THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

中國生態旅遊集團
CHINA ECOTOURISM GROUP

China Ecotourism Group Limited
中國生態旅遊集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1371)

(1) PROPOSED RESTRUCTURING INVOLVING (i) CAPITAL REORGANISATION; (ii) SHARE PREMIUM CANCELLATION; (iii) CREDITORS SCHEME; (2) CHANGE IN BOARD LOT SIZE; (3) CONNECTED TRANSACTION – ISSUE OF SCHEME SHARES UNDER SPECIFIC MANDATE; (4) APPLICATION FOR WHITEWASH WAIVER AND CONSENT FOR SPECIAL DEAL; AND (5) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company

Lego Corporate Finance Limited
力高企業融資有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

MERDEKA 領智

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 14 to 57 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 60 to 96 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 58 to 59 of this circular.

A notice convening the SGM to be held at 10/F., Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong, at 11:30 a.m. on Thursday, 25 June 2026 is set out on pages SGM-1 to SGM-6 of this circular. A form of proxy for use at the SGM or any adjournment thereof is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

26 May 2026

CONTENTS

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

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Admitted Scheme Claim(s)"	the Scheme Claim(s) against the Company which will be admitted under the Creditors Scheme by the Scheme Administrators or the adjudicator (as the case may be)
"Announcement"	the announcement of the Company dated 25 March 2026 in relation to, among other things, (i) the Restructuring; (ii) the change in board lot size; (iii) the issue of Scheme Shares; and (iv) the Whitewash Waiver and Special Deal
"Assignments"	the assignments of receivables dated 25 March 2026 (as amended and restated on 21 May 2026) in the amount of approximately HK$80 million due from the Group by 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) to Trinity Eagle
"Authorised Capital Diminution"	the proposed cancellation of the authorised but unissued share capital of the Company in its entirety immediately upon the Capital Reduction taking effect
"Board"	board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for the transaction of business
"Bye-Laws"	the bye-laws of the Company
"Cap"	the maximum cap of 65,000,000 Scheme Shares for the Cash Option
"Capital Reduction"	the proposed cancellation of any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation and the proposed reduction of the issued share capital of the Company whereby the par value of each of the then issued Consolidated Shares will be reduced from HK$5.00 to HK$0.01 by cancelling the paid-up capital to the extent of HK$4.99 on each of the then issued Consolidated Shares

"Capital Reorganisation"	the proposed reorganisation of the share capital of the Company by way of (i) Share Consolidation; (ii) Capital Reduction; (iii) Share Sub-division; and (iv) Increase in Authorised Share Capital
"Cash Option"	the option each Creditor may choose to receive cash to be realised from the Disposal of the Scheme Shares (with the benefit of the Price Protection and subject to the maximum Cap of 65,000,000 Scheme Shares) held by the Scheme Company for their benefits
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of China and the Taiwan region
"Claim(s)"	any debt, liability or obligation of the Company (whether known or unknown, whether actual or contingent, whether present, future or prospective, whether liquidated or unliquidated), whether arising by virtue of contract, at common law, in equity or by statute in Hong Kong, Bermuda or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money's worth, any liability for breach of trust, any liability in contract (including any guarantee liability of the Company), tort or bailment and any liability arising out of an obligation to make restitution, together with all interest on such debt, obligation or liability
"Companies Act"	the Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
"Companies (WUMP) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time

"Company"	China Ecotourism Group Limited (stock code: 1371), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Share(s)"	ordinary share(s) of par value of HK$5.00 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction and the Share Sub-division becoming effective
"Contributed Surplus Account"	the contributed surplus account of the Company within the meaning of the Companies Act
"Creditor(s)"	the creditor(s) of the Company with Admitted Scheme Claims against the Company as at the date on which Creditors Scheme become effective
"Creditor Shareholder(s)"	the Shareholder(s) and person(s) who are interested in the Shares which are also Creditor(s)
"Creditors Scheme"	the scheme of arrangement entered into between the Company and the Creditors under Part 13 of the Companies Ordinance, or subject to, any modification, addition or conditions approved or imposed by the Hong Kong Court
"Director(s)"	director(s) of the Company
"Director Creditor(s)"	Director(s) or former Director(s) in the past 12 months who is(are) also Creditor(s)
"Disposal"	disposal of the Scheme Shares by the Scheme Company for the purpose of realisation of proceeds and payment to the relevant Creditors in full satisfaction of their rights to such Scheme Shares

"Disposal Period"	the 6-month period commencing from the date on which the adjudication and the final determination by the Scheme Administrators having been completed, during which the Scheme Company (for the benefit of the Creditors) may dispose of any part of the Scheme Shares (subject to the maximum Cap of 65,000,000 Scheme Shares) and, given the Price Protection will be in place, to receive a price no less than HK$0.15 per Scheme Share or an aggregate minimum amount of HK$9.75 million
"Disposal Price for Disposal"	disposal price(s) per Scheme Share procured by the Scheme Company for the Disposal, on a best effort basis, which is not a fixed price and may vary for each batch of Scheme Shares
"Equity Option"	the option each Creditor may choose to receive the Scheme Shares
"Exchange Proposal"	the exchange proposal for the exchange of the entire aggregate principal amount of the New Option 1 Bonds outstanding and the interest accrued thereon for the New Bonds, details of which are disclosed in the announcements of the Company dated 13 June 2025 and 9 July 2025
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries (from time to time)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Court"	the High Court of Hong Kong
"Increase in Authorised Share Capital"	the proposed increase of the authorised share capital of the Company from the amount of HK$125,000,000 to the amount of HK$500,000,000 upon the Share Consolidation, the Capital Reduction and the Share Sub-division becoming effective

"Independent Board Committee"	the independent committee of the Board comprising Mr. Lau Fai Lawrence, being one of the independent non-executive Directors to advise the Independent Shareholders in relation to the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder. 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, who are directly interested in the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder
"Independent Financial Adviser"	Merdeka Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company with approval from the Independent Board Committee to advise the Independent Board Committee in respect of the terms of the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder
"Independent Shareholder(s)"	the Shareholder(s), to the extent applicable in respect of each resolution to be considered and voted at the SGM, other than Trinity Eagle, Mr. Chan, Ms. Lau Ting, Ms. Zhu Xinxin, Mr. Qiu Peiyuan or the respective parties acting in concert with any of them who are neither involved nor interested in (other than solely as a Shareholder) the Capital Reorganisation, the Creditors Scheme (which also constitutes a special deal under Rule 25 of the Takeovers Code), the Whitewash Waiver and the transactions contemplated thereunder and are not required to abstain from voting under the Listing Rules and/or the Takeovers Code and therefore permitted to vote in respect of the resolution(s) to approve the Capital Reorganisation, the Creditors Scheme (which also constitutes a special deal under Rule 25 of the Takeovers Code), the Whitewash Waiver and the transactions contemplated thereunder at the SGM
"Independent Third Party(ies)"	person(s) or company(ies) together with its(their) ultimate beneficial owner(s) who or which is/are not connected person(s) of the Company and is/are third party(ies) independent of the Company and its connected person(s)

"Last Trading Day"	25 March 2026, the last trading date before the publication of the Announcement
"Latest Practicable Date"	22 May 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Million Sensible"	Million Sensible Limited, a company incorporated in the British Virgin Islands with limited liability and entire issued share capital is wholly and beneficial owned by Mr. Chen Aizheng
"Mr. Chan"	Mr. Chan Ka Wang Chris, being the ultimate beneficial owner of the entire issued share capital of Trinity Eagle
"Mr. Norman Chan"	Mr. Chan Norman Enrique, being a creditor acquiring debts of the Company in the total amount of approximately HK$15,089,000 from the original creditors, namely Chan Ming Fai, Huang Sheunglan, Wu Jingwei, Zhu Xinxin and China Carbon Neutral Group Limited, respectively, who is independent from and not a party acting in concert with Trinity Eagle or Mr. Chan
"New Bonds"	the Hong Kong dollar unlisted bonds in the amount of approximately HK$189.2 million (with the remaining principal amount of approximately HK$6.2 million not yet issued as at the Latest Practicable Date given that the Company has not been approached by and has no information on the identity of the remaining holder(s) of the New Option 1 Bonds) issued by the Company on 9 July 2025 to the holder(s) of the New Option 1 Bonds or its (their) nominee(s) and due on 10 July 2025 pursuant to the Exchange Proposal, details of which are disclosed in the announcements of the Company dated 13 June 2025 and 9 July 2025

