瓏盛資本有限公司
Draco Capital Limited

Draco Capital Limited
4/F, Connaught Harbour Front House,
35-36 Connaught Road West,
Sheung Wan, Hong Kong

+852 3619 2588

8 January 2026

To the Independent Board Committee of
Quali-Smart Holdings Limited

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFERS BY CINDA INTERNATIONAL CAPITAL LIMITED AND RAINBOW CAPITAL (HK) LIMITED FOR AND ON BEHALF OF YAEL CAPITAL MANAGEMENT LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF QUALI-SMART HOLDINGS LIMITED AND TO CANCEL ALL OUTSTANDING OPTIONS OF QUALI-SMART HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY YAEL CAPITAL MANAGEMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offers, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the composite offer and response document jointly issued and despatched by the Offeror and the Company dated 8 January 2026 (the "**Composite Document**"), of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

Reference is made to the Joint Announcement jointly published by the Offeror and the Company dated 18 December 2025 in relation to, among other things, the Sale and Purchase Agreement and the Offers.

On 12 December 2025 (after trading hours), the Offeror (as purchaser) and the Selling Shareholders (as vendors) entered into the Sale and Purchase Agreement, pursuant to which the Selling Shareholders agreed to sell, and the Offeror agreed to acquire, the full legal and beneficial title and interest in the Sale Shares (being an aggregate of 887,418,000 Shares), representing approximately 60.20% of the total issued share capital of the Company as at the Latest Practicable Date, at a total consideration of HK$95,841,144, which is equivalent to HK$0.108 per Sale Share. Completion of the Sale and Purchase Agreement took place immediately after the entering into of the Sale and Purchase Agreement by the Offeror and the Selling Shareholders on the Completion Date, being 12 December 2025.

Immediately prior to Completion, none of the Offeror, Mr. Liu, and the parties acting in concert with any of them was interested in any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion and as at the Latest Practicable Date, the Offeror, Mr. Liu and the parties acting in concert with any of them are interested in a total of 887,418,000 Shares, representing approximately 60.2% of the entire issued share capital of the Company. In addition, immediately following Completion and as at the Latest Practicable Date, the Company had 20,300,000 outstanding Options with an exercise price of HK$0.748 each and the Convertible Notes.

Pursuant to Rules 26.1, 13.1 and 13.5 of the Takeovers Code, upon Completion, the Offeror is required to make the mandatory unconditional cash offers (i) to acquire all of the Shares in the issued share capital of the Company (other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it); and (ii) to cancel all outstanding Options. Given Benefit Global has given the CN Irrevocable Undertaking, details of which are set out in paragraph headed "CN Irrevocable Undertaking" in the "LETTER FROM THE JOINT FINANCIAL ADVISERS", taking into account of which, no comparable offer will be made for the Convertible Notes.

Cinda International and Rainbow Capital are, on behalf of the Offeror, making the Offers in compliance with the Takeovers Code on the terms set out in this Composite Document.

THE OFFERS

The Share Offer

Cinda International and Rainbow Capital, for and on behalf of the Offeror and in compliance with the Takeovers Code, are making the Share Offer on the following basis:

For each Offer Share .... HK$0.108 in cash

The Share Offer Price of HK$0.108 per Offer Share under the Share Offer is equal to the price per Sale Share paid by the Offeror for the Sale Shares under the Sale and Purchase Agreement.

The Share Offer is extended to all Shareholders other than the Offeror, Mr. Liu and parties acting in concert with any of them in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

The Share Offer is unconditional in all respects.

The Option Offer

Cinda International and Rainbow Capital, for and on behalf of the Offeror, are making the Option Offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Options in exchange for cash on the following basis:

In respect of Options with an exercise price of HK$0.748 each:

For cancellation of each such Option .... HK$0.0001 in cash

In accordance with the terms of the Share Option Scheme, Optionholders are entitled to exercise their Options (to the extent not already exercised) to its full extent at any time after the date on which the Offers are declared unconditional and up to the close of the Offers (or any revised offers), after which the Options will lapse automatically (to the extent not exercised).

Pursuant to Rule 13 of the Takeovers Code, the Offeror is making an appropriate cash offer to the Optionholders to cancel their Options. The consideration for the cancellation of each Option would normally be the see-through price which represents the excess of the Share Offer Price per Offer Share and the exercise price of each Option. Given that the exercise price of the Options is above the Share Offer Price, the "see-through" price is zero and the Option Offer Price is at HK$0.0001 per Option.

The Option Offer is unconditional in all respects. Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced.

The Offeror confirms that the Share Offer Price and the Option Offer Price are final and will not be increased.

CN Irrevocable Undertaking

As at the Latest Practicable Date, Benefit Global holds the Convertible Notes in the outstanding principal amount of HK$9,000,000 which is convertible into a maximum of 111,111,111 Shares (at the conversion price of HK$0.081 per conversion Share).

On 12 December 2025, Benefit Global executed the CN Irrevocable Undertaking in favour of the Offeror, pursuant to which Benefit Global has irrevocably agreed and undertaken to the Offeror that at any time during the period between the date of the CN Irrevocable Undertaking and the end of the offer period of the Offers: (a) it will not, whether directly or indirectly, offer, sell, transfer, pledge, encumber, grant any right over or otherwise dispose of any of the Convertible Notes beneficially owned by it; (b) it will not exercise the conversion right under the terms of the Convertible Notes to subscribe for any conversion Shares; and (c) no offer has to be extended to it in relation to the Convertible Notes; and even if such offer is extended to it, it will not accept the offer in respect of any of the Convertible Notes. The CN Irrevocable Undertaking will be terminated by the end of the offer period of the Offers. Given Benefit Global has given the CN Irrevocable Undertaking, no comparable offer will be made for the Convertible Notes.

Immediately following Completion and as at the Latest Practicable Date, the Company had (i) 1,474,232,000 Shares in issue, of which 887,418,000 Shares were held by the Offeror and parties acting in concert with it, representing approximately 60.2% of the entire issued share capital of the Company; (ii) 20,300,000 outstanding Options under the Share Option Scheme with an exercise price of HK$0.748 each; and (iii) the Convertible Notes.

Save as disclosed above, the Company does not have any outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares. Save as disclosed above, as at the Latest Practicable Date, the Company had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

The Company confirms that as at the Latest Practicable Date, (i) the Company had not declared any dividend which remained unpaid; and (ii) it did not have any intention to make, declare or pay any future dividend/make other distributions on or before the close of the Offers.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive directors of the Company (i.e. Mr. Leung Po Wing, Bowen Joseph, GBS, JP, Mr. Chan Siu Wing, Raymond, Mr. Wong Wah On, Edward and Ms. Yeung Wai Ling) has been established to advise the Independent Shareholders and the Optionholders in connection with the Offers and as to the acceptance of the Offers.

OUR INDEPENDENCE

During the past two years immediately preceding the commencement of the Offer Period, save for this appointment as the Independent Financial Adviser in respect of the Offers, there were no other engagements between the Group, the Offeror and parties acting in concert with it or the Selling Shareholders and Draco Capital Limited. Apart from normal professional fees for our services to the Company in connection the aforesaid appointment, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Group, the Offeror and parties acting in concert with it or the Selling Shareholders or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the Offers and normal professional fees for our services to the Company in connection the aforesaid appointment, there is no other relationships or interests between (a) Draco Capital; and (b) the Group, the Offeror, the Selling Shareholders, and their respective controlling shareholders, subsidiaries and associates, nor is Draco Capital associated with the Group, the Offeror, the Selling Shareholders, and their respective substantial shareholders and any party acting, or presumed to be acting, in concert with any of them. Accordingly, we consider that we are independent pursuant to Rule 2 of the Takeovers Code and Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to give independent advices on the Offers.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, the Independent Shareholders and the Optionholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Composite Document, which have been provided by the Company, the Directors, the sole director of the Offeror and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to Latest Practicable Date. Should there be any material changes to the information, representations and opinions contained or referred to in the Composite Document, which have been provided by the Company, the Directors, the sole director of the Offeror and the Management and our opinions and/or recommendation after the despatch of the Composite Document and throughout the Offer Period, the Independent Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

The sole director of the Offeror accepts full responsibility for the accuracy of information contained in the Composite Document (other than the information relating to the Selling Shareholders and the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

Our review and analysis were based upon, among other things, the information provided by the Company including the Joint Announcement and the Composite Document, trading performance of the Shares on the Stock Exchange, the annual report of the Company for the financial years ended 31 March 2025 ("**2025 Annual Report**"), and the interim results announcement of the Company for the six months ended 30 September 2025 ("**2025 Interim Results**"), respectively.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company, the Directors and the Management and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our opinions and advice. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the Management, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice in respect of the Offers, we have taken into consideration the following principal factors and reasons:

1 BACKGROUND INFORMATION OF THE COMPANY

1.1 INFORMATION OF THE COMPANY AND THE GROUP

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 14 March 2012 whose Shares have been listed on the Main Board of the Stock Exchange since 23 January 2013. The principal activities of the Company is investment holding and the provision of management services to subsidiaries and the Group is principally engaged in the manufacture and trading of toy products.

1.2 FINANCIAL PERFORMANCE ON THE GROUP

FY2025 vs FY2024

With reference to the 2025 Annual Report, for the year ended 31 March 2025 ("**FY2025**"), the Group's core business remained as manufacture of toys operated under Qualiman Industrial Company Limited (the "**Toys Division**") and provision of financial services operated under Crosby Asia Limited (the "**Financial Services Division**") up to 31 August 2025 and under the Company afterwards respectively.

The Toys Division

The Toys Division's revenue for FY2025 amounted to approximately HK$52.1 million, representing a decrease of about 68.7% over that for the year ended 31 March 2024 ("**FY2024**") of approximately HK$166.4 million. Such drop in revenue was due to a decrease in sales to certain top 5 customers of the Toys Division. Segment profit for this division decreased by approximately HK$1.1 million or 75.3% to approximately HK$0.4 million for FY2025 from approximately HK$1.4 million for FY2024. Such decrease in segment profit was mainly due to a decrease in orders placed by certain major customers from markets located in North America and Western Europe.

Revenue from North America decreased by approximately HK$61.0 million or 59.4% from HK$102.7 million for FY2024 to approximately HK$41.7 million for FY2025, while revenue from Western Europe decreased by approximately HK$22.1 million or 78.7% from HK$28.2 million for FY2024 to approximately HK$6.0 million for FY2025. Sales to customers in Central America, Caribbean and Mexico decreased by approximately HK$12.3 million or 91.4% from approximately HK$13.5 million for FY2024 to approximately HK$1.2 million for FY2025. The decrease in revenues from North, Central America region and that of Western Europe was mainly affected by the ongoing gloomy outlook on the U.S. economy and the Western Europe as perceived by the market since its interest rate surge policy, affecting the Group's customers to continue to adopt more prudent and cautious approach in placing orders with the Group during FY2025.

The Financial Services Division

Revenue for the Financial Services Division for FY2025 amounted to approximately HK$19.9 million, which increased by about 83.4% comparing with approximately HK$10.8 million for FY2024. This was mainly attributable to an increase in investment advisory fee income of approximately HK$4.9 million or 109% during FY2025.

Overall, the Financial Services Division recorded a segment loss of approximately HK$10.4 million for FY2025 comparing to approximately HK$67.1 million for FY2024, representing a decrease of approximately HK$56.6 million or 84.5%. Such decrease was mainly attributable to the absence of impairment loss of goodwill and intangible assets of approximately HK$45.5 million and HK$0.6 million respectively, in relation to the Financial Services Division in FY2025.

Overall Group Financial Performance

The Group's revenue for FY2025 amounted to approximately HK$71.9 million, which represents a decrease of HK$105.3 million or about 59.4% from that of FY2024 of approximately HK$177.3 million. The decrease in total revenue for FY2025 was mainly attributable to the decrease in revenues from the Toys Division of approximately HK$114.4 million or 68.7%, arising from the decrease in sales to certain of its top 5 customers offset by the increase in revenues from the Financial Services Division of about HK$9.0 million or 83.4% over FY2024.

The gross margin of the Toys Division decreased from approximately 10.3% for FY2024 to approximately 7.0% for FY2025. The gross profit of the Toys Division for FY2025 was approximately HK$3.6 million, which decreased by about HK$13.6 million or 78.9% when compared with FY2024. Such decreased was mainly attributable to the decrease in sales to top 5 customers during FY2025 from the Toys Division.

The Group's net loss for FY2025 amounted to approximately HK$17.9 million, as compared to a net loss of approximately HK$74.0 million for FY2024, representing a decrease by approximately HK$56.1 million or 75.8%. Such decrease in net loss was mainly due to:

– an increase in revenue from the Financial Services Division of approximately HK$9.0 million in FY2025;

– the absence of impairment loss on goodwill of approximately HK$45.5 million for the Financial Services Division in FY2025;

– a decrease in selling expenses of about HK$2.3 million from the Toys Division as a result of decreased sales in FY2025;

– an increase in other income, gains and losses of about HK$12.8 million as a result of an increase in office facilities service income of approximately of HK$4.6 million for FY2025; an increase in gain on disposal of property, plant and equipment of approximately of HK$3.1 million for FY2025; an increase in gain on waived sub-placing commission of approximately of HK$4.0 million for FY2025; and an increase in interest income from bank deposits of approximately of HK$1.1 million for FY2025;

– a decrease in the effective interest expense on the convertible notes issued by the Company by approximately HK$0.8 million for FY2025 from approximately HK$2.5 million in FY2024 to about HK$1.7 million in FY2025;

– an increase in administrative expenses of about HK$3.5 million as a result of (i) a decrease in operating leases expenses and lease amortisation of about approximately HK$1.5 million for office rental of the Group; (ii) decrease in depreciation expenses of property, plant and equipment of about approximately HK$0.6 million in FY2025; (iii) decrease in Legal & professional fee of about approximately HK$0.6 million in FY2025; and (iv) a decrease in consultancy expenses by approximately HK$1.0 million.

which was partially offset by:

– a decrease in gross profit of the Toys Division of approximately HK$13.6 million in FY2025;

– a decrease in impairment losses recognised on trade receivables of the Financial Service Division of approximately HK$4.5 million in FY2025;

For FY2025, the Group mainly financed its working capital by internal resources. As at 31 March 2025, cash and cash equivalents amounted to approximately HK$25.6 million (31 March 2024: HK$57.5 million). The decrease in cash and cash equivalents of approximately HK$31.9 million as at 31 March 2025 was mainly due to the placing of time deposit with banks of the Group for approximately HK$58.5 million (31 March 2024: HK$20.5 million) during FY2025. As at 31 March 2025 and 31 March 2024, there was nil interest-bearing bank borrowings. The debt to equity ratio of the Group, calculated as the ratio of the closing debt balance divided by the closing total equity as at 31 March 2025, was approximately 100% (31 March 2024: 66.1%) which was due to a decrease in closing total equity. As at 31 March 2025, the current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 1.8 (31 March 2024: 2.1).

Interim 2025 vs Interim 2024

With reference to the 2025 Interim Results, for the six months ended 30 September 2025 (the "**Interim 2025**"), the Group's revenue for Interim 2025 was approximately HK$27.8 million for which the Toys Division and the Financial Services Division contributed approximately HK$22.5 million and HK$5.3 million respectively, representing an overall decrease of approximately HK$30.5 million or 52.3% as compared to the Group's revenue of approximately HK$58.3 million for the six months ended 30 September 2024 (the "**Interim 2024**").

Decrease in the Group's revenue for Interim 2025 of approximately HK$30.5 million was mainly attributable to a decrease in revenue of the Toys Division of approximately HK$25.3 million and a decrease in revenue from the Financial Services Division of approximately HK$5.2 million, representing a decrease of approximately 52.9% and a decrease of approximately 49.5%, respectively, on a period-on-period basis.

Decrease in revenue of the Toys Division was mainly attributable to the decrease in orders placed by certain major customers.

Revenue for the Financial Services Division for Interim 2025 was approximately HK$5.3 million comparing to that of HK$10.5 million in Interim 2024, representing a decrease of about 49.5% over Interim 2024, mainly attributable to the decrease in investment advisory income of approximately HK$2.5 million, referral fee income of approximately HK$1.3 million and brokerage commission of approximately HK$0.4 million during Interim 2025.

The gross profit of the Toys Division for Interim 2025 was approximately HK$2.5 million, which decreased about HK$2.5 million or 50.5% when compared with Interim 2024. Such decrease was mainly due to the decrease in sales to the major customers during Interim 2025 from the Toys Division.

Net loss of the Group amounts approximately HK$10.9 million for Interim 2025, representing comparatively the same on a period-on-period basis. Of which, it was mainly attributable to:

– a decrease in revenue of Financial Services Division approximately HK$5.2 million;

– a decrease in gross profit of approximately HK$2.5 million attributable to the decrease in revenue of the Toys Division for Interim 2025;

– a decrease in other income, gains and losses of about HK$3.7 million as a result of decrease in office facilities service income of the Financial Services Division of approximately HK$3.0 million and an increase in loss on disposal of subsidiaries of approximately HK$0.6 million during Interim 2025;

– a decrease in selling expenses of approximately HK$0.4 million for Interim 2025;

– a decrease in administrative expenses of about HK$10.1 million as a result of (i) a decrease in expenses related to staff cost to approximately HK$8.4 million; (ii) decrease in depreciation expenses of property, plant and equipment of approximately HK$0.6 million; and (iii) decrease in depreciation expenses of right-of-use assets of approximately HK$0.3 million; and

– a decrease in finance costs of approximately HK$0.2 million for Interim 2025 attributable to the decrease in the interest of the promissory note issued by the Company.

For Interim 2025, the Group mainly financed its working capital by internal resources. As at 30 September 2025, cash and cash equivalents of the Group amounted to approximately HK$20.7 million (31 March 2025: HK$25.6 million), representing a decrease in cash and cash equivalents of about HK$4.9 million for Interim 2025. There was no interest-bearing bank borrowings due as at 30 September 2025 (31 March 2025: nil). The debt to equity ratio of the Group, calculated as the ratio of the closing debt balance divided by the closing total equity of the period/year, decreased to approximately 87.4% (31 March 2025: 100%) as a result of the decrease in early redemptions of the promissory notes in June 2025. As at 30 September 2025, all available banking facilities were subject to floating interest rates. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 2.7 (31 March 2025: 1.8).

Prospects

Attributable to the market condition over the past years and taking into consideration of the business outlook of the financial services business and hence the absence of expected synergy from the acquisition of Ballas Group Limited in mid 2022, namely, to strengthen the Financial Services Division to provide more comprehensive financial services to the Group's issuer clients and continue to maintain its competitiveness under the new regulatory environment arising from the consultation conclusions on the proposed code of conduct of bookbuilding and placing activities in the equity capital and debt capital markets, on 2 May 2025, the Group has entered into sale and purchase agreement to dispose its wholly-owned subsidiary, Ballas Group Limited and its wholly-owned subsidiary, Ballas Capital Limited, ("**Ballas Group**") a licensed corporation carrying type 1 and type 6 regulated activities under the Securities Futures Ordinance ("**SFO**") (under Chapter 571 of Hong Kong Law). The disposal of Ballas Group was completed on 3 July 2025. Such disposal did not constitute a notifiable transaction of the Company under the Listing Rule.

Furthermore, the Group considered that it would be beneficial to dispose another core operating entity of this division, Crosby Securities Limited ("**CSL**"), a wholly-owned subsidiary of the Company, a licensed corporation carrying type 1, type 4, type 6 and type 9 regulated activities under the SFO of this division by disposing the entire equity interest of Crosby Asia Limited, the immediate holding company of CSL, in order to alleviate the financial burden and improve the liquidity and capital usage efficiency of the Company. Details of this disposal can be referred to the announcement of the Company dated 6 June 2025 (the "**CSL Announcement**"). As per the CSL Announcement, the Company, as vendor, entered into a sale and purchase agreement for the disposal of the entire equity interest in Crosby Asia Limited, a wholly-owned subsidiary of the Company, together with its entire equity interest in Crosby Securities Limited, a wholly-owned subsidiary operated under the Financial Services Division to Emperor Capital Investment Holdings Limited, an independent third party (the "**CAL Disposal**"). On 31 August 2025, the Company has completed the CAL Disposal.

Following the completion of the CAL Disposal, the Company continues to operate its financial services business by its wholly-owned subsidiary CAM Wealth Management Company Limited (formerly Crosby Asset Management (Hong Kong) Limited) ("**CAM**"), a licensed corporation carrying type 4 and type 9 regulated activities on the condition that it does not hold clients assets under the SFO.

In order to more efficiently deploy the financial resources of the Company, on 15 October 2025, the Company has further entered the CAM Disposal in view of its limited potential to contribute to the growth of the Group. On 15 October 2025, the Company as vendor, entered into a sale and purchase agreement for the disposal of the entire equity interest in CAM ("**CAM SPA**"), (the "**CAM Disposal**"). Completion of the CAM Disposal took place on 4 December 2025. The CAM Disposal did not constitute a notifiable transaction of the Company under the Listing Rules.

Meanwhile, the Company is still carefully assessing other business opportunities in strengthening the profitability and value of the Group as a whole.

Our view

In our opinion, the financial performance of the Group reflects significant ongoing challenges, particularly in its core Toys Division, which has experienced substantial revenue contraction and margin pressure amid weak demand in key export markets. While the Financial Services Division showed revenue growth, it remains loss-making, and the overall improvement in the Group's net loss position in FY2025 is principally attributable to non-recurring factors (absence of large impairments) rather than sustainable operational recovery. With reference to the 2025 Interim Results, The financial performance of the Group indicates no material turnaround for Interim 2025, with continuing revenue decline and persistent losses. As such, we are of the view that the Group's financial performance in recent periods has been unsatisfactory.

1.3 BUSINESS OVERVIEW OF THE GROUP

Based on our discussion with the Management, FY2025 presented a complex operating environment for our Toys Division by mainly serving overseas markets. On the back of the ongoing geopolitical tensions between the U.S. and China which has continued to negatively impact the Toys Division since 31 March 2024. The recent trade war between the U.S. and China exacerbated the already uncertain outlook of China as the world supply market that substantially disrupted the business of the Group's Toys Division. Given the intense global competition, and evolving customer demands squeezed margins and forced accelerated adaptation. Global economic uncertainties in terms of high inflation, rising interest rates (especially in the U.S. or E.U.), and lingering recessionary fears impacted discretionary consumer spending on toys. Customers became more cautious with orders and inventory management. Besides, the ongoing conflicts of the U.S.-China trade tensions continued to create uncertainty and logistical cost pressures. Inevitably, diversification away from sole reliance on Southern China manufacturing accelerated also imposed significant impact to the production base of the Toys Division. Additionally, ESG demands from major customers became non-negotiable with focus on recycled materials, reduced packaging, carbon footprint tracking, and ethical sourcing was also intensified. Alongside with the inventory correctional practice, many retailers entered FY2025 by carrying higher inventory levels from previous years, leading to more conservative ordering patterns early in FY2025.

Meanwhile, the persistent pressure from the customers to absorb rising costs (labor, compliance, materials like recycled plastics, logistics) made the profit margin protection extremely difficult. Negotiations were protracted and often resulted in lower net margins. Rising costs in terms of production labor in the PRC region with the continued wage inflation in Guangdong area, the volatility in plastics and resins eased somewhat but remained a factor. Also, the costs for certified sustainable/recycled materials remained significantly higher. In terms of transportation, ocean freight rates stabilized below pandemic peaks but remained above pre-pandemic levels.

On the other hand, the Management expresses that revenues from the Group's Financial Services Division have shown moderate growth since March 2024, as the turnover and activities of the overall capital markets improved. However, given the persistent low capital level of the Financial Services Division, its business is subject to a number of caveats. Firstly, the quality of revenues is highly correlated to both the activities and buoyancy of the markets, due largely to its dependency on commissions-based revenue source. Low or insufficient working capital limited the Financial Service Division to diversify its revenue sources. Secondly, a sale side and especially a transactional dependency platform runs a relatively high volume and low margin business model and a relatively high operational cost, which continue to drain the working capital of the Group.

Despite of the improved sentiment for Interim 2025, the Financial Services Division still faced with strong challenges in maintaining a break-even status with reference to existing capital base, its business development potential and its consecutive losses incurred over the past years. Revenue for Interim 2025 still mainly generated from limited capital based business, namely investment advisory services.

We have further research relevant factors affecting the business outlook of the Group. Regarding the Group's Toys Division, we note that ongoing U.S.-China trade tensions and elevated tariffs on Chinese imports have further exacerbated challenges for export-oriented manufacturers. In 2025, U.S. tariffs on certain toy categories from China surged significantly, contributing to reduced orders, supply chain disruptions, and cautious buying behavior among U.S. and European retailers (Bloomberg, "Trump Tariffs and Toy Imports from China", published 27 November 2025, https://www.bloomberg.com/news/newsletters/2025-11-27/trump-tariffs-and-toy-imports-from-china; Reuters, "For Chinese toymakers, trade thaw brings stability but doubts linger", published 31 October 2025, https://www.reuters.com/business/retail-consumer/chinese-toymakers-trade-thaw-brings-stability-doubts-linger-2025-10-31/). These factors have led to declining exports and prompted some customers to diversify sourcing away from China, resulting in order reductions for the Group's Toys Division.

Regarding the Financial Services Division, this segment operates in Hong Kong's highly competitive wealth and asset management market, which has seen strong growth in assets under management but faces mounting pressures leading to industry consolidation and challenges for smaller firms. Rising technology costs, fintech disruption from robo-advisers and digital platforms, and intense rivalry with regional hubs like Singapore– offering more streamlined frameworks and certainty– have driven merger activity and margin compression, with smaller players struggling to achieve scale for AI and operational investments (KPMG China, "Hong Kong Asset Management and Private Equity Outlook", July 2025, https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2025/07/hong-kong-asset-management-and-private-equity-outlook.pdf; KPMG China, "Hong Kong Private Wealth Management Report 2025", November 2025, https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2025/11/hong-kong-private-wealth-management-report-2025.pdf). This saturated environment, characterised by a large number of licensed entities and evolving client preferences toward digital and alternative offerings, adds to performance variability for niche operators like the Group's division.

Based on our further discussion with the Management, under the current backdrop for the toys original equipment manufacturer business, it is crucial to navigate margin pressures and strategically adapt to the evolving global toy market to sustain growth. Namely, investing in developing proprietary intellectual property or innovative product lines is likely to improve margins and hence moving beyond the status with low-margin manufacturing. Besides, to align production with high-growth demand for educational, sustainable, and tech-integrated toys would also be helpful for the business development of the Toys Division. Meanwhile, the persistent pressure from digital entertainment imposes intense competition to the traditional toys industry. In terms of the enhancing safety and environmental concern, the stricter global safety standards increase compliance costs as well. Accordingly, the Company will further assess the appropriate strategy for the Toys Division for its further business positioning and investment. Based on the above, we consider that both the Toys Division and the Financial Services Division face uncertainties driven by external factors and we are of the opinion that the business performance of the Group will remain subject to fluctuations and uncertainty.

2 INFORMATION ON THE OFFEROR AND THE INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

2.1 INFORMATION OF THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability on 11 June 2018, which is an investment holding company. As at the Latest Practicable Date, the Offeror was wholly and beneficially owned by Mr. Liu who was also the sole director of the Offeror.

Mr. Liu, aged 31, is the sole beneficial owner and sole director of the Offeror. He graduated from Imperial College London with a bachelor's and master's degree in materials science and engineering. Mr. Liu has been the sole shareholder of the Offeror since 2021. Over the past years, Mr. Liu has been mostly involved in investments in companies in Hong Kong and the PRC, from angel investments to pre-IPO investments. The investment focus of Mr. Liu was mainly in companies involved in innovative technologies, such as biotechnology companies, AI companies and agricultural related technology companies.

Mr. Liu is of the view that the Consideration is fair and reasonable, considering the recent market price of the Shares. He also considered that the acquisition of the Shares to be a good opportunity to broaden his investment portfolio. He believed that obtaining control of the Company will enable him to efficiently formulate and implement business plans and strategies for the Group's long-term development in the future. The Consideration for the purchase of the Sale Shares and the consideration for the Offers are funded by Mr. Liu's personal savings and earnings through his investments. No borrowing was made to fund the Consideration or to make the Offers.

The Offeror and Mr. Liu are Independent Third Parties.

Immediately after Completion and as at the date of this joint announcement, none of the Offeror, Mr. Liu and the parties acting in concert with any of them is interested in any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for the Sale Shares acquired by the Offeror.

2.2 THE OFFEROR'S INTENTION ON THE GROUP

Following the close of the Offers, it is the intention of the Offeror that the Group will continue with its existing principal business. The Offeror does not intend to introduce any major changes to the existing operations and business of the Group immediately after close of the Offers and will neither redeploy nor dispose of any of the assets (including fixed assets) of the Group other than in the ordinary course of business. As at the Latest Practicable Date, the Offeror did not have any intention, understanding, negotiation, arrangement, and agreements (formal or informal, express or implied) to downsize or dispose of any existing business or assets of the Group.

Nevertheless, following the close of the Offers, the Offeror will conduct a detailed review on the existing principal operations and business, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review and having regard to the then market conditions, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth, including opportunities in different sectors (whether within or outside the existing principal business of the Group), such as innovative and emerging technologies including biotechnology, AI and agricultural-related technology and solutions. The Offeror does not rule out the possibility of pursuing other investment or business opportunities as and when they arise if such opportunities are considered to be in the interests of the Group and the Shareholders as a whole. Any acquisition or disposal of the assets or business of the Group, if any, will be in compliance with the Listing Rules and the Takeovers Code.

As at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to (a) the injection of any assets or business into the Group; or (b) the disposal of any assets or business of the Group.

Save for the proposed change(s) to the composition of the Board as mentioned in the section headed "PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY" in the "LETTER FROM THE JOINT FINANCIAL ADVISERS" of this composite Document, as at the Latest Practicable Date, the Offeror had no plan to terminate the employment of any other employees or other personnel of the Group. However, the Offeror reserves the right to make any changes that they deem necessary or appropriate to the benefit of the Group.

2.3 PUBLIC FLOAT AND MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that:

(a) if, at the close of the offer, the Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- an orderly market does not exist or may not exist;

it will consider exercising its discretion to suspend dealings in the Shares; and

(b) if, at the close of the offer, the Company has a Significant Public Float Shortfall (as defined in rule 13.32F of the Listing Rules), then:

- the Stock Exchange will add a designated marker to the stock name of the Shares; and
- the Stock Exchange will cancel the listing of the Shares if the Company fails to re-comply with rule 13.32B of the Listing Rules for a continuous period of 18 months from the commencement of the Significant Public Float Shortfall.

As stated in the section headed "PUBLIC FLOAT AND MAINTENANCE OF THE LISTING STATUS OF THE COMPANY" in the "LETTER FROM THE JOINT FINANCIAL ADVISERS" of this composite Document, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror has undertaken and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange that if, at the close of the Offers, the Company fails to comply with the requirement of rule 13.32B of the Listing Rules, they will take appropriate steps to ensure the Company's compliance with rule 13.32B of the Listing Rules at the earliest possible moment.

Further announcement(s) regarding the restoration of public float will be made by the Company as and when appropriate.

2.4 OUR VIEW

Based on the aforesaid information, we note that Mr. Liu, the ultimate beneficial owner and sole director of the Offeror, has a background in materials science and engineering and has primarily been engaged in investments in innovative technology sectors (including biotechnology, artificial intelligence and agricultural technology companies) in Hong Kong and the PRC. It is uncertain whether Mr. Liu's experience and network in these technology-focused investment areas are directly relevant to or can materially contribute to the Group's current principal businesses, which are centred on traditional toy manufacturing and the provision of financial services.

Notwithstanding the above, having considered that:

(i) it is the intention of the Offeror that the Group will continue with its existing principal business, the Offeror does not intend to introduce any major changes to the existing operations and business of the Group immediately after the close of the Offers and will neither redeploy nor dispose of any of the assets (including fixed assets) of the Group other than in the ordinary course of business, and as at the Latest Practicable Date, the Offeror did not have any intention, understanding, negotiation, arrangement or agreement (formal or informal, express or implied) to downsize or dispose of any existing business or assets of the Group;

(ii) Mr. Poon, who has been in charge of the existing principal operations and business of the Group for years, will continue to remain as an executive Director for Company after close of the Offers;

(iii) Mr. Liu has had management experience over the years and has been involved in investment with a focus on innovative technologies;

(iv) save for the proposed change(s) to the composition of the Board, as at the Latest Practicable Date, the Offeror had no plan to terminate the employment of any other employees or other personnel of the Group; and

(v) as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to (a) the injection of any assets or business into the Group; or (b) the disposal of any assets or business of the Group,

we concur with the view of the Offeror and the Company that (i) the resignation of the existing directors will not have any material impact to the Group's operation; (ii) the proposed change to the board composition of the Group may bring new business opportunities for, and create synergy with, the Group's existing businesses; and (iii) the Offers are not expected to result in any material change to the existing business or financial performance of the Group in the near term.

3 PRINCIPAL TERMS OF THE SHARE OFFER

3.1 COMPARISON OF THE MARKET PRICES OF THE SHARES

The Share Offer Price of HK$0.108 per Offer Share represents:

(i) a discount of approximately 14.3% to the closing price of HK$0.126 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 34.9% to the closing price of HK$0.166 per Share as quoted on the Stock Exchange on 4 December 2025, being the last trading day prior to the announcement made by the Company pursuant to Rule 3.7 of the Takeovers Code dated 4 December 2025;

(iii) a discount of approximately 45.5% to the closing price of HK$0.198 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iv) a discount of approximately 41.9% to the average closing price of approximately HK$0.186 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 39.3% to the average closing price of approximately HK$0.178 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a discount of approximately 28.5% to the average closing price of approximately HK$0.151 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;

(vii) a premium of approximately 315.4% over the audited consolidated net assets per Share of approximately HK$0.026 as at 31 March 2025, which was calculated based on the audited consolidated net asset value attributable to owners of the Company of approximately HK$38,297,000 as at 31 March 2025 (the date on which the latest audited financial results of the Group were made up) and 1,474,232,000 Shares in issue as at the Latest Practicable Date; and

(viii) a premium of approximately 480.6% over the unaudited consolidated net assets per Share of approximately HK$0.0186 as at 30 September 2025, which was calculated based on the unaudited consolidated net asset value attributable to owners of the Company of approximately HK$27,455,000 as at 30 September 2025 and 1,474,232,000 Shares in issue as at the Latest Practicable Date.

3.2 HISTORICAL TRADING LIQUIDITY OF THE SHARES

The following table sets out the historical trading liquidity of the Shares during the period from 2 December 2024, being the first trading day of the twelve months prior to the Last Trading Day (i.e. 4 December 2025), to the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period can reflect the latest market conditions and the recent price performance and trading volume of the Shares for conducting an analysis against the Share Offer Price. Accordingly, we consider the Review Period adopted is fair and reasonable.

Months	Total trading volume of Shares for the months/ period	Number of trading days	Average daily trading volume *(Note 1)*	Percentage of average daily trading volume to total number of issued Shares *(Note 2)*	Percentage of average daily trading volume to total number of Shares held by public Shareholders *(Note 3)*
2024					
December	4,662,000	20	233,100	0.0158%	0.0399%
2025					
January	17,464,000	19	919,158	0.0623%	0.1573%
February	53,264,000	20	2,663,200	0.1806%	0.4557%
March	36,652,000	21	1,745,333	0.1184%	0.2986%
April	8,276,000	19	435,579	0.0295%	0.0745%
May	8,358,000	21	417,900	0.0283%	0.0715%
June	21,620,000	21	1,029,524	0.0698%	0.1761%
July	6,534,000	22	297,000	0.0201%	0.0508%
August	121,038,000	21	5,763,714	0.3910%	0.9861%
September	66,016,000	22	3,000,727	0.2035%	0.5134%
October	11,106,000	20	555,300	0.0377%	0.0950%
November	8,688,000	20	434,400	0.0295%	0.0743%
December (excluding the Shares trading suspension period from 15 December 2025 to 18 December 2025 (both days inclusive))	217,826,000	17	12,813,294	0.8692%	2.1923%
2026					
January (up to Latest Practicable Date)	6,314,000	2	3,157,000	0.2141%	0.5401%
			Minimum	0.0158%	0.0399%
			Maximum	0.8692%	2.1923%
			Average	0.1621%	0.4090%

Source: The Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. It is calculated by dividing the average daily trading volume for the month/period by the total number of issued Shares at the end of each month/period.

3. It is calculated by dividing the average daily trading volume for the month/period by the total number of Shares held by the public Shareholders as at the Latest Practicable Date, i.e. 584,474,000.

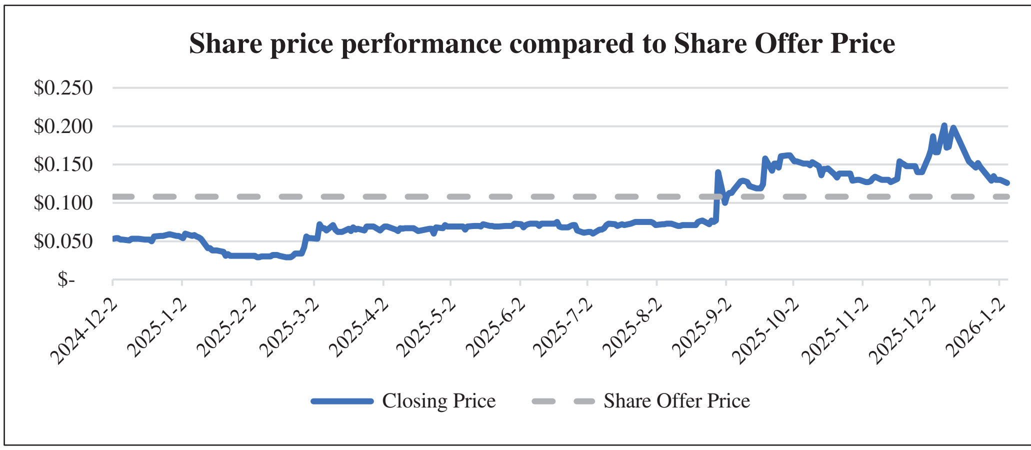
As illustrated above, during the Review Period, the average daily trading volume of the Shares was ranging from 0.0158% to 0.8692% for the total number of issued Shares and from 0.0399% to 2.1923% for the total number of issued Shares held by the public Shareholders as at the at the Latest Practicable Date. For the whole Review Period, the average of the average daily trading volume of the Shares was around 0.1621% of total number of issued Shares, 0.4090% for the total number of issued Shares held by the public Shareholders as at the Latest Practicable Date and we therefore consider the trading liquidity of the Shares is relatively low when compared to the total number of issued Shares and the total number of issued Shares held by the public Shareholders as at the Latest Practicable Date.

We note that there was an increase in daily trading volume of the Shares since 1 December 2025 that resulted in higher average daily trading volume of the Shares in December 2025. We have enquired into the Directors regarding the possible reasons for such increase in the Average Volume, and as confirmed by the Directors, save for the Offers, the Directors were not aware of any happening which might have affected the average daily trading volume of the Shares in December 2025. Excluding the average daily trading volume of the Shares in December 2025, during the Review Period, the average daily trading volume of the Shares was ranging from 0.0158% to 0.3910% for the total number of issued Shares and from 0.0399% to 0.9861% for the total number of issued Shares held by the public Shareholders as at the Latest Practicable Date.

Given the low historical trading volume of the Shares as stated above, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Offer Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Offer Shareholders can receive by the disposal of their Shares in the open market. We consider that the Share Offer provide opportunities for the Offer Shareholders to realise all of their investments in the Company at a fixed price.

3.3 HISTORICAL PRICE PERFORMANCE OF THE SHARES

The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: The Stock Exchange

As shown in the chart above, during the Review Period, the daily closing prices of the Shares ranged from HK$0.029 per Share (the "**Lowest Closing Price**") recorded on 4, 5, 17, 18 and 19 February 2025 to HK$0.201 per Share (the "**Highest Closing Price**") recorded on 8 December 2025, with the average closing price of the Shares amounted to approximately HK$0.086 per Share (the "**Average Closing Price**"). Trading of the Shares was suspended from 15 December 2025 to 18 December 2025 (both days inclusive) pending the publication of the Joint Announcement.

As shown in the chart above, we note that the closing prices of the Shares show a relatively upward trend with fluctuation during the Review Period. We have further reviewed the publication of the Company during the Review Period and noted that:

(i) The Company published its interim report 2024/2025 for the six months ended 30 September 2024 on 29 December 2024;

(ii) The Company published the CSL Announcement on 6 June 2025;

(iii) The Company published its annual results announcement for the year ended 31 March 2025 on 30 June 2025;

(iv) As announced by the Company on 31 August 2025, the Company has completed the CAL Disposal;

(v) The Company published its interim results announcement of the Company for the six months ended 30 September 2025 on 27 November 2025;

(vi) The Company published an announcement in relation to the possible Offers pursuant to Rule 3.7 of the Takeovers Code on 4 December 2025; and

(vii) The Company published the Joint Announcement on 18 December 2025.

We have further discussed with the Company on the increasing and decreasing trends of the Share price and were advised that the management did not identify any specific reasons for the fluctuation of the closing prices of the Shares.

Based on the above, we consider the market price of the Shares to be volatile, and it is uncertain whether the closing price of the Shares will continue to remain at a high level compared to the Share Offer Price.

3.4 COMPARABLE ANALYSIS

To assess the fairness and reasonableness of the Share Offer Price, it is a general practice to make reference to other comparable companies. We have considered the price-to-earnings ratio ("**PER**") and price-to-book ratio ("**PBR**") which are the most commonly used benchmarks in valuing a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market.

However, since the Group recorded a net loss for FY2025, an analysis of the Group's PER is negative and would not provide a meaningful reference and is not applicable. As an alternative proxy for an earnings-based valuation metric in circumstances where companies are loss-making, we have also considered the price-to-sales ratio ("**PSR**"), which measures market valuation relative to revenue generation and is frequently adopted for companies with temporary or ongoing profitability challenges but continued sales activity.

Taking this into account, we adopted the PBR together with the PSR as reference metrics for our analysis, as both are commonly used in valuing loss-making companies or those with fluctuating earnings.

In these circumstances, (i) the PBR provides an indication of how the market values the net asset base of companies operating under similar business models; and (ii) the PSR provides an indication of how the market values revenue streams of companies operating under similar business models. Accordingly, the PBR and PSR provide context-based reference for understanding the broader valuation environment in which the Share Offer is being made and represent relevant and meaningful reference metric currently available given the Company's financial profile and business characteristics.

For the purpose of our analysis in assessing the PBR and the PSR of the Group under the Offers, we have taken into consideration the implied market capitalisation or the total value of the Group under the Offers of approximately HK$159.2 million (the "**Implied Market Capitalisation**"), which is derived from multiplying the Share Offer Price of HK$0.108 per Share by the total number of issued Shares of 1,474,232,000 as at the Last Trading Day. In determining the implied PBR under the Offers (the "**Implied PBR**"), we have divided the Implied Market Capitalisation by the unaudited total equity attributable to owners of the Company of approximately HK$27.4 million as at 30 September 2025. On this basis, the Implied PBR is approximately 5.80 times. In determining the implied PSR under the Offers (the "**Implied PSR**"), we have divided the Implied Market Capitalisation by the audited annual revenue of the Group of approximately HK$71.9 million for FY2025. On this basis, the Implied PSR is approximately 2.21 times.

Accordingly, we conducted a review to identify listed companies that are broadly similar to the Group. Specifically, we focused on companies that (i) are currently listed on the Main Board of the Stock Exchange; (ii) are principally engaged in toy-related businesses (including both manufacturing and trading or distribution-oriented activities), given that the Group's Financial Services Division is being substantially disposed of as at the date of the Sale and Purchase Agreement, such that the Toys Division will remain as the core business of the Group upon such disposal; (iii) derive more than 50% of their audited annual audited revenue from the toy-related business segment to ensure the comparability is based on companies where toys constitute the primary revenue driver; and (iv) had a market capitalisation of below HK$300 million, being broadly comparable to the Company's market capitalisation of approximately HK$292 million as at the Last Trading Day. We have selected these criteria to ensure the comparables are relevant in terms of market presence, business focus and scale, while broadening the selection to encompass the diverse operational models within the toy industry, thereby providing a more comprehensive benchmark for the Group's valuation in the Offers.

For consistency and reliability, (i) the market capitalisation of the comparable companies are calculated based on their respective shares price and issued shares as at the Last Trading Date; (ii) the PBR calculations for the Group and the comparable companies are based on their latest amount of total equity being announced in their financial statement; and (iii) the PSR calculations for the Group and comparable companies are based on their latest annual audited revenue figures.

Based on our exhaustive search, we are able to identify 6 companies listed on the Stock Exchange that met all of the above criteria (the "**Market Comparables**"). Shareholders should note that the businesses, the market capitalisation, operations and prospects of the Group are not exactly the same as the Market Comparables. Due to differing operational styles among the Market Comparables, the Company and the Market Comparables may exhibit different asset profiles. Manufacturing-focused companies typically maintain asset-intensive structures with significant capital investments in production facilities, moulds and equipment, whereas trading or distribution-oriented companies generally adopt lighter asset profiles focused on inventory turnover and supply chain efficiency rather than heavy fixed asset ownership. These structural differences may influence the respective PBR and PSR levels. As such, the Market Comparables analysis is provided for illustrative and reference purposes only and should not be construed as a definitive or absolute valuation of the Company or as implying any specific value for the Shares or the Share Offer Price. Independent Shareholders are advised to consider this comparison as one of several references when evaluating the fairness and reasonableness of the Share Offer Price, alongside other factors such as the Group's financial performance, historical Share price and liquidity, and the unconditional cash nature of the Offers.

Set out below are the PBRs of the Market Comparables based on their respective market capitalization as at the Last Trading Date and their respective latest published financial information:

Stock Code	**Company Name**	**Principal Activities**	**PBR as at the Last Trading Date**	**PSR as at the Last Trading Date**
180.HK	Kader Holdings Co Ltd	The principal activities of its subsidiaries are the manufacture and trading of plastic, electronic and stuffed toys and model trains, property investment, and investment holding.	0.10	0.55
381.HK	AOM International Group Co Ltd	The company and its subsidiaries are principally engaged in (i) the manufacturing and trading of toys and gifts items, (ii) development, processing and manufacturing of Chinese herbs products, (iii) the investment in various businesses including fruit plantation, leisure and culture and (iv) trading of wine.	0.52	0.54

Stock Code	Company Name	Principal Activities	PBR as at the Last Trading Date	PSR as at the Last Trading Date
765.HK	Perfectech International Holdings Ltd	The company, together with its subsidiaries, principally engages in the manufacture and sale of novelties, decorations and toy products.	3.90	1.10
1792.HK	CMON Limited	The group is principally engaged in design, development and sales of board games, miniature war games and other hobby products.	0.99	0.25
3830.HK	Kiddieland International Ltd	The Company is principally engaged in the manufacture and distribution of plastic toy products and laboratory equipment.	2.80	0.31
6918.HK	Kidztech Holdings Ltd	The group is principally engaged in the design, development, manufacture and sale of high-quality smart toy vehicles, smart interactive toys and traditional toys.	0.40	0.51
		Maximum	3.90	1.10
		Minimum	0.10	0.25
		Average	1.45	0.54
		Median	0.76	0.52

It is noted from the above table that the PBR of the Market Comparables ranged from approximately 0.10 times to approximately 3.90 times, with an average and median of approximately 1.45 times and 0.76 times, respectively. Accordingly, the Implied PBR of the Offer of approximately 5.80 times is well above all the PBRs of the Market Comparables.

It is noted from the above table that the PSR of the Market Comparables ranged from approximately 0.25 times to approximately 1.10 times, with an average and median of approximately 0.54 times and 0.52 times, respectively. Accordingly, the Implied PSR of the Offer of approximately 2.21 times is well above all the PSRs of the Market Comparables.

As such, we consider that the Share Offer Price is attractive from both the perspective of PBRs and PSRs analysis.

3.5 OUR VIEW ON THE SHARE OFFER

Having considered that:

(i) the Company recorded net loss for FY2024, FY2025 and Interim 2025;

(ii) there are uncertainties regarding the Group's Toys Division due to escalating US-China trade tension;

(iii) the Group has substantially disposal of the operating subsidiaries of the Group's Financial Services Division in the second half of the year 2025;

(iv) the relatively low liquidity of Shares during the Review Period as discussed above;

(v) the Share Offer Price (i.e. HK$0.108) represented premium of approximately 25.6% over the Average Closing Price (i.e. HK$0.086) during the Review Period;

(vi) the Share Offer Price is attractive from both the perspective of PBRs and PSRs analysis; and

(vii) it is uncertain whether the closing price of the Shares will continue to remain at high level compared to the Share Offer Price,

we are of the view that the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned.

Nevertheless, we would like to remind the Independent Shareholders that although the Share Offer Price is below the recent closing prices of the Shares on the Stock Exchange, there is no guarantee that the recent trading prices of the Shares on the Stock Exchange will sustain and be higher than the Share Offer Price during and after the Offer Period. The Independent Shareholders, in particular those who may wish to realise their investments in the Shares, are thus reminded to closely monitor the market price of the Shares during the Offer Period.

4 PRINCIPAL TERMS OF THE OPTION OFFER

Cinda International and Rainbow Capital, for and on behalf of the Offeror, are making the Option Offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Options in exchange for cash on the following basis:

In respect of Options with an exercise price of HK$0.748 each:

For cancellation of each such Option .... HK$0.0001 in cash

Immediately following Completion and as at the Latest Practicable Date, the Company had 20,300,000 outstanding Options under the Share Option Scheme with an exercise price of HK$0.748 each. Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the "see-through" values of the outstanding Options would be the difference between the exercise prices of the Options and the Share Offer Price. As the exercise prices of the outstanding Options (i.e. HK$0.748) are above the Share Offer Price (i.e. HK$0.108), the outstanding Options are out-of-money with zero "see-through" value. Accordingly, the Option Offer Price for each outstanding Option is at a nominal value of HK$0.0001 under the Option Offer as mentioned in the "LETTER FROM THE JOINT FINANCIAL ADVISERS" in the Composite Document. Given that the "see-through" value of the outstanding Options is zero, we consider that the Option Offer Price of HK$0.0001 offered to the Optionholders is fair and reasonable so far as the Optionholders are concerned.

Pursuant to the terms of the Share Option Scheme, in the event of a general offer being made to all Shareholders and such offer becomes or is declared unconditional during the exercise period of the Share Options, the Optionholders shall be entitled to exercise the Share Options (to the extent not already exercised) at any time thereafter and up to the close of such offer, after which such Share Options will automatically lapse. The Offers, when made upon the despatch of the Composite Document, will be unconditional in all respects. Accordingly, any Share Options which are not exercised prior to the Closing Date, will lapse. If any Share Option is exercised within such time period in accordance with the terms of the Share Option Scheme, any Shares issued prior to the Closing Date as a result of such exercise will be subject to the Share Offer.

All Optionholders are reminded that pursuant to the terms of the Share Option Scheme, if any Share Option is not exercised on or before the Closing Date, the Share Options will automatically lapse.

The Optionholders, in particular those who intend to accept the Option Offer, are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, especially that the disposal of large blocks of Shares in the open market may trigger price slump of the Shares as a result of the thin trading of the Shares. The Optionholders shall, having regard to their own circumstances, consider exercising the outstanding Options and selling the Shares (as the case may be) in the open market, instead of accepting the Option Offer, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Option Offer.

RECOMMENDATION

Taking into consideration the aforementioned principal factors and reasons, in particular:

(i) the financial performance of the Company has been unsatisfactory in recent financial years/ periods;

(ii) there are uncertainties regarding the Group's Toys Division due to escalating US-China trade tension;

(iii) the Group has substantially disposal of the operating subsidiaries of the Group's Financial Services Division in the second half of the year 2025;

(iv) the relatively low liquidity of Shares during the Review Period as discussed above;

(v) the Share Offer Price (i.e. HK$0.108) represented premium of approximately 25.6% over the Average Closing Price (i.e. HK$0.086) during the Review Period;

(vi) the Share Offer Price is attractive from both the perspective of PBRs and PSRs analysis;

(vii) it is uncertain whether the closing price of the Shares will continue to remain at high level compared to the Share Offer Price; and

(viii) the outstanding Options are out-of-money with zero "see-through" value while the Option Offer Price for each outstanding Option is at a nominal value of HK$0.0001 under the Option Offer,

we are of the opinion that the Share Offer and the Option Offer are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and the Optionholders to accept the Share Offer and the Option Offer respectively.

The Independent Shareholders and the Optionholders, in particular those who intend to accept the Offers, are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, especially that the disposal of large blocks of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of the thin trading of the Shares. The Independent Shareholders who intend to realise their investment in the Company and the Optionholders shall, having regard to their own circumstances, consider exercising the outstanding Options and/or selling the Shares (as the case may be) in the open market, instead of accepting the Offers, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Offers.

Yours faithfully,
For and on behalf of
Draco Capital Limited

Kevin Choi
Managing Director

Leon Au Yeung
Director

Mr. Kevin Choi and Mr. Leon Au Yeung are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 14 and 11 years of experience in the corporate finance industry, respectively.