Group's cash balances of only approximately HK$76.2 million as at 31 December 2025, which (a) are held by the Company's PRC subsidiaries for maintaining the Group's core operations in the Chinese lottery market or (b) comprise restricted bank balances pledged for the performance and fulfillment of contracts in its lottery business, and were therefore not readily available and, in any event, insufficient to satisfy such indebtedness, indicating that the Group was in financial distress; (iii) in the event of a winding-up of the Company, the Shares held by the Independent Shareholders would become worthless given the Group's net liabilities position; (iv) the PRC lottery market has recorded steady growth in recent years, with total lottery sales increasing at a CAGR of approximately 13.9% from 2021 to 2025, indicating a stable industry outlook for the Lottery Business, which is expected to support the Group's principal business following completion of the proposed Restructuring; (v) the proposed Restructuring will facilitate the debt restructuring of the Company and enable it to compromise, discharge and release all the claims of the Creditors against the Company and liabilities of the Company, and all the claims of the Creditors against the subsidiaries of the Company with such liabilities guaranteed by the Company, thereby avoiding liquidation; (vi) the proposed Restructuring is expected to significantly improve the Group's liquidity from its net liabilities position of approximately HK$518.2 million to net assets position of approximately HK$2.4 million assuming that the proposed Restructuring had taken place on 31 December 2025; and (vii) our analysis of the terms of the Creditors Scheme as set out below in this letter, we concur with the Board's view that the terms of the Creditors

Scheme are fair and reasonable and that the implementation of the Creditors Scheme is in the interests of the Company, the Creditors and the Shareholders as a whole.

4. The Creditors Scheme

4.1 Principal terms of the Creditors Scheme

The Creditors Scheme shall be implemented, pursuant to which the Creditors with Admitted Scheme Claim(s) would be entitled to receive the Scheme Shares in total of 326,666,666 New Shares or cash to be realised from the Disposal of the Scheme Shares (subject to the maximum cap of 65,000,000 Scheme Shares) held by the Scheme Company on a pari passu basis for the respective Admitted Scheme Claim(s).

The allotment and issue of the Scheme Shares to the Creditors with Admitted Scheme Claim(s) would be made with reference to the following formula:

$$\begin{array}{l}326{,}666{,}666\\ \text{Scheme Shares}\end{array} \times \frac{\text{Admitted Scheme Claim of the individual Creditor}}{\text{Admitted Scheme Claims of all Creditors}}$$

The 326,666,666 New Shares to be issued and allotted as the Scheme Shares represent (i) approximately 2,115.41% of the total number of New Shares in issue as at the date immediately upon the Capital Reorganisation becoming effective but prior to the allotment and issue of the Scheme Shares; and (ii) approximately 95.49% of the enlarged issued share capital of the Company (assuming there is no change in the issued share capital of the Company other than the allotment and issue of the Scheme Shares immediately after the effective date of the Capital Reorganisation).

Each Creditor shall have the option to choose either (i) the Equity Option to receive the entitled Scheme Shares or (ii) the Cash Option to receive cash to be realised from the Disposal of the Scheme Shares (subject to the maximum Cap of 65,000,000 Scheme Shares) held by the Scheme Company for their benefits as detailed below.

If the entitlement to the Scheme Shares elected for the option (ii) above exceeds the Cap, allocations will be reduced pro-rata among participating Creditors by reference to their respective entitlement to the Scheme Shares. Any remaining entitlement to the Scheme Shares of the participating Creditors after applying the pro-rata reduction (i.e. the entitlement to the Scheme Shares elected for the option (ii) exceeding the Cap) will be deemed to be elected for the option (i) above and the relevant number of the Scheme Shares will be allotted and issued to the participating Creditors under the option (i) above.

For the avoidance of doubt, the Creditors electing to receive the Scheme Shares pursuant to the Equity Option are not entitled to the Price Protection as only the Scheme Company (for the benefit of these Creditors who elect to receive cash pursuant to the Cash Option) is entitled to the Price Protection.

For the Creditors who elect for the Cash Option, the Scheme Company (for the benefit of the Creditors other than the Creditors who elect for the Equity Option) shall have the right (exercisable by the Scheme Administrators in their absolute discretion) to dispose of the Scheme Shares on behalf of the relevant Creditors, either in the open market or off market at a price to be determined by the Scheme Company and, given the Price Protection will be in place, realise such Scheme Shares at a price not less than HK$0.15 per Scheme Share. Pursuant to the Price Protection, the Company guarantees to pay any shortfall of the Disposal Price for the Disposal up to a minimum guaranteed price of HK$0.15 per Scheme Share, such that the Scheme Company would receive a minimum of HK$0.15 per Scheme Share on behalf of the relevant Creditors with regards to the Disposal. The expenses to be incurred under the Price Protection will be funded by the Trinity Eagle Undertaking.