"New Option 1 Bonds"	the Hong Kong dollar denominated convertible bonds issued by the Company on 7 April 2017 which was due since 7 November 2023 and the outstanding principal amount and the interest accrued thereon is approximately HK$195 million as at the settlement date of the Exchange Proposal (i.e. 9 July 2025). The New Option 1 Bonds have been cancelled and marked down. The outstanding principal amount of the New Option 1 Bonds and the interest accrued thereon have been exchanged into the New Bonds on the settlement date, being 9 July 2025
"New Share(s)"	new ordinary share(s) of par value of HK$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
"Petitioner"	Industrial Bank Co., Ltd. (a joint stock company incorporated in the PRC with limited liability) Hong Kong Branch
"Price Protection"	the Company's guarantee 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 regard to the Disposal
"Relevant Period"	the period commencing six months prior to 25 March 2026, being the date of the Announcement, up to and including the Latest Practicable Date
"Restructuring"	the proposed restructuring of the Company comprising the Capital Reorganisation, the Share Premium Cancellation and the Creditors Scheme
"Scheme Administrators"	such persons who will be appointed by the Company as the scheme administrators on the date which the Creditors Scheme becomes effective or their successors pursuant to the terms of the Creditors Scheme

"Scheme Claim(s)"	Claim(s): (a) which is not a preferential Claim (and where the Claim is only in part a preferential Claim, then the person is a Creditor only to the extent of the non-preferential portion of the Claim); (b) which is not a secured Claim (and where the Claim is only in part a secured Claim, then the person is a Creditor only to the extent of the unsecured part of the Claim); (c) which is not a claim for the petition costs, restructuring costs and Scheme Costs; and (d) which is not an amount due to Mr. Chan under the Working Capital Facility and to Trinity Eagle under the Trinity Eagle Undertaking
"Scheme Company"	a company to be incorporated with limited liability on the date which the Creditors Scheme becomes effective, being a special purpose vehicle to be held and controlled by the Scheme Administrators or such other company as may be nominated by the Scheme Administrators
"Scheme Costs"	costs, charges, expenses and disbursements necessary and properly incurred after the effective date of the Creditors Scheme, in connection with the administration and implementation of the Creditors Scheme including the fees and remuneration of the Scheme Administrators and the adjudicator and their respective advisers and those set out in the Scheme Document
"Scheme Document"	the document sent to the Creditors in relation to the Creditors Scheme, with the approval of the Hong Kong Court which includes, *inter alia*, an explanatory statement of the Creditors Scheme
"Scheme Meeting(s)"	the meeting(s) of the Creditors to be convened at the direction of the Hong Kong Court for the purpose of considering and, if thought fit, approving the Creditors Scheme
"Scheme Share(s)"	a total of 326,666,666 New Shares to be allotted and issued under the Creditors Scheme, representing 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)

"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving among others, the Capital Reorganisation, the Share Premium Cancellation, the Whitewash Waiver, the Creditors Scheme (which also constitutes a special deal under Rule 25 of the Takeovers Code) and the transactions contemplated thereunder
"Shareholder(s)"	holder(s) of the issued Shares
"Share(s)"	existing ordinary share(s) of par value of HK$0.50 each in the share capital of the Company before the Capital Reorganisation becoming effective
"Share Consolidation"	the proposed consolidation of every ten (10) issued Shares of par value of HK$0.50 each into one (1) Consolidated Share of par value of HK$5.00 each
"Share Option Scheme"	the share option scheme adopted by the Company on 2 August 2022
"Share Premium Account"	the share premium account of the Company in the sum of HK$1,625,182,560 as at 30 June 2025, which is formed of the premium paid for new shares of the Company above their nominal value
"Share Premium Cancellation"	the proposed cancellation of the entire amount standing to the credit of the Share Premium Account as at the date on which Share Premium Cancellation is to take effect to nil with the credit arising therefrom be transferred to the Contributed Surplus Account and be applied in such manner as permitted under the applicable laws and the Bye-Laws including, without limitation, setting off the accumulated losses of the Company
"Share Sub-division"	the proposed sub-division of each of the then authorised but unissued Share of par value HK$0.50 each into fifty (50) New Shares of par value of HK$0.01 each

"Special Deal"	the proposed settlement of the Admitted Scheme Claims which may result in issue of Scheme Shares to the Creditor Shareholders and the Disposal of the Scheme Shares under the Cash Option for the benefit of the Creditor Shareholders under the Creditors Scheme, which constitutes a special deal under Rule 25 of the Takeovers Code
"Specific Mandate"	the specific mandate to be obtained from the Independent Shareholders at the SGM for the allotment and issue of the Scheme Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supreme Court"	the Supreme Court of Bermuda
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers issued by the SFC
"Trinity Eagle"	Trinity Eagle Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and beneficially wholly owned by Mr. Chan
"Trinity Eagle Undertaking"	undertaking given by Trinity Eagle to provide a facility in the amount of up to HK$9.75 million to the Company to discharge its obligations under the Price Protection up to 65,000,000 Scheme Shares
"Whitewash Waiver"	a waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations on the part of Trinity Eagle to make a mandatory general offer to acquire all the issued shares of the Company, except those already owned or agreed to be acquired by Trinity Eagle, Mr. Chan and parties acting in concert with any of them, which would otherwise arise as a result of the Creditors Scheme having become effective
"Winding-up Petition"	the winding up petition filed by the Petitioner against the Company on 11 March 2025 at the Hong Kong Court

"Working Capital Facility"	the working capital facility provided by Mr. Chan 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
"%"	per cent

The expected timetable for implementation of the proposed Restructuring is set out below:

Event	Time and Date 2026
Latest time for lodging transfer documents and relevant share certificates to be eligible to attend and vote at the SGM	4:30 p.m. on Thursday, 18 June
Closure of register of members for the purpose of ascertaining Shareholders' eligibility to attend and vote at the SGM	Monday, 22 June to Thursday,25 June (both dates inclusive)
Latest time for lodging proxy forms for the SGM	11:30 a.m. on Tuesday, 23 June
Record date for determining Shareholders' eligibility to attend and vote at the SGM	Thursday, 25 June
SGM	11:30 a.m. on Thursday, 25 June
Publication of announcement of results of the SGM	before 11:00 p.m. on Thursday, 25 June

The following events are conditional on (i) the results of the SGM; and (ii) the fulfilment of the conditions for the implementation of the Restructuring, therefore, the dates are tentative:

Event	Time and Date 2026
Effective date of the Scheme	Monday, 29 June
Effective date of the Capital Reorganisation	Monday, 29 June
First day for free exchange of existing share certificates for new share certificates for the New Shares	Monday, 29 June
Commencement of dealing in the New Shares	9:00 a.m. on Monday, 29 June
Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 29 June

Event	Time and Date 2026
Temporary counter for trading in the New Shares in board lots of 1,000 New Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 29 June
Original counter for trading in the New Shares in board lots of 2,000 New Shares (in the form of new share certificates for the New Shares) re-opens	9:00 a.m. on Tuesday, 14 July
Parallel trading in the Existing Shares and the New Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Tuesday, 14 July
Designated broker starts to stand in the market to provide matching services for the sale and purchase of the odd lots of the New Shares	9:00 a.m. on Tuesday, 14 July
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of the odd lots of the New Shares	4:00 p.m. on Monday, 3 August
Temporary counter for trading in the New Shares in board lots of 1,000 New Shares (in the form of existing share certificates) closes	4:10 p.m. on Monday, 3 August
Parallel trading in the Existing Shares and the New Shares (in the form of both existing share certificates and new share certificates) ends	4:10 p.m. on Monday, 3 August
Last day for free exchange of existing share certificates for new share certificates for the New Shares	Wednesday, 5 August

All times and dates specified in the timetable above refer to Hong Kong times and dates unless otherwise specified.

Any subsequent change to the expected timetable will be announced by the Company as and when appropriate.

China Ecotourism Group Limited
中國生態旅遊集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1371)

Executive Directors:
Ms. ZHU Xinxin *(Chief Executive Officer)*
Mr. DI Ling

Independent Non-Executive Directors:
Dr. MENG Zhijun
Mr. DUAN Xinxiao
Mr. LAU Fai Lawrence

Registered Office:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10, Bermuda

Principal place of business in Hong Kong:
Unit 1202, 12/F
Landmark South
39 Yip Kan Street
Wong Chuk Hang
Hong Kong

26 May 2026

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED RESTRUCTURING INVOLVING
(i) CAPITAL REORGANISATION;
(ii) SHARE PREMIUM CANCELLATION;
(iii) CREDITORS SCHEME;
(2) CHANGE IN BOARD LOT SIZE;
(3) CONNECTED TRANSACTION – ISSUE OF SCHEME SHARES UNDER SPECIFIC MANDATE;
(4) APPLICATION FOR WHITEWASH WAIVER AND CONSENT FOR SPECIAL DEAL;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

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 is related to the outstanding indebtedness amount of HK$78,542,936.71 (inclusive of the accrued interest).

In light of the Winding-up Petition and the Company is currently facing severe financial difficulties, the Board intends to pursue a restructuring and to formulate the terms of the proposed Restructuring, which the Board considers to be in the interest of all of the stakeholders in the Company, including the Creditors.

The purpose of this circular is to provide you, among other things, (i) further details of the proposed Restructuring; (ii) a letter of recommendation from the Independent Board Committee in relation to the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser in relation to the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder; and (iv) a notice convening the SGM.

PROPOSED RESTRUCTURING

The proposed Restructuring involves, among others, (i) the Capital Reorganisation; (ii) the Share Premium Cancellation; and (iii) the Creditors Scheme.

CAPITAL REORGANISATION

As at the Latest Practicable Date, the authorised share capital of the Company is HK$125,000,000 divided into 250,000,000 Shares of HK$0.50 par value each, of which 154,422,109 Shares have been issued and fully paid or credited as fully paid.

The Company proposes to implement, subject to the approval by the Independent Shareholders, the Capital Reorganisation involving:

(i) the Share Consolidation: every ten (10) issued Shares of par value of HK$0.50 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value of HK$5.00 each in the share capital of the Company and where applicable, the total number of the Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company which may arise from the Share Consolidation (for the avoidance of doubt, the Share Consolidation does not affect the unissued Shares);

(ii) the Capital Reduction: (a) any fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation will be cancelled; and (b) the par value of each of the then issued Consolidated Shares will be reduced from HK$5.00 to HK$0.01 by cancelling the paid-up capital of the Company to the extent of HK$4.99 on each of the then issued Consolidated Shares, so that following such reduction, each issued Consolidated Share shall become one New Share with par value of HK$0.01 each;

(iii) the Share Sub-division: immediately following the Capital Reduction becoming effective, each of the authorised but unissued Shares will be sub-divided into fifty (50) New Shares of par value of HK$0.01 each; and

(iv) Increase in Authorised Share Capital: upon the Share Consolidation, the Capital Reduction and the Share Sub-division becoming effective, the Company's authorised share capital will be increased from the amount of HK$125,000,000 divided into 12,500,000,000 New Shares of HK$0.01 each to the amount of HK$500,000,000 divided into 50,000,000,000 New Shares of HK$0.01 each.

Based on 154,422,109 Shares in issue as at the Latest Practicable Date, a credit of approximately HK$77 million will arise as a result of the Capital Reorganisation. Such credit arising in the accounts of the Company from the Capital Reorganisation will be transferred to the Contributed Surplus Account, which will be used by the Board in any manner as the Board may deem fit as may be permitted under the applicable laws and the Bye-Laws including, without limitation, setting off against the accumulated losses of the Company. Shareholders and potential investors of the Company should note that the credits arising in the books from the Capital Reorganisation will be subject to change depending on the number of the Shares in issue immediately prior to the Capital Reorganisation becoming effective. It is expected that the amount standing to the credit of the Contributed Surplus Account will be used to set off against the accumulated losses of the Company.

Conditions precedent to the Capital Reorganisation

The effectiveness of the Capital Reorganisation shall be conditional upon:

(1) the passing of the necessary special resolution(s) by the Independent Shareholders by way of poll at the SGM to approve the Capital Reorganisation involving the Share Consolidation, the Capital Reduction, the Share Sub-division and the Increase in Authorised Share Capital;

(2) the Stock Exchange having granted approval for the listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reorganisation becoming effective;

(3) compliance with the relevant procedures and requirements under the Companies Act and applicable laws of Bermuda to effect the Capital Reorganisation, which includes obtaining the Directors' confirmation confirming that on the date on which the Capital Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they fall due;

(4) the compliance with the relevant procedures and requirements under the Listing Rules to effect the Capital Reorganisation; and

(5) the obtaining of all necessary approvals and/or consents from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

As at the Latest Practicable Date, none of the conditions above has been fulfilled. None of the above conditions is capable of being waived.

Subject to the fulfilment of the above conditions, the Capital Reorganisation will become effective on the second Business Day immediately after the date of the SGM.

Effects of the Capital Reorganisation

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, liabilities, businesses, operations, management or financial position of the Company and the Group or the rights of the Shareholders.

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, before and after completion of the Capital Reorganisation:

	Immediately before the Capital Reorganisation becoming effective	**Immediately after the Capital Reorganisation becoming effective**
Nominal value	HK$0.50 per Share	HK$0.01 per New Share
Number of authorised shares	250,000,000 Shares	50,000,000,000 New Shares
Authorised share capital	HK$125,000,000	HK$500,000,000
Number of issued and paid-up shares	154,422,109 Shares	15,442,210 New Shares
Paid-up capital	HK$77,211,054.50	HK$154,422.10

Status of the New Shares after the Capital Reorganisation

The New Shares after the Capital Reorganisation will be identical and rank *pari passu* in all respects with each other.

Listing and dealings

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the New Shares. Subject to the granting of the listing of, and the permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in is being or is currently proposed to be sought from any other stock exchange.

SHARE PREMIUM CANCELLATION

The Board intends to put forward for approval by the Independent Shareholders at the forthcoming SGM a proposal to cancel the entire amount standing to the credit of the Share Premium Account as of the date on which the Share Premium Cancellation is to take effect to nil with the credit arising therefrom to be transferred to the Contributed Surplus Account and to authorise the Board to apply such amount in such manner as permitted under the applicable laws and the Bye-Laws including, without limitation, setting off against the accumulated losses of the Company. It is expected that the amount standing to the credit of the Contributed Surplus Account will be used to set off against the accumulated losses of the Company.

Conditions precedent to the Share Premium Cancellation

The effectiveness of the Share Premium Cancellation shall be conditional upon:

(1) the passing of the necessary special resolution(s) by the Independent Shareholders by way of poll at the SGM to approve the Share Premium Cancellation; and

(2) the Directors being satisfied that on the date on which the Share Premium Cancellation is to take effect, there are no reasonable grounds for believing that the Company is, or after the date on which the Share Premium Cancellation is to take effect will be, unable to pay its liabilities as they become due.

Subject to the fulfilment of the conditions above, the Share Premium Cancellation will be completed and become effective on the date of the SGM.

Effects of the Share Premium Cancellation

The implementation of the Share Premium Cancellation does not involve any reduction in the authorised or issued share capital of the Company, or any reduction in the nominal value of the Shares or alteration of the trading arrangements concerning the Shares.

Save for the expenses to be incurred by the Company in relation to the Share Premium Cancellation, the Board considers that the implementation of the Share Premium Cancellation will not have a material adverse effect on the underlying assets, liabilities, business operations, management or financial position of the Company or the interests of the Shareholders as a whole.

Based on the audited financial statements of the Company as at 30 June 2025, the amounts standing to the credit of the Share Premium Account as at 30 June 2025 were approximately HK$1,625,182,560. The balance of the Share Premium Account has not changed since 30 June 2025 and up to the Latest Practicable Date.

CHANGE IN BOARD LOT SIZE

Subject to the Capital Reorganisation becoming effective, the Board also proposes to change the board lot size for trading in the shares of the Company from 10,000 Shares to 2,000 New Shares.

Based on the closing price of HK$0.161 per Share (equivalent to the theoretical price of HK$1.61 per New Share) as quoted on the Stock Exchange as at the Latest Practicable Date: (i) the value of each board lot of 10,000 Shares is HK$1,610; and (ii) the value of each new board lot of 2,000 New Shares would be HK$3,220 assuming the Capital Reorganisation had already been effective.

The change in board lot size will not result in any change in the relative rights of the Shareholders.

ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

As at the Latest Practicable Date, the total number of Shares available for issue under the Share Option Scheme is 15,442,210 Shares and there have been no share options granted entitling the holders thereof to subscribe for any Share under the Share Option Scheme since its adoption. The Directors will determine, according to the rules of the Share Option Scheme, the adjustments (if any) required to be made in respect of the outstanding Share Options as a result of the Capital Reorganisation.

As at the Latest Practicable Date, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into any Shares.

OTHER ARRANGEMENTS

Exchange of share certificates for the New Shares

Subject to the Capital Reorganisation becoming effective, which is currently expected to be on Monday, 29 June 2026, being the second Business Day immediately following the date of the SGM, the Shareholders may submit their existing share certificates in purple colour for the Shares on or after Tuesday, 14 July 2026 and until Wednesday, 5 August 2026 (both days inclusive) to the branch share registrars of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in exchange for new share certificates in blue colour for the New Shares at the expenses of the Company. It is expected that the new share certificates for the New Shares will be available for collection within ten (10) Business Days after submission of the existing share certificates to Computershare Hong Kong Investor Services Limited for exchange. Thereafter, a fee of HK$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to Computershare Hong Kong Investor Services Limited for each share certificate for the New Shares issued or each share certificate for the Shares submitted for cancellation, whichever is higher.

After 4:10 p.m. on Monday, 3 August 2026, trading will only be in New Shares which share certificates will be issued in blue colour. All existing certificates of the Shares will continue to be evidence of title to such Shares but all existing certificates of Shares will cease to be valid for delivery, trading and settlement purpose.

Arrangement on odd lot trading and matching services

In order to facilitate the trading of odd lots, if any, of the New Shares as a result of the change in board lot size, the Company has appointed Computershare Hong Kong Investor Services Limited as its agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares during the period from Tuesday, 14 July 2026 to Monday, 3 August 2026. Holders of Shares in odd lots who wish to utilise this facility to dispose of or top up their odd lots of the Shares may contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or at telephone number (852) 2862 8555 during office hours (i.e. 9:00 a.m. to 4:30 p.m.) within the above period. Shareholders who would like to match odd lots are recommended to make an appointment in advance by dialing the telephone number of Computershare Hong Kong Investor Services Limited set out above.

Shareholders should note that the matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Fractional entitlement to the New Shares

Any fractional New Shares arising from the Capital Reorganisation, if any, will be disregarded and will not be issued to the Shareholders otherwise entitled thereto but all such fractional New Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional New Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers and may wish to consider the possibility of buying or selling the Shares in a number sufficient to make up an entitlement to receive a whole number of New Shares.

REASONS FOR AND BENEFITS OF THE CAPITAL REORGANISATION, THE SHARE PREMIUM CANCELLATION AND CHANGE IN BOARD LOT SIZE

The proposed Capital Reorganisation will enable the par value of the Shares to be reduced from HK$0.50 each to HK$0.01 each. The credit arising from the Capital Reorganisation will be transferred to the Contributed Surplus Account, which will be used by the Board in any manner as the Board may deem fit as may be permitted under the applicable laws and the Bye-Laws including, without limitation, setting off against the accumulated losses of the Company.

Further, pursuant to the Share Premium Cancellation, the entire amount standing to the credit of the Share Premium Account will be cancelled with the credit arising therefrom to be transferred to the Contributed Surplus Account and to authorise the Board to apply such amount in such manner as permitted under the applicable laws and the Bye-Laws including, without limitation, setting off against the accumulated losses of the Company.

The Board is of the opinion that the proposed Capital Reorganisation and the Share Premium Cancellation will give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future. In addition, the Board considers that the Capital Reorganisation will give greater flexibility to the Company to issue New Shares in the future given that the Company is not permitted, without order of the Supreme Court of Bermuda, to issue New Shares below their nominal or par value.

As such, the Directors are of the view that the Capital Reorganisation and the Share Premium Cancellation are in the best interests of the Company and its Shareholders as a whole.

Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated in September 2024 (the "**Guide**"), the expected value per board lot should be greater than HK$2,000 taking into account the minimum transaction costs for a securities trade.

Pursuant to the consultation paper titled "Board Lot Framework Enhancement in Hong Kong Securities Market" issued by the Stock Exchange in December 2025 (the "**Consultation Paper**"), it is proposed that the Stock Exchange will implement standardisation of board lot units, where listed issuers would have to select their board lot unit from a defined set of eight standardised board lot units: 1, 50, 100, 500, 1,000, 2,000, 5,000, and 10,000 share(s). In addition, the Consultation Paper also proposes lowering the board lot value floor guidance level from HK$2,000 to HK$1,000.

The Shares are currently traded on the Stock Exchange in the board lot size of 10,000 Shares. It is proposed that the board lot size will be amended to 2,000 New Shares when the Capital Reorganisation becomes effective. Based on the closing price of HK$0.161 per Share (equivalent to the theoretical closing price of HK$1.61 per New Share) as quoted on the Stock Exchange as at the Latest Practicable Date, the value of each new board lot of 2,000 New Shares would be HK$3,220 as compared to HK$1,610 of the original board lot of 10,000 Shares.

The Company will continue to comply with the current trading requirements as set out in the Guide and the new trading requirements proposed under the Consultation Paper. The Company also considers that the Capital Reorganisation and the change in board lot size will maintain the trading amount for each board lot at a reasonable level and attract more investors and broaden the shareholder base of the Company. As such, the Board considers that the Capital Reorganisation and the change in board lot size is beneficial to and in the interest of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save for the Creditors Scheme and the transactions contemplated thereunder, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has no other plan or intention to carry out any future corporate actions or to declare any dividend in the next twelve months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation.

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:

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

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) above 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 Shares, 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 Shares under the Price Protection, the Company took into account (i) the Company only has cash or 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, consumer sentiment and regulatory policies on the 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. Osman Mohammed Arab and Lai Wing Lun, both of Acclime Corporate Advisory (Hong Kong) Limited, who will be formally appointed by the Company upon Scheme becomes 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 relevant regulators (i.e. the Stock Exchange and the SFC), 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 is not subject to the Creditors Scheme (i.e. preferential claims (which was estimated to be approximately HK$48,000 as at 30 June 2025), restructuring costs (which was estimated to be approximately HK$7.4 million as at 30 June 2025), operational debt (which was estimated to be approximately HK$0.7 million as at 30 June 2025), secured claims (the Company was not aware of any secured claims as at 30 June 2025), petition costs (which is impossible to estimate given that the Winding-up Petition filed by the Petitioner is still on-going) 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, and will remain as the liabilities of the Company upon completion of the Creditors Scheme.

Set out below are the information of the creditors of the Company and the amount of the debts owed by the Company based on the books and records of the Company as at the Latest Practicable Date (with interests calculated up to 30 June 2025) which is subject to their respective proofs of debts filed, and the adjudication and the final determination of the same by the Scheme Administrators:

Name of Creditors	Background	Nature of and reasons for the claim	Amount owed by the Company *HK$'000*	Original amount involved *HK$'000*	Initial incurrence date	Maturity date/ last due date	Interest rate	Corresponding financial statement line item(s)
Baker & Mckenzie	Independent Third Party	Outstanding professional service fee	4,253	5,289	July 2022	Feb 2025	N/A	Accruals and other payables
Chen Aizheng *(Note 1)*	Former employee of the Group	Borrowing of subsidiaries guaranteed by the Company	176	150	Jan 2022	Dec 2024	8.0% p.a.	Accruals and other payables
		Outstanding salaries of subsidiaries guaranteed by the Company	1,117	1,117	Jan 2022	Dec 2024	N/A	Accruals and other payables
Deutsche Bank AG, Hong Kong Branch	Independent Third Party	Outstanding professional service fee	31	31	Apr 2024	May 2025	N/A	Accruals and other payables
Di Ling	Executive Director	Outstanding Directors' remuneration	1,552	1,552	Oct 2022	Jun 2025	N/A	Accruals and other payables
Duan Xinxiao	Independent non-executive Director	Outstanding Directors' remuneration	459	459	Jan 2024	Jun 2025	N/A	Accruals and other payables
Hung San Yeung	Employee of the Group	Outstanding salaries of subsidiaries guaranteed by the Company	772	772	Oct 2022	Nov 2024	N/A	Accruals and other payables

Name of Creditors	Background	Nature of and reasons for the claim	Amount owed by the Company *HK$'000*	Original amount involved *HK$'000*	Initial incurrence date	Maturity date/ last due date	Interest rate	Corresponding financial statement line item(s)
Industrial Bank Co., Ltd. Hong Kong Branch *(Note 3)*	Independent Third Party	Borrowing of subsidiaries guaranteed by the Company	85,090	162,000	Sep 2018	Oct 2023	Approximately 8.4%	Bank and other borrowings
Li Chiu Ho	Employee of the Group	Outstanding salaries of subsidiaries guaranteed by the Company	639	639	Sep 2023	Sep 2024	N/A	Accruals and other payables
Meng Zhijun	Independent non-executive Director	Outstanding salaries of subsidiaries guaranteed by the Company	545	545	Sep 2023	Jun 2025	N/A	Accruals and other payables
Million Sensible *(Note 1)*	Independent Third Party	Borrowing of subsidiaries guaranteed by the Company	93,895	71,285	Feb 2023	Oct 2023	8.0% p.a.	Bank and other borrowings
Mr. Norman Chan *(Note 5)*	Independent Third Party	Borrowing of subsidiaries guaranteed by the Company	11,044	8,400	From Oct 2021 to May 2024	Jun 2025	8.0% p.a.	Accruals and other payables
		Outstanding Directors' remuneration assigned from the Directors/former Directors	4,046	4,046	From Oct 2020 to Jul 2023	From Jun 2023 to Mar 2025	N/A	Accruals and other payables
Qiu Peiyuan	Former executive Director	Outstanding Directors' remuneration	489	489	Oct 2022	Sep 2024	N/A	Accruals and other payables
Sit Hoi Tung	Former employee of the Group	Outstanding salaries of subsidiaries guaranteed by the Company	1,379	1,379	Jan 2022	Dec 2024	N/A	Accruals and other payables

Name of Creditors	Background	Nature of and reasons for the claim	Amount owed by the Company *HK$'000*	Original amount involved *HK$'000*	Initial incurrence date	Maturity date/ last due date	Interest rate	Corresponding financial statement line item(s)
Swift Insight Limited *(Note 4)*	Independent Third Party	Borrowing	2,410	2,100	Sep 2023	Nov 2023	8.5% p.a.	Accruals and other payables
Tan Yung Kai Richard	Employee of the Group	Outstanding salaries of subsidiaries guaranteed by the Company	2,450	2,450	Jan 2022	Dec 2024	N/A	Accruals and other payables
Trinity Eagle Investments Limited *(Note 6)*	Independent Third Party	New Bonds	189,151	148,889	May 2022	Jul 2025	Coupon rate: 7.0% Default interest rate: 9.0% Default interest rate of accrual interest: 2.0% Additional interest rate: 10.0%	Unlisted bonds
		Borrowing of subsidiaries guaranteed by the Company	59,527	46,371	Oct 2020	Jun 2025	8.0% p.a.	Bank and other borrowings, accruals and other payables
		Outstanding salaries assigned from the former employees	20,027	20,027	Jan 2022	Oct 2024	N/A	Accruals and other payables

Name of Creditors	Background	Nature of and reasons for the claim	Amount owed by the Company *HK$'000*	Original amount involved *HK$'000*	Initial incurrence date	Maturity date/ last due date	Interest rate	Corresponding financial statement line item(s)
Other holder(s) of the New Bonds *(Note 2)*	N/A	New Bonds	6,260	5,273	May 2022	Jul 2025	Coupon rate: 7.0% Default interest rate: 9.0% Default interest rate of accrual interest: 2.0%	Unlisted bonds
Tse Siu Ling	Employee of the Group	Outstanding salaries of subsidiaries guaranteed by the Company	1,123	1,123	Jan 2022	Jun 2025	N/A	Accruals and other payables
Wang Anyuan	Former independent non-executive Director	Directors' Remuneration	51	51	Oct 2024	Mar 2025	N/A	Accruals and other payables
Win Bailey Valuation and Advisory Limited	Independent Third Party	Outstanding professional service fee	23	23	Sep 2024	Oct 2024	N/A	Accruals and other payables
Wong Yin Ming	Employee of the Group	Outstanding salaries of subsidiaries guaranteed by the Company	827	827	Jan 2022	Dec 2024	N/A	Accruals and other payables
		Total	487,336					

Notes:

1. Million Sensible is wholly and beneficially owned by Mr. Chen Aizheng, who is independent from and not a party acting in concert with Trinity Eagle or Mr. Chan.

2. Before the implementation of the Exchange Proposal, the New Option 1 Bonds was represented by a global certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. A professional trustee acted as the trustee of all the beneficial holders of the New Option 1 Bonds. In the circumstances, unless the beneficial holders of the New Option 1 Bonds approached the Company, the nominee and/or the trustee, neither the Company, the nominee nor the trustee would have information of the beneficial holders of the New Option 1 Bonds. Save that the Company was informed that Mr. Chan is the ultimate beneficial holder of part of the principal amount of the New Option 1 Bonds of approximately HK$148.9 million (out of the total principal amount of approximately HK$154.2 million), the Company has no information on the other beneficial owner(s) of the New Option 1 Bonds as at the Latest Practicable Date.

3. Industrial Bank Co., Ltd. Hong Kong Branch, being the Petitioner, has filed the Winding-up Petition against the Company on 11 March 2025 at the Hong Kong Court. It was ordered on 27 February 2026 that, among others, the hearing of the Petition be adjourned to 1 June 2026 at 9:30 a.m. As at the Latest Practicable Date, apart from the Petition, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

4. The ultimate beneficial owner of Swift Insight Limited is Mr. Gao Rihui, who is an Independent Third Party and is independent from and not a party acting in concert with Trinity Eagle or Mr. Chan.

5. Mr. Norman Chan has acquired the debts of the Company in the total amount of approximately HK$15,089,000 from the original creditors, which comprised (i) approximately HK$324,000 from Chan Ming Fai; (ii) approximately HK$66,000 from Huang Sheunglan; (iii) approximately HK$8,499,000 from Wu Jingwei; (iv) approximately HK$4,096,000 from Zhu Xinxin; and (v) approximately HK$2,104,000 from China Carbon Neutral Group Limited, respectively, with a total consideration of HK$1,000,000 in August 2025. Chan Ming Fai, Huang Sheunglan and Wu Jingwei were former Directors. China Carbon Neutral Group Limited is an indirect wholly-owned subsidiary of China Carbon Neutral Development Group Limited, which is listed on the Main Board of the Stock Exchange (stock code: 1372) and is ultimately beneficially owned as to approximately 23.94% by Mr. Sha Tao, the spouse of Ms. Chan Tan Na Donna (i.e. a former executive Director and daughter of Ms. Lau Ting).

6. Trinity Eagle has acquired certain receivables of the Company in the total amount of approximately HK$80 million 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 on 25 March 2026, with a total consideration of HK$6.5 million payable by Trinity Eagle upon the Creditors Scheme becomes effective. Ms. Lau Ting and Ms. Chan Tan Na Donna have irrevocably and unconditionally agreed to transfer the consideration payable by Trinity Eagle to the Group as gift.

7. As at the Latest Practicable Date, none of the debts have assets security.

Ranking of the Scheme Shares

The Scheme Shares shall, when fully paid, rank *pari passu* in all respects with the New Shares in issue on the date of allotment of the Scheme Shares.

Issue price

The issue price of HK$1.50 per Scheme Share, 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 Practical 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 report 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.

As the Group has been loss-making since 2015 with deteriorating financial performance and deepened indebtedness, the Group has recorded net current liabilities of approximately HK$493.8 million and net liabilities of approximately HK$518.2 million as at 31 December 2025. As disclosed in the Company's annual report for the year ended 30 June 2025, the Company's auditors have issued a disclaimer of opinion on the Company's consolidated financial statements, citing the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Under such backdrop, the Company has used its best endeavours to maintain on-going discussions with the Creditors and to explore potential terms of the proposed Restructuring. Taking into account (i) the feedback received from the Creditors during arm's length negotiations; (ii) the adverse financial condition with worsening net liabilities position and insolvency of the Company; (iii) the consecutive net losses recorded by the Group in recent financial years; (iv) the prevailing market conditions and market price of the Shares during the course of formulating the proposed Restructuring; and (v) the expected business prospect and continuous development of the Group after the completion of the proposed Restructuring, the Board is of the view that the issue price is considered fair and reasonable and in the interest of the Company, the Independent Shareholders as well as the Creditors as a whole.

Conditions precedent of the Creditors Scheme

The Creditors Scheme will be implemented in Hong Kong only. The Creditors Scheme will become binding and effective on the Company and the Creditors under Hong Kong law if the following conditions precedent, among others, are satisfied:

(1) over fifty per cent (50%) in number of the Creditors, representing at least seventy-five per cent (75%) in value of the Creditors, present and voting in person (or through electronic means if applicable) or by proxy at the Scheme Meeting, voting in favour of the Creditors Scheme;

(2) the Hong Kong Court sanctions the Creditors Scheme and an official copy of the order of the Hong Kong Court sanctioning the Creditors Scheme is delivered to the Registrar of Companies in Hong Kong for registration;

(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;

(4) the Company having obtained the necessary consent of the Executive for the Special Deal;

(5) the passing of the necessary resolutions by (i) at least 75% of 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 (ii) at least 50% of the Independent Shareholders at the SGM by way of poll in respect of the Creditors Scheme, the Special Deal, and the transactions contemplated thereunder;

(6) the Capital Reorganisation having become effective; and

(7) the Company having obtained either conditional approval or approval in-principle from the Stock Exchange for the listing of, and permission to deal in, the Scheme Shares on the Stock Exchange.

As at the Latest Practicable Date, save for the conditions set out in sub-paragraphs (1) and (2) above, none of the conditions above has been fulfilled. All the conditions precedent to the Creditors Scheme are not capable of being waived.

For the avoidance of doubt, the Creditors Scheme is not subject to the independent shareholders' approval in respect of the Share Premium Cancellation.

The Creditors Scheme shall, if sanctioned by the Hong Kong Court, bind the Company and each of the Creditors and shall be administered by the Scheme Administrators. For the purpose of effecting the Creditors Scheme, the Company has applied to the Hong Kong Court for leave to convene the Scheme Meeting and the court hearing is fixed to be heard on 24 July 2025. On 24 July 2025, the Company obtained an order from the Hong Kong Court that, among others, the Company be at liberty to convene a meeting of the Creditors for the Creditors Scheme. At the adjourned Scheme Meeting held on 25 September 2025, the Creditors Scheme was approved by the requisite statutory majorities of creditors with voting claims. At the hearing at the Hong Kong Court on 15 October 2025, the Hong Kong Court has granted an order to approve and sanction the Creditors Scheme. The estimated amount of the Scheme Claims admitted for voting purpose for the Scheme Meeting was approximately HK$489.6 million. Given that interest accruing up to the effective date of the Creditors Scheme will be provable or admissible as part of the Scheme Claims, the Company expects that the total amount of the Admitted Scheme Claims will be no less than HK$490 million. As at the Latest Practicable Date, the Company has obtained the confirmations from creditors with aggregate claim amount and interest accruing up to the Latest Practicable Date in the amount of not less than HK$490 million, to treat for all purposes their notices of claim for voting purpose for the scheme meeting as being the notices of claim for scheme consideration purpose (subject to all necessary updates, such as updating the amount of interest accruing up to the effective date of the Creditors Scheme).

As at the Latest Practicable Date, save for Mr. Qiu Peiyuan, a former Director interested in 1,955,500 Shares (representing approximately 1.27% of the issued Shares at the Latest Practicable Date) and Mr. Di Ling, Mr. Duan Xinxiao, Dr. Meng Zhijun and Mr. Wang Anyuan, three of the existing Directors and one of the former Directors in the past 12 months who are not interested in any Shares, (i) none of the known creditors of the Company are Shareholders, nor have any creditors of the Company indicated their intention to become Shareholders (save as pursuant to the Creditors Scheme); and (ii) the creditors of the Company are Independent Third Parties.

Subject to the approval of the Creditors, the Independent Shareholders, the Hong Kong Court and relevant regulators (i.e. the Stock Exchange and the SFC), 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 and liabilities of the subsidiaries of the Company which are guaranteed by the Company will be compromised, discharged and released in full. For the avoidance of doubt, any liabilities of the Group which is not subject to the Creditors Scheme (i.e. preferential claims (which was estimated to be approximately HK$48,000 as at 30 June 2025), restructuring costs (which was estimated to be approximately HK$7.4 million as at 30 June 2025), operational debt (which was estimated to be approximately HK$0.7 million as at 30 June 2025), secured claims (the Company was not aware of any secured claims as at 30 June 2025), petition costs (which is impossible to estimate given that the Winding-up Petition filed by the Petitioner is still on-going) and amount due to Mr. Chan under the Working Capital Facility and to Trinity Eagle under the Trinity Eagle Undertaking) will not be compromised, discharged or released upon completion of the Creditors Scheme. The Creditors Scheme will become legally binding on the Company and the Creditors upon fulfilment of the conditions to be set out in the Scheme Document and upon the filing of the orders of the Hong Kong Court with the Registrar of Companies in Hong Kong. As at the Latest Practicable Date, the Creditors Scheme has not come into effect. The Company will provide an update on the Creditors Scheme as and when appropriate.

Undertaking for fulfilling the minimum public float requirement

Million Sensible and Mr. Chen Aizheng, being two of the creditors of the Company in relation to the debt in the amount of approximately HK$95 million, have irrevocably and unconditionally undertaken and agreed with the Company on 25 March 2026 that after adjudication and having received the notice from the Scheme Administrators in relation to its/his entitlement of the Scheme Shares, if there is insufficient public float exists in the Shares, they shall be deemed to have opted for the Cash Option for such number of the Scheme Shares such that their aggregate shareholding will fall below 10% of the enlarged issued share capital of the Company. For the avoidance of doubt, Million Sensible and Mr. Chen Aizheng will also be subject to the same pro-rata reduction in the same way as other Creditors if the entitlement to the Scheme Shares elected for the Cash Option exceeds the Cap.

REASONS FOR AND BENEFITS OF THE PROPOSED RESTRUCTURING

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; and (ii) research and development, processing, production and sales of natural and health food.

The Company is in liquidity shortage and financial distress situation, which does not have sufficient financial resources to cover all its indebtedness.

According to the relevant annual reports and interim report of the Company, the Group has recorded net losses consistently since the year ended 31 December 2015. The net losses of the Group amounted to approximately HK$73.1 million for the year ended 30 June 2025 and approximately HK$27.3 million for the six months ended 31 December 2025. The Group had recorded (i) net current liabilities of approximately HK$493.8 million as at 31 December 2025 and approximately HK$464.1 million as at 30 June 2025; and (ii) net liabilities of approximately HK$518.2 million as at 31 December 2025 and approximately HK$491.4 million as at 30 June 2025. Meanwhile, the cash and bank balances of the Group which could be disposed of only amounted to approximately HK$58.1 million as at 31 December 2025, which 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. Due to the aforementioned reasons, the Company was not able to utilise the Group's cash maintained by the Group's subsidiaries in the PRC to settle the original debts of the Company (including but not limited to certain professional service fees, employees' salaries and directors' remuneration) which have been overdue due to such liquidity shortage and financial distress situation of the Group. The Group has not procured any undertaking from any of the original creditors on not demanding the repayment from the Company.

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, 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. 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, taking into account the likelihood of recovery of the investment sums was low, given that the other parties involved in the Group's subscription have become uncontactable and Pan Asia Blockchain Lottery Limited has 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 item 9(a) & 9(b) in the table below) have been fully settled pursuant to the loan restructuring agreement dated 31 December 2020.

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

	Borrower	Date of agreement for the respective loan	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	(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	(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.
3	Wealthy Capital Enterprises Inc.	4 February 2016	(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	(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.

	Borrower	Date of agreement for the respective loan	Amount of the (a) principal and (b) interest rates	Term of the respective loan and repayment terms	Reasons of default
4b	Unionconcept Investment Ltd.	12 December 2016	(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	(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	(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	(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.
7	Beijing Huishengxin Business Service Co., Ltd.* (北京匯晟鑫商務服務有限公司)	10 August 2016	(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.

	Borrower	Date of agreement for the respective loan	Amount of the (a) principal and (b) interest rates	Term of the respective loan and repayment terms	Reasons of default
8a	Shenzhen Xiangfu Yeguang Jewelry Co., Ltd.* (深圳市祥富業廣珠寶有限公司)	5 March 2018	(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	(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	(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 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% on 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, based on the issue price of the Scheme Shares, which 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 as detailed in the above sub-section headed "Issue Price", the

Directors (including the member of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee in this circular) are of the view that the issue price of the Scheme Shares is considered fair and reasonable.

Prior to the decision of proceeding with the Creditors Scheme, 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 haircut, no positive feedback has been received. Given that (a) the Winding-up Petition has already been filed by the Petitioner against the Company; (b) if without the cooperation from the Petitioner, it would be very difficult to secure the other Creditors to reach individual settlement with the Company; and (c) more importantly, if without the cooperation from the Petitioner, the Company will not be able to achieve global settlement with all its Creditors to avoid the potential winding up of the Company save as pursuant to a scheme of arrangement.

As such, the Directors (including the member of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee in this circular) are of the view that the Creditors Scheme initiated by the Company 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.

Taking into account of the above, the Board (including the member of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee in this circular) is of the view that the terms of the Creditors Scheme are reasonable and the implementation of the Creditors Scheme is beneficial to the Company, the Creditors and the Shareholders.

Illustrative effect of the Creditors Scheme to the financial position of the Group

For illustrative purpose only, the table below sets forth an analysis of the Company's unaudited consolidated pro forma net assets value (subject to audit), assuming that the proposed Restructuring took place on 31 December 2025, and is prepared based on the unaudited financial information of the Company as at 31 December 2025 stated in the Company's interim report for the six months ended 31 December 2025.

	As at 31 December 2025	Pro forma balance assuming the proposed Restructuring took place on 31 December 2025
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Non-current assets	13,759	13,759
Current assets	117,856	117,856
Non-current liabilities	(24,363)	(24,363)
Current liabilities	(625,404)	(104,858)
Net current (liabilities)/assets	(507,548)	12,998
Net (liabilities)/assets	(518,152)	2,394

As presented above, assuming the proposed Restructuring took place on 31 December 2025, the net current liabilities of the Group of approximately HK$507.5 million is expected to turn around to net current assets of approximately HK$13.0 million, and the net liabilities of the Group of approximately HK$518.2 million is expected to turn around to net assets of approximately HK$2.4 million. The remaining liabilities of the Group as at 31 December 2025 upon the completion of the proposed Restructuring mainly comprise (i) contract liabilities arisen from the provision of the Group's technical and maintenance services for lottery systems, terminal equipment and related products; (ii) accrued charges and other payables of the Group; and (iii) deferred income tax liabilities.

EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purposes only and subject to their respective proofs of debts filed, and the adjudication and the final determination of the same by the Scheme Administrators, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation having become effective; (iii) 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 but before completion of the Disposal (assuming the outstanding debt to be converted at HK$1.50 per Scheme Share); (iv) 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; and (b) only Million Sensible and Mr. Chen Aizheng would elect for the Cash Option to the extent that their shareholding will fall below 10%); and (v) 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; and (b) all Creditors other than Trinity Eagle, Million Sensible and Mr. Chen Aizheng would elect for the Cash Option subject to the Cap):

Shareholders	**As at the Latest Practicable Date**		**Immediately after the Capital Reorganisation having become effective**		**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 but before completion of the Disposal**		**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; and (b) only Million Sensible and Mr. Chen Aizheng would partially elect for the Cash Option to the extent that their shareholding will fall below 10%)**		**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; and (b) all Creditors other than Trinity Eagle, Million Sensible and Mr. Chen Aizheng would elect for the Cash Option subject to the Cap)**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*
Trinity Eagle *(Note 1)*	–	–	–	–	179,136,362	52.36%	179,136,362	52.36%	179,136,362	52.36%
Petitioner *(Note 2)*	–	–	–	–	56,726,454	16.58%	56,726,454	16.58%	12,868,471	3.76%
Directors										
Zhu Xinxin	292,500	0.19%	29,250	0.19%	29,250	0.01%	29,250	0.01%	29,250	0.01%
Di Ling	–	–	–	–	1,034,666	0.30%	1,034,666	0.30%	234,716	0.07%
Duan Xinxiao	–	–	–	–	305,849	0.09%	305,849	0.09%	69,383	0.02%
Meng Zhijun	–	–	–	–	363,133	0.11%	363,133	0.11%	82,378	0.02%
Other Shareholders										
Wang Anyuan	–	–	–	–	33,978	0.01%	33,978	0.01%	7,708	0.01%
Lau Ting *(Note 3)*	52,282,782	33.86%	5,228,278	33.86%	5,228,278	1.53%	5,228,278	1.53%	5,228,278	1.53%
Cao Junsheng *(Note 4)*	12,525,000	8.11%	1,252,500	8.11%	1,252,500	0.37%	1,252,500	0.37%	1,252,500	0.37%
China Carbon Neutral Development Group Limited *(Note 5)*	10,000,000	6.48%	1,000,000	6.48%	1,000,000	0.29%	1,000,000	0.29%	1,000,000	0.29%
Million Sensible and Mr. Chen Aizheng *(Note 6)*	–	–	–	–	63,458,506	18.55%	34,176,677	9.99%	63,458,506	18.55%
Qiu Peiyuan	1,955,500	1.27%	195,550	1.27%	521,550	0.15%	521,550	0.15%	269,504	0.08%
Other Creditors *(Note 7)*										
Other holders of the New Bonds *(Note 8)*	–	–	–	–	4,173,145	1.22%	4,173,145	1.22%	946,684	0.28%
Chan Norman Enrique	–	–	–	–	10,059,590	2.94%	10,059,590	2.94%	2,282,032	0.67%
Swift Insight Limited	–	–	–	–	1,606,716	0.47%	1,606,716	0.47%	364,486	0.11%
Hung San Yeung	–	–	–	–	514,442	0.15%	514,442	0.15%	116,702	0.03%
Sit Hoi Tung	–	–	–	–	919,000	0.27%	919,000	0.27%	208,477	0.06%
Tan Yung Kai Richard	–	–	–	–	1,633,156	0.48%	1,633,156	0.48%	370,484	0.11%
Tse Siu Ling	–	–	–	–	748,333	0.22%	748,333	0.22%	169,761	0.05%
Wong Yin Ming	–	–	–	–	551,150	0.16%	551,150	0.16%	125,030	0.04%
Li Chiu Ho	–	–	–	–	425,727	0.12%	425,727	0.12%	96,577	0.03%

Shareholders	As at the Latest Practicable Date		Immediately after the Capital Reorganisation having become effective		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 but before completion of the Disposal		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; and (b) only Million Sensible and Mr. Chen Aizheng would partially elect for the Cash Option to the extent that their shareholding will fall below 10%)		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; and (b) all Creditors other than Trinity Eagle, Million Sensible and Mr. Chen Aizheng would elect for the Cash Option subject to the Cap)	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*
Baker & Mckenzie	–	–	–	–	2,835,184	0.83%	2,835,184	0.83%	643,166	0.19%
Deutsche Bank AG, Hong Kong Branch	–	–	–	–	20,800	0.01%	20,800	0.01%	4,719	0.01%
Win Bailey Valuation and Advisory Limited	–	–	–	–	15,333	0.01%	15,333	0.01%	3,479	0.01%
Others *(Note 9)*	–	–	–	–	1,779,142	0.51%	1,779,142	0.51%	403,591	0.12%
Purchasers under the Disposal *(Note 10)*	–	–	–	–	–	–	29,281,829	8.56%	65,000,000	19.00%
Other Public Shareholders	77,366,327	50.10%	7,736,632	50.10%	7,736,632	2.26%	7,736,632	2.26%	7,736,632	2.26%
Total	154,422,109	100%	15,442,210	100%	342,108,876	100%	342,108,876	100%	342,108,876	100%

Notes:

1. Trinity Eagle is wholly and beneficially owned by Mr. Chan. 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.

2. The Petitioner is the Hong Kong Branch of Industrial Bank Co., Ltd.

3. 48,656,379 Shares were beneficially owned by Ms. Lau Ting. For the corporate interest, 375,264 Shares were held by Hang Sing Overseas Limited which was wholly owned by Ms. Lau Ting. 688,677 Shares were held by Strong Purpose Corporation, a company which was owned as to 50% by Ms. Lau Ting and as to 50% by Mr. Chan Shing. 2,562,462 Shares were held by Glory Add Limited which was wholly owned by Favor King Limited, a company which was owned as to 50% by Ms. Lau Ting and as to 50% by Mr. Chan Shing. Ms. Lau Ting and Mr. Chan Shing are deemed to be parties acting in concert in relation to the Company. As such, Ms. Lau Ting is deemed to be interested in all the Shares held by Strong Purpose Corporation (i.e. 688,677 Shares, representing approximately 0.45% of the shareholding of the Company) and Glory Add Limited (i.e. 2,562,462 Shares, representing approximately 1.66% of the shareholding of the Company) by virtue of the SFO.

4. Such Shares were held by Mao Yuan Capital Limited which was wholly owned by Mr. Cao Junsheng.

5. China Carbon Neutral Development Group Limited is listed on the Main Board of the Stock Exchange (stock code: 1372 and is ultimately beneficially owned as to approximately 23.94% by Mr. Sha Tao, the spouse of Ms. Chan Tan Na Donna (i.e. a former executive Director and daughter of Ms. Lau Ting)).

6. Million Sensible is wholly and beneficially owned by Mr. Chen Aizheng. Both Million Sensible and Mr. Chen Aizheng are the creditors of the Company. Million Sensible and Mr. Chen Aizheng have irrevocably and unconditionally undertaken and agreed with the Company that if there is insufficient public float exists in the Shares, Million Sensible and Mr. Chen Aizheng shall be deemed to have opted for the Cash Option for such number of the Scheme Shares such that their aggregate shareholding will fall below 10% of the enlarged issued share capital of the Company.

7. Each of the other creditors is an Independent Third Party and will not become a substantial shareholder of the Company upon the effective date of the Creditors Scheme.

8. Before the implementation of the Exchange Proposal, the New Option 1 Bonds was represented by a global certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. A professional trustee acted as the trustee of all the beneficial holders of the New Option 1 Bonds. In the circumstances, unless the beneficial holders of the New Option 1 Bonds approached the Company, the nominee and/or the trustee, neither the Company, the nominee nor the trustee would have information of the beneficial holders of the New Option 1 Bonds. Save that the Company was informed that Mr. Chan is the ultimate beneficial holder of part of the principal amount of the New Option 1 Bonds of approximately HK$148.9 million (out of the total principal amount of approximately HK$154.2 million), the Company has no information on the other beneficial owner(s) of the New Option 1 Bonds as at the Latest Practicable Date.

9. The assumption that the outstanding debt will be converted at HK$1.50 per Scheme Share is made on the hypothesis that there will be in aggregate HK$490 million Admitted Scheme Claims filed by all Creditors. For illustrative purpose, the converted Scheme Shares of the respective Creditors are calculated based on their amounts of debts with the interest calculated up to 30 June 2025. The number of the Scheme Shares allocated to others as set out in the above table represents the Scheme Shares to be allotted and issued in respect of such difference between (i) the total number of Scheme Shares to be issued under the Creditors Scheme (i.e. 326,666,666 New Shares); and (ii) the illustrative converted Scheme Shares of the respective Creditors calculated based on their amounts of debts with the interest calculated up to 30 June 2025 being converted at HK$1.50 per Scheme Share (i.e. 326,263,075 New Shares). The actual number of the Scheme Shares to be allotted and issued to the Creditors will be subject to the proof of debts filed and the adjudication and final determination of the same by the Scheme Administrators.

10. If any Creditor opts for the Cash Option, the Scheme Company will dispose of the Scheme Shares either in the open market at the market price or off market. 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/or Mr. Chan and otherwise will be an Independent Third Party.

11. Given that Trinity Eagle will be the applicant for the Whitewash Waiver financing the Cash Option, it is unlikely that Trinity Eagle will opt for the Cash Option.

APPLICATION FOR LISTING

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

Subject to the granting of listing of, and permission to deal in, the Scheme Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, upon the Scheme becoming effective, the Scheme Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Scheme Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Scheme Shares to be admitted into CCASS established and operated by HKSCC.

SPECIFIC MANDATE

The Scheme Shares will be issued pursuant to the Specific Mandate to be obtained upon approval by the Independent Shareholders at the SGM.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity funding raising activities involving the issue of its equity securities in the 12 months immediately preceding the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES AND TAKEOVERS CODE

Listing Rules implications

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

Based on the records available to the Company, the Company has certain Directors' remuneration owing to three existing Directors, namely Mr. Di Ling, Mr. Duan Xinxiao and Dr. Meng Zhijun and one former Director in the past 12 months, namely Mr. Wang Anyuan. Subject to adjudication by the Scheme Administrators upon the Creditors Scheme taking effect, Mr. Di Ling, Mr. Duan Xinxiao, Dr. Meng Zhijun and Mr. Wang Anyuan will be Director Creditors.

As at the Latest Practicable Date, based on the books and records of the Company, (i) the approximate amount owed by the Company to the Director Creditors are set out herein below; and (ii) for illustrative purpose and subject to their respective proofs of debts filed, and the adjudication and the final determination of the same by the Scheme Administrators, based on the total estimated indebtedness owed by the Company, under the Creditors Scheme (assuming the Capital Reorganisation having become effective), each of these Director Creditors will receive:

Director Creditors	Amount owed by the Company		Settlement of indebtedness under the Creditors Scheme (assuming the Capital Reorganisation having become effective)
	(Approximate) *(HK$)*	*Number of Scheme Shares (assuming the outstanding debt to be converted at HK$1.50 per Scheme Share)*	*% (as enlarged by the allotment and issue of the Scheme Shares, assuming no other change in the issued share capital of the Company) (Approximate)*
Mr. Di Ling	1,552,000	1,034,666	0.30%
Mr. Duan Xinxiao	458,774	305,849	0.09%
Dr. Meng Zhijun	544,700	363,133	0.11%
Mr. Wang Anyuan	50,968	33,978	0.01%

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 are 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 and Ms. Chan Tan Na Donna 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.

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.

In or around early July 2025, Trinity Eagle indicated to the Company and its restructuring adviser that it is interested to acquire the debts owed by the Company to certain creditors with a view to ensure that requisite support could be obtained in the creditors meeting to approve the Creditors Scheme. At the request of Trinity Eagle, the Company and its restructuring adviser informed certain creditors of the same and that they may contact the Company and its restructuring adviser if they are interested in such disposal.

Certain creditors (including but not limited to Ms. Zhu Xinxin) approached the Company and its restructuring adviser and indicated their preliminary interest. Subsequently, through the Company and its restructuring adviser, Trinity Eagle negotiated the terms of the potential assignments with such creditors.

As such certain creditors (including but not limited to Ms. Zhu Xinxin) are Shareholders, Directors and/or former Directors, the assignments of debts from such certain creditors (including but not limited to Ms. Zhu Xinxin) may constitute special deals under Rule 25 of the Takeovers Code and/or may be deemed to be connected transactions by the Stock Exchange under Chapter 14A of the Listing Rules. In the circumstances, Trinity Eagle considered the possible assignments of debts from such certain creditors (including but not limited to Ms. Zhu Xinxin) impracticable and did not proceed further.

While Trinity Eagle decided not to proceed further with the potential assignments, such certain creditors (including but not limited to Ms. Zhu Xinxin) were still interested in exploring the potential assignments of their respective debts and asked the Company and its restructuring adviser to notify them if there are other interested buyers.

In the circumstances, the restructuring adviser made enquiries with a number of investors who may be interested in distressed assets. After receiving favourable response, Mr. Norman Chan was introduced to such certain creditors (including but not limited to Ms. Zhu Xinxin) by the restructuring adviser.

The deeds of assignment were subsequently entered into between Mr. Norman Chan and such certain creditors (including but not limited to Ms. Zhu Xinxin).

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).

Takeovers Code implications

Application for Whitewash Waiver

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 becomes 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 Shares), 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 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.

INFORMATION OF THE NEW OPTION 1 BONDS AND THE NEW BONDS

Reference is made to the announcements of the Company dated 9 April 2014, 17 April 2014, 28 April 2014 and 2 May 2014 respectively in relation to the issue of convertible bonds in the aggregate principal amount of HK$650,000,000 on 14 April 2014 and 5 May 2014 respectively. The said convertible bonds were listed on the Stock Exchange.

Reference is also made to the announcements of the Company dated 10 March 2017, 16 March 2017, 24 March 2017, 7 April 2017 and 18 April 2017 respectively in relation to the exchange proposal of the said convertible bonds for (a) option 1: the New Option 1 Bonds with exchange ratio 1:1 and new bonds factor of 57.5% and cash factor of 42.5%; or (b) option 2: Hong Kong dollar denominated 8% convertible bonds due 2019 issued by the Company with exchange ratio 1:1 and new bonds factor of 50% and cash factor of 50%. Completion of the exchange offer took place on 7 April 2017 and the New Option 1 Bonds in the aggregate principal amount of HK$175,950,000 and the new option 2 bonds in the aggregate principal amount of HK$100,000,000 were issued by the Company. Upon issue, the New Option 1 Bonds and the new option 2 bonds are represented by a global certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream. On 18 April 2017, the convertible bonds in the principal amount of HK$44,000,000 were redeemed by the Company. The new option 2 bonds were subsequently redeemed in full by the Company.

The terms of the New Option 1 Bonds were subsequently amended on 28 March 2019, 4 November 2019, 28 April 2020, 3 May 2021, 3 November 2021 and 5 May 2022 respectively. Please refer to the announcements of the Company dated 22 March 2019, 28 March 2019, 1 November 2019, 4 November 2019, 23 April 2020, 28 April 2020, 27 April 2021, 3 May 2021, 1 November 2021, 3 November 2021, 4 May 2022 and 5 May 2022 respectively for details.

The New Option 1 Bonds became due on 10 November 2023 and the Company failed to repay the principal amount and the interest accrued thereon.

Reference is made to the announcements of the Company dated 13 June 2025 and 9 July 2025 in relation to the Exchange Proposal for the exchange of the entire aggregate outstanding principal amount of the New Option 1 Bonds and the interest accrued thereon for the New Bonds. Given that the New Option 1 Bonds was governed by English law and the New Bonds is governed by Hong Kong law, the Company considers that the Exchange Proposal would be able to save time and costs of the Company in implementing the proposed Creditors Scheme in Hong Kong. Upon the settlement of the Exchange Proposal on 9 July 2025, the New Option 1 Bonds has been cancelled and marked down, and the outstanding principal amount of the New Option 1 Bonds and the interest accrued thereon