In determining the maximum cap of 65,000,000 Scheme Shares and minimum guaranteed price of HK$0.15 per Scheme Share under the Price Protection, the Company took into account (i) the Company only has cash and cash equivalent of approximately HK$2,000 as at 31 December 2024 (the remaining balance of the cash and bank balance of the Group in the amount of approximately HK$46.2 million was mainly maintained by the Group's subsidiaries in the PRC, which is subject to business operation and financial needs of the Group and foreign currency restrictions in the PRC), and the Company does not have financial resources to provide cash alternative to the Creditors; (ii) the preference of certain Creditors for having the alternative of receiving cash rather than Shares; and (iii) after arm's length and commercial negotiation between the Company and Trinity Eagle, Trinity Eagle is only willing to provide facility of not more than HK$10 million to facilitate the Company to provide the Price Protection so as to gather support from the Creditors of the Company. In respect of the Disposal Period, it was determined with reference to (i) the prevailing market conditions, including the uncertainties in the economic environment (i.e. macroeconomic uncertainties arising from geopolitical disputes and inflationary pressure during the Disposal Period), consumer sentiment and regulatory policies on China's lottery market; (ii) the maximum cap of 65,000,000 Scheme Shares (representing approximately 19.00% of the enlarged issued share capital of the Company) represents approximately 4 times of the total number of the issued Shares of the Company (assuming the Capital Reorganisation having become effective) as at the Latest Practicable Date; and (iii) the discussion between the Company and the proposed Scheme Administrators (being Messrs Arab Osman Mohammed and Lai Wing Lun, both of Acclime Corporate Advisory (Hong Kong) Limited, who will be formally appointed by the Company upon the Creditors Scheme becoming effective), in order to provide the Scheme Administrators with sufficient time to identify potential purchaser(s) and perform all necessary "know your client" procedures before entering into formal agreement(s) with the potential purchaser(s).

The relevant proceeds of the sale of the Scheme Shares, after deducting the costs of realisation and payment of any applicable taxes or duties, will be paid by the Scheme Administrators to that Creditor in full satisfaction of his rights to those Scheme Shares as and when such disposal has been completed.

The Scheme Company shall procure that the purchaser(s) under the Disposal in the off market (or as the case may be, their ultimate beneficial owner(s)) will not be a Shareholder or parties acting in concert with the Trinity Eagle and Mr. Chan and will be an Independent Third Party.

Subject to the approval of the Creditors, the Independent Shareholders, the Hong Kong Court and consents from the relevant regulators (i.e. the Stock Exchange and the SFC (the consent of Special Deal and the grant of Whitewash Waiver)), and upon completion of the Creditors Scheme, all the claims of the Creditors against the Company and liabilities of the Company, and all the claims of the creditors against the subsidiaries of the Company with such liabilities guaranteed by the Company will be compromised, discharged and released in full. For the avoidance of doubt, any liabilities of the Group which are not subject to the Creditors Scheme (i.e. preferential claims, restructuring costs, operational debt, secured claims, petition costs and amount due to Mr. Chan under the Working Capital Facility and to Trinity Eagle under the Trinity Eagle Undertaking), which will not form part of the Admitted Scheme Claims, will not be compromised, discharged or released, which do not form part of the Admitted Scheme Claims, upon completion of the Creditors Scheme.

Please refer to the Board Letter for more details of the Creditors Scheme and the information of the Creditors.

4.2 Assessment of the issue price of the Scheme Shares

4.2.1 Issue Price

The issue price of HK$1.50 per Scheme Share (the "**Issue Price**"), which was arrived at assuming there will be in aggregate HK$490 million Admitted Scheme Claims filed by all Creditors, represents:

(i) a discount of approximately 6.83% to the theoretical closing price of HK$1.61 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK$0.161 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 19.79% to the theoretical closing price of HK$1.87 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK$0.187 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 18.03% to the average theoretical closing price of HK$1.83 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK$0.183 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(iv) a discount of approximately 18.03% to the average theoretical closing price of HK$1.83 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK$0.183 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;

(v) a premium of approximately HK$48.33 over the theoretical audited consolidated net liabilities attributable to the owners of the Company as at 30 June 2025 (as disclosed in the annual report of the Company for the year ended 30 June 2025) of approximately HK$46.83 per New Share, based on 15,442,210 New Shares in issue upon the Capital Reorganisation becoming effective but prior to the allotment and issue of the Scheme Shares;

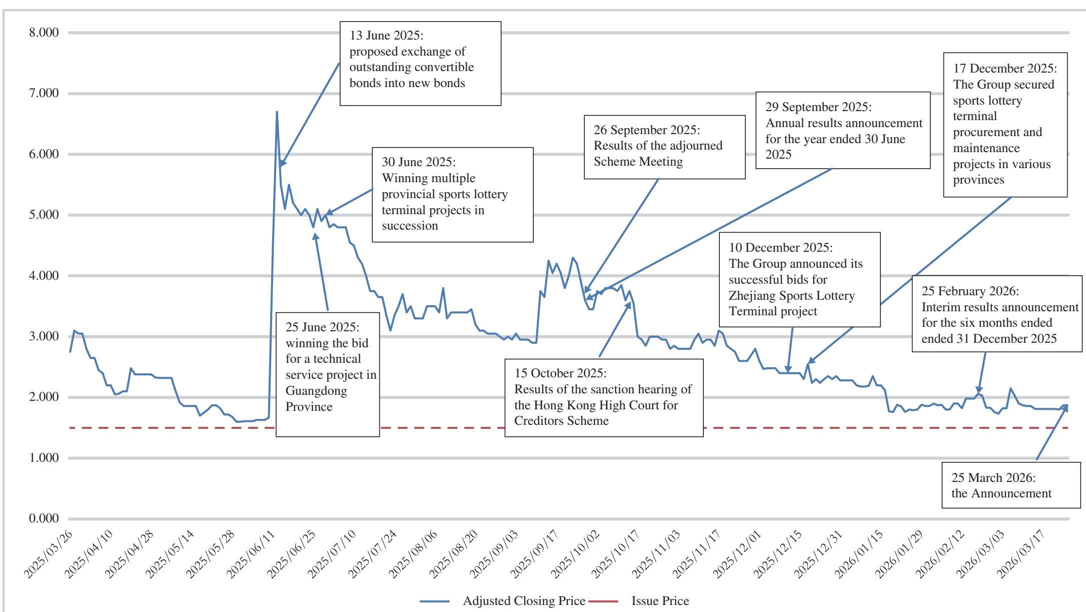
(vi) a premium of approximately HK$50.20 over the theoretical unaudited consolidated net liabilities attributable to the owners of the Company as at 31 December 2025 (as disclosed in the interim results announcement of the Company for the six months ended 31 December 2025) of approximately HK$48.70 per New Share, based on 15,442,210 New Shares in issue upon the Capital Reorganisation becoming effective but prior to the allotment and issue of the Scheme Shares; and

(vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 18.89%, which is calculated based on the theoretical diluted price of approximately HK$1.52 per New Share (as defined under Rule 7.27B of the Listing Rules) taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day of HK$0.187 per Share; and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day of approximately HK$0.182 per Share).

The Issue Price is determined after arm's length negotiation between the Company and the Creditors with reference to (i) the financial position of the Company and the net liabilities position of the Company; (ii) the prospects of the business operations of the Group; and (iii) the prevailing market conditions.

4.2.2 Historical performance of the Shares

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the theoretical daily closing price (the "**Adjusted Closing Price(s)**") of the New Shares (as quoted on the Stock Exchange and adjusted for the effect of Share Consolidation) during the period commencing from 26 March 2025, (being the approximately twelve months prior to the Last Trading Day) up to and including the Last Trading Day (the "**Review Period**"). We consider that the length of the Review Period is adequate as it represents a reasonable period reflecting a general overview of the recent price movement of the Shares. The comparison of the Adjusted Closing Prices and the Issue Price is illustrated as follows:



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

As illustrated in the above chart, we noted that (i) the Adjusted Closing Prices of the Shares had been staying well above the Issue Price throughout the entire Review Period. During the Review Period, the Adjusted Closing Prices ranged from the lowest of HK$1.60 per New Share as recorded on 29 May 2025 and 30 May 2025 to the highest of HK$6.70 per New Share as recorded on 12 June 2025 with an average Adjusted Closing Price of approximately HK$2.827 and a median Adjusted Closing Price of HK$2.65, respectively. The Issue Price of HK$1.50 represents (i) a discount of approximately 77.61% to the highest Adjusted Closing Price; (ii) a discount of approximately 6.25% to the lowest Adjusted Closing Price; (iii) a discount of approximately 46.94% to the average Adjusted Closing Price; and (iv) a discount of approximately 43.40% to the median Adjusted Closing Price.

The Adjusted Closing Prices exhibited an overall volatile trend during the Review Period. From the beginning of the Review Period to late May 2025, the Adjusted Closing Prices generally followed a downward trend, reaching a low of HK$1.60 per New Share on 29 May 2025 and 30 May 2025. Thereafter, a sharp upward movement was observed, with the Adjusted Closing Prices surging to a peak of HK$6.70 per New Share on 12 June 2025. As confirmed by the Management, they were not aware of any reasons for this surge in the Adjusted Closing Prices.

On 13 June 2025, the Company published an announcement in relation to proposed exchange of outstanding convertible bonds into new bonds, following which the Adjusted Closing Prices decreased from the peak of HK$6.70 per New Share to HK$5.50 per New Share. In late June 2025, the Company further published (i) an announcement on 25 June 2025 regarding the winning of a bid for a technical service project in Guangdong province; and (ii) an announcement on 30 June 2025 regarding the successive winning of multiple provincial sports lottery terminal projects. Following these announcements, the Adjusted Closing Prices remained relatively stable, fluctuating within a range of approximately HK$4.80 to HK$5.50 per New Share.

Thereafter, the Adjusted Closing Prices generally declined from late June to early September 2025, fluctuating within a range of approximately HK$2.90 per New Share to HK$5.10 per New Share. As confirmed by the Management, they were not aware of any reasons for this downward fluctuation in the Adjusted Closing Prices.

Although a brief rebound was recorded in mid-to-late September 2025, during which the Adjusted Closing Prices rose to HK$4.30 per New Share on 23 September 2025, such upward momentum was not sustained. On 26 September 2025, following the publication of an announcement in relation to the results of the adjourned scheme meeting held on 25 September 2025, which stated that the Creditors Scheme had been approved by the requisite statutory majorities of the Creditors, the Adjusted Closing Price decreased to HK$3.60 per New Share. Subsequently, on 29 September 2025, following the publication of the annual results announcement of the Group for the year ended 30 June 2025, the Adjusted Closing Price further decreased slightly to HK$3.45 per New Share.

From mid-October 2025 onwards, the Adjusted Closing Prices generally resumed a downward trend, with intermittent fluctuations. On 15 October 2025, following the publication of the announcement in relation to the results of the sanction hearing of the High Court of Hong Kong for the Creditors Scheme, which stated that the Hong Kong High Court has granted an order to approve and sanction the Creditors Scheme, the Adjusted Closing Price was HK$3.75 per New Share. Subsequently, on 10 December 2025, the Company announced that it had secured multiple successful bids for Zhejiang sports lottery terminal projects during the year, involving approximately 2,550 traditional sales terminals. On 17 December 2025, the Company further announced that the Group had successively secured sports lottery terminal procurement and maintenance projects in various provinces in the PRC. The Adjusted Closing Price was then recorded at HK$2.55 per New Share on 17 December 2025. On 25 February 2026, following the publication of the interim results announcement for the six months ended 31 December 2025, the Adjusted Closing Price was HK$1.83 per New Share. The Adjusted Closing Price was HK$1.87 per New Share as at the Last Trading Day. The Company subsequently published the Announcement on 25 March 2026. As confirmed by the Management, other than the aforesaid, the Management confirmed that they were not aware of any other reasons for the fluctuations in the Adjusted Closing Prices during the Review Period.

As referred to the basis of the Issue Price, we noted that the Issue Price was determined with reference to, among others, the financial position of the Company, including its net liabilities position. As set out in the financial information of the Group and the reasons for the proposed Restructuring mentioned above, the Group has been in a continuous loss-making position since 2015 and remained in a net liabilities position as at 31 December 2025, coupled with substantial net current liabilities and a high gearing ratio, reflecting its deteriorating financial condition and liquidity constraints. In light of the aforesaid, we consider that a comparison between the Issue Price and the net liabilities value per New Share, which reflects the Group's latest financial condition, is more meaningful under the circumstances.

In this regard, we noted that the Issue Price represents a premium of approximately HK$50.20 over the theoretical unaudited consolidated net liabilities attributable to the owners of the Company as at 31 December 2025 and a premium of approximately HK$48.33 over the theoretical audited consolidated net liabilities attributable to the owners of the Company as at 30 June 2025. Furthermore, we understand that the Group was unable to obtain financing from financial institutions or banks on acceptable terms and did not receive positive feedback from the Petitioner regarding restructuring proposal with a haircut, and the Creditors Scheme is the best available and viable option for the Company. Thereby, we consider that the Issue Price, which represents a discount to the prevailing trading prices, provides an incentive for the Creditors to participate in the Creditors' Scheme and convert their claims into Scheme Shares, thereby facilitating a reduction in the Group's indebtedness and supporting the implementation of the proposed Restructuring.

Notwithstanding that the Adjusted Closing Prices of the Shares remained well above the Issue Price throughout the entire Review Period, we consider the discount represented by the Issue Price to the Adjusted Closing Prices to be justifiable after taking into account the following factors: (i) the Group had been loss-making since 2015 and continued to record losses for the six months ended 31 December 2025, indicating its deteriorating financial performance; (ii) the Group remained in a net liabilities position, with a total deficit of approximately HK$518.2 million and substantial net current liabilities of approximately HK$507.5 million as at 31 December 2025, indicating significant liquidity pressure; (iii) the gearing ratio of the Group further increased from approximately 411.9% as at 30 June 2025 to approximately 493.7% as at 31 December 2025, reflecting a highly leveraged capital structure; (iv) given the Group's financial position as described above, the Group lacked sufficient internal financial resources to meet its capital requirements and debt repayment obligations; (v) the Issue Price represents a premium of approximately HK$50.20 and HK$48.33 over the Group's net liabilities per share as at 31 December 2025 and 30 June 2025, respectively; (vi) the Creditors Scheme is the best available and viable option for the Company as mentioned above; (vii) as further discussed in the sub-paragraph headed "4.2.3. Comparable analysis" below, the discount rates represented by the Issue Price to both the Adjusted Closing Price as at the Last Trading Day and the average Adjusted Closing Price for the five consecutive trading days up to and including the Last Trading Day fall within the range of the Comparable Transactions; and (viii) the Creditors Scheme is essential to the Company, and failure to implement it may result in the winding-up of the Company, which would be contrary to the interests of the existing Shareholders, as the Shares may lose liquidity and substantially decline in value. In light of the foregoing, we consider that the discount represented by the Issue Price is justifiable.

4.2.3 Comparable analysis

As part of our analysis, we also identified issue of new shares under specific mandate relating to creditors scheme or debt restructuring and involving whitewash waiver application (the "**Comparable Transactions**") which were initially announced by listed companies in Hong Kong from 1 March 2023 up to 25 March 2026 (being the Last Trading Day) and subsequently approved by the relevant shareholders at general meetings. We initially attempted to identify comparable transactions within a period of approximately one year but only one comparable was available. Accordingly, we extended our review period to approximately three years to obtain a sufficient number of Comparable Transactions. Based on the above criteria, we identified three Comparable Transactions, which we consider to be exhaustive.

We consider the Comparable Transactions to be reasonable and representative given that (i) all of the companies involved in the Comparable Transactions are listed on the Stock Exchange; (ii) the review period of 3 years is adequate to illustrate the key elements “debt restructuring” under the prevailing market conditions in the Hong Kong capital market and conditions for companies engaged in similar transactions; (iii) the Comparable Transactions with different funding needs, business backgrounds and deal structures provide a general reference to the Independent Shareholders in respect of the structure and terms of different restructuring proposals for similar transactions in the market; and (iv) the Comparable Transactions were approved by their respective independent shareholders, which demonstrates that the terms were acceptable to independent shareholders of the companies involved in the Comparable Transactions and provides a relevant market benchmark for our comparison.

We note that one of the Comparable Transactions, (i.e. the transaction involving IDT International) involved the issue of new shares to a connected subscriber. Nevertheless, we consider this transaction to be a relevant Comparable Transaction, as its principal purpose and commercial substance were similar to those of the Creditors Scheme. In both cases, new shares were issued under a specific mandate as part of a debt restructuring arrangement involving a whitewash waiver application, with the objective of reducing the company’s indebtedness and improving its overall financial position. Accordingly, we consider that the IDT International transaction provides a relevant market reference for assessing the fairness and reasonableness of terms under the Creditors Scheme and is appropriate to be included as one of the Comparable Transactions. Therefore, we consider that the Comparable Transactions are comparable to the Creditors Scheme.

Shareholders should note that the market capitalisations, businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Transactions and the subscriber(s) under the Comparable Transactions may or may not be connected person(s) of the subject company. Nevertheless, these factors would not affect the comparability of the Comparable Transactions as they serve for comparison among practices of listed companies in Hong Kong under creditors scheme or debt restructuring.

Company name (stock code)	Date of announcement	Principal business as at the date of the respective announcement	Transaction nature	The party(ies) to whom the new shares are issued	(Discount) to/ premium over as represented by the issue price to closing price per share on the last trading day prior to the date of the respective agreement	(Discount) to/ premium over as represented by the issue price to average closing price per share for the last five (5) trading days up to and including the last trading day prior to the date of respective agreement	Dilution effect of subscription on existing public shareholding
Zhongzheng International Company Limited (“**Zhongzheng**”, stock code: 943)	15 May 2025	The group is principally engaged in the business of manufacturing and sale of healthcare and household products, coal mining business and money lending business. The group also has a 35%-interest in an associate principally engaged in a property development project in Malaysia.	Debt capitalisation	The two existing substantial shareholders of the Company, who are the holders of the shareholder’s loans owed by the Company	0%	0%	34.00%
IDT International Limited (“**IDT International**” Stock code: 167)	1 November 2024	The group is principally engaged in the design, development, manufacturing and sales of electronic products and smart wearable devices, providing fashionable, healthy and intelligent products and service experience, enhancing people’s ability to work, live and play, and leading social trends.	Debt restructuring	A connected subscriber (being an investment holding vehicle controlled by existing shareholders/ directors)	(44.40%)	(46.80%)	70.70%

Company name (stock code)	Date of announcement	Principal business as at the date of the respective announcement	Transaction nature	The party(ies) to whom the new shares are issued	(Discount) to/ premium over as represented by the issue price to closing price per share on the last trading day prior to the date of the respective agreement	(Discount) to/ premium over as represented by the issue price to average closing price per share for the last five (5) trading days up to and including the last trading day prior to the date of respective agreement	Dilution effect of subscription on existing public shareholding
Enviro Energy International Holdings Limited ("**Enviro Energy**" stock code: 1102)	7 February 2024	The group is principally engaged in the supply of construction essentials business since 2017, which primarily consisted of two major businesses, namely (1) the supply of building materials business; and (2) the supply of aluminum related products business, which are part of the construction supply chain.	Debt restructuring	The creditors	(10.70%)	(5.70%)	43.94%
				Maximum	0%	0%	70.70%
				Minimum	(44.44%)	(46.80%)	34.00%
				Average	(18.38%)	(17.50%)	49.55%
The Company					**(19.79%) (the "LTD Discount")**	**(18.03%) (the "5-days Discount")**	**47.84%**

We noted from the above table that the issue prices of the Comparable Transactions represented discounts (i) ranging from approximately 0% to 44.44% to the respective closing prices of their shares on the last trading day prior to the respective dates of agreement in relation to the subscriptions of new shares (the "**LTD Discount Market Range**"), with an average discount of approximately 18.38%; and (ii) ranging from approximately 0% to 46.80% to the respective average closing prices of their shares for the last five trading days up to and including the last trading day prior to the respective dates of agreement (the "**5-day Discount Market Range**"), with an average discount of approximately 17.50%.

Accordingly, the LTD Discount falls within the LTD Discount Market Range and represents a slight discount than the average LTD discount, while the 5-day Discount also falls within the 5-day Discount Market Range and represents a slightly higher discount than the average 5-day discount. Nevertheless, as both discounts remain within the respective ranges observed in the Comparable Transactions, we consider that the discount rate as represented by the Issue Price to the respective closing prices of Comparable Transactions is broadly in line with prevailing market practice for similar debt restructuring transactions.

Taking into account that (i) the Group has been loss-making and remained in a net liabilities position with high gearing and liquidity constraints, and has limited access to external financing, as discussed above; (ii) the Creditors Scheme forms a key component of the proposed Restructuring and is expected to substantially settle the Group's indebtedness and improve its financial position and liquidity from net liabilities to net assets; (iii) the discount as represented by the Issue Price to the Adjusted Closing Prices provides an incentive for the Creditors to participate in the Creditors Scheme, thereby facilitating the reduction of the Group's liabilities; and (iv) the LTD Discount and the 5-day Discount fall within the respective market ranges of the Comparable Transactions, indicating that such discount levels are broadly consistent with prevailing market practice for similar debt restructuring transactions, we consider that the Issue Price is therefore justifiable.

4.3 Our view on the Creditors Scheme

Taking into account that (i) the Creditors Scheme will compromise, discharge and release all the claims of the Creditors against the Company and liabilities of the Company, and all the claims of the Creditors against the subsidiaries of the Company with such liabilities guaranteed by the Company, and failure to implement the Creditors Scheme may result in the winding-up of the Company, which would be contrary to the interests of the existing Shareholders, as the Shares may lose liquidity and substantially decline in value; (ii) the implementation of the Creditors Scheme forms an integral part of the proposed Restructuring to address the Group's distressed circumstances; (iii) the allotment and issue of the Scheme Shares will not only settle the indebtedness owed by the Company other than the excluded claims but also strengthen its capital base, and, where a Creditor elects the Cash Option, the Company would not be required to deploy substantial immediate cash resources as the Scheme Company will realise the relevant Scheme Shares and distribute the sale proceeds to such Creditor; (iv) the Issue Price is considered fair and reasonable in light of the Group's financial position and financial difficulties as described above; and (v) the Issue Price is in line with prevailing market practice for similar transactions, as evidenced by the Comparable Transactions, we are of the view that the terms of the Creditors Scheme (including the Issue Price) are fair and reasonable so far as the Independent Shareholders are concerned.

5. Potential dilution effect on the interests of other public Shareholders

The attention of the Independent Shareholders is drawn to the section headed "EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY" in the Board Letter for the analysis on shareholding under various scenarios. As noted in the aforementioned section, the shareholding of the 'Other Public Shareholders' is approximately 50.10% as at the Latest Practicable Date. Under the scenario immediately after the Capital Reorganisation, the Creditors Scheme having become effective and the adjudication and the final determination by the Scheme Administrators having been completed and completion of the Disposal (assuming (a) the outstanding debt to be converted at HK$1.50 per Scheme Share; (b) all Creditors other than Trinity Eagle, Million Sensible and Mr. Chen Aizheng would elect for the Cash Option subject to the Cap), the shareholding of the other public Shareholders would be diluted to approximately 2.26%, representing a decrease in shareholding by approximately 47.84%.

We are aware that the implementation of the Creditors Scheme will result in a dilution effect on the shareholding interests of the existing public Shareholders. Nevertheless, having considered (i) reasons for and benefits of the proposed Restructuring as discussed above; (ii) that the terms of the Creditors Scheme are fair and reasonable as discussed above; and (iii) that the dilution effect on the shareholding interests of the existing public Shareholders of approximately 47.84% falls within the relevant range of the Comparable Transactions, indicating that such dilution level is consistent with the level accepted by the independent shareholders in the Comparable Transactions, we are of the view that the potential dilution effect on the shareholding interests of the other public Shareholders is acceptable so far as the Independent Shareholders are concerned.

6. The Whitewash Waiver

According to the Board Letter, as at the Latest Practicable Date, Trinity Eagle, Mr. Chan and parties acting in concert with any of them did not hold, own, control or have direction over any Shares, outstanding options, warrants or any securities that are convertible into Shares or any derivative in respect of the securities in the Company, or hold any relevant securities in the Company.

Based on the records of the Company and as at the Latest Practicable Date, other than part of the outstanding principal amount of the New Bonds in the amount of approximately HK$189 million and the interest accrued thereon and the Working Capital Facility in the amount of approximately HK$10.48 million and the interest accrued thereon (which will be an excluded claim from the Creditors Scheme), Trinity Eagle is a creditor of the Company in relation to the interest in certain receivables in the total amount of approximately HK$80 million acquired by Trinity Eagle from Ms. Lau Ting and Ms. Chan Tan Na Donna pursuant to the Assignments, on 25 March 2026 (among which (a) approximately HK$49.3 million is advances provided to the Group by Ms. Lau Ting and approximately HK$10.5 million is the outstanding salary due to Ms. Lau Ting, and Ms. Lau Ting is a former executive Director and is interested in approximately 33.86% of the issued share capital of the Company as at the Latest Practicable Date; and (b) approximately HK$10.3 million is advance provided to the Group by Ms. Chan Tan Na Donna and approximately HK$9.5 million is the outstanding salary due to Ms. Chan Tan Na Donna, and Ms. Chan Tan Na Donna is a former executive Director and does not have any interest in issued share capital of the Company as at the Latest Practicable Date, which is subject to adjudication and the final determination by the Scheme Administrators in accordance with the terms of the Creditors Scheme). Given that Ms. Lau Ting and Ms. Chan Tan Na Donna irrevocably and unconditionally agree to transfer the consideration payable by Trinity Eagle upon the Creditors Scheme becoming effective pursuant to the Assignments to the Group as gift, the Assignments do not have any favourable conditions which are not extended to all Shareholders, and as such, do not constitute special deal under Rule 25 of the Takeovers Code. As such, Trinity Eagle, Mr. Chan and parties acting in concert with any of them will be interested in 179,136,362 New Shares (based on the issue price of HK$1.50 per Scheme Share), representing approximately 52.36% of the enlarged issued share capital of the Company immediately after completion of the Creditors Scheme (assuming (i) the outstanding debt to be converted at HK$1.50 per Scheme Share; (ii) the Capital Reorganisation has become effective; and (iii) there is no other change in the issued share capital of the Company from the Latest Practicable Date and up to the effective date of the Creditors Scheme (other than as a result of the Capital Reorganisation and the Creditors Scheme)).

As such, Trinity Eagle would be required to make a mandatory general offer to acquire all the issued shares of the Company (not already owned or agreed to be acquired by Trinity Eagle, Mr. Chan and parties acting in concert with any of them), unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

Completion of the Creditors Scheme is conditional upon the fulfillment of the conditions precedent (none of them could be waived) as set out under the sub-section headed "Conditions precedent of the Creditors Scheme" of the Board Letter, including but not limited to, (3) the Executive having granted the Whitewash Waiver, the satisfaction of all conditions (if any) attached to the Whitewash Waiver, and such Whitewash Waiver not having been subsequently revoked or withdrawn; and (5) the passing of the necessary resolutions by the Independent Shareholders at the SGM for the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver and the Special Deal.

If the Whitewash Waiver is not approved by the Independent Shareholders or granted by the Executive, the proposed Restructuring will not proceed further.

In view of (i) the aforesaid reasons for and benefits of the Creditors Scheme; (ii) our view that the Creditors Scheme is in the interests of the Company and the Independent Shareholders as a whole; (iii) our view that the terms of the Creditors Scheme are fair and reasonable; and (iv) the fact that the approval of the Whitewash Waiver by the Independent Shareholders is a non-waivable condition precedent to the completion of the Creditors Scheme, and that completion of the Creditors Scheme is expected to substantially reduce the Group's indebtedness and improve its financial position and liquidity, turning its net liabilities position into a net assets position, and thereby the Whitewash Waiver is considered to be integral to the implementation of the Creditors Scheme and the realisation of the expected benefits of the proposed Restructuring, we are of the opinion that the approval of the Whitewash Waiver is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

7. Special Deal

As at the Latest Practicable Date, based on the books and records of the Company, Mr. Qiu Peiyuan (a former Director) is interested in 1,955,500 Shares (representing approximately 1.27% of the issued Shares at the Latest Practicable Date) and is a creditor of the Company with debt in the amount of approximately HK$0.5 million (all of which is outstanding director's remuneration). Subject to adjudication and final determination by the Scheme Administrators, among the Shareholders, Mr. Qiu Peiyuan will be a Creditor. Scheme Shares may be allotted and issued to the Creditor Shareholders under the Creditors Scheme if it becomes effective and such allotment and issue of the Scheme Shares are not extended to other Shareholders who are not Creditors. If Mr. Qiu Peiyuan elects for the Cash Option, the Scheme Company shall have the right to dispose of the relevant Scheme Shares for the benefit of Mr. Qiu Peiyuan under the Disposal, and such arrangement is not extended to other Shareholders who are not Creditors. As such, the Creditors Scheme (including the Disposal under the Cash Option) constitutes a special deal under Note 5 of Rule 25 of the Takeovers Code, and requires the consent of the Executive, provided that the Independent Financial Adviser considers that the terms of the transactions contemplated thereunder are fair and reasonable and the transaction is approved by the Independent Shareholders at the SGM.

As such, Mr. Qiu Peiyuan, his associates and parties acting in concert with him will be required to abstain from voting on the relevant resolutions relating to the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal, and the transactions contemplated thereunder to be proposed at the SGM.

Completion of the Creditors Scheme is conditional upon the fulfillment of the conditions precedent (none of which are waivable) as set out in the sub-section headed "Conditions precedent of the Creditors Scheme" in the Board Letter, including, among others, the passing of the necessary resolutions by the Independent Shareholders at the SGM approving the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver and the Special Deal.

As at the Latest Practicable Date, the Company has applied to the Executive for consent to the Special Deal under Rule 25 of the Takeovers Code.

Taking into account (i) the aforesaid reasons for and benefits of the Creditors Scheme; (ii) our view that the Creditors Scheme is in the interests of the Company and the Shareholders as a whole; (iii) our view that the terms of the Creditors Scheme are fair and reasonable; and (iv) the fact that the approval of the Special Deal by the Independent Shareholders is a non-waivable condition precedent to the completion of the Creditors Scheme, we are of the opinion that the Special Deal was entered into on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned, and that the Special Deal is in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

As set out in this letter above and having considered the factors, in particular:

(i) as set out in the section headed "1.1 Background information of the Group" in this letter, the Group remained in net liabilities and net current liabilities positions, while the cash and cash equivalents of the Group amounted to approximately HK$27.7 million, HK$59.2 million and HK$58.1 million as at 30 June 2024, 30 June 2025 and 31 December 2025, respectively. In addition, the Group has experienced defaults in the repayment of mortgage loans and convertible bonds since October 2023. These factors indicate the continued deterioration in the Group's financial position and demonstrate that the Group does not have sufficient financial resources to settle the expected Admitted Scheme Claims of approximately HK$490 million;

(ii) as set out in the section headed "Reasons for and benefits of the proposed Restructuring" in this letter, the Scheme Shares will be issued solely for the purpose of settling the liabilities owed by the Company to the Creditors and are critical to improving the Company's adverse financial position by compromising, discharging and releasing all the claims of the Creditors against the Company and liabilities of the Company, and all the claims of the Creditors against the subsidiaries of the Company with such liabilities guaranteed by the Company, thereby avoiding the liquidation of the Company. In addition, where a Creditor elects the Cash Option, the Company would not be required to incur substantial immediate cash outflow, as the relevant Scheme Shares will be realised and the sale proceeds distributed to such Creditor under the arrangements contemplated under the Creditors Scheme, while any shortfall below the minimum guaranteed price will be funded by Trinity Eagle pursuant to the Trinity Eagle Undertaking;

(iii) as set out in the section headed "Reasons for and benefits of the proposed Restructuring" in this letter, the PRC lottery market has recorded steady growth in recent years, with total lottery sales increasing at a CAGR of approximately 13.9% from 2021 to 2025, indicating a stable industry outlook for the Lottery Business. Although the Group's previous lottery supply contract expired in 2015, the Group has recently secured multiple successful bids for lottery-related contracts in different provinces, demonstrating its continued ability to participate in and capture opportunities in the PRC lottery market, which is expected to support the Group's principal business following completion of the proposed Restructuring;

(iv) as set out in the section headed "Reasons for and benefits of the proposed Restructuring" in this letter, the Creditors Scheme represents the best available and viable option to the Company and the proposed Restructuring is expected to significantly improve the Group's liquidity from its net liabilities of approximately HK$518.2 million to net assets of approximately HK$2.4 million assuming that the proposed Restructuring had taken place on 31 December 2025;

(v) based on our analysis of the terms of the Creditors Scheme (including the Issue Price), with reference to the historical trading prices of the Shares and the Comparable Transactions as set out in the section headed "4.2 Assessment on the issue price of the Scheme Shares" above, we consider the terms of the Creditors Scheme (including the Issue Price) to be fair and reasonable;

(vi) as referred to in the section headed "4.3 Our view on the Creditors Scheme" in this letter, failure to implement the Creditors Scheme may result in the winding-up of the Company, which would be contrary to the interests of the existing Shareholders, as the Shares may lose liquidity and substantially decline in value given the Group's net liabilities position. The implementation of the Creditors Scheme forms an integral part of the proposed Restructuring to address the Group's distressed circumstances, improve the Group's liquidity position and reduce its gearing ratio;

(vii) the possible dilution effect arising from the allotment and issue of the Scheme Shares, as discussed in the section headed "5. Potential dilution effect on the interests of other public Shareholders" in this letter; and

(viii) the analysis of the fairness and reasonableness of the Whitewash Waiver and the Special Deal as set out in the sections headed "6. The Whitewash Waiver" and "7. Special Deal" above,

although the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, we consider that (i) the terms of the Creditors Scheme (including the Issue Price) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the approval of the Whitewash Waiver and the Special Deal, is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions in respect of the Creditors Scheme, the Special Deal and the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Merdeka Corporate Finance Limited

Wallace So
Managing Director

Mr. Wallace So is a licensed person registered with the Securities and Futures Commission of Hong Kong, a responsible officer of Merdeka Corporate Finance Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and a licensed representative of Merdeka Investment Management Limited to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Wallace So has over 13 years of experience in the corporate finance industry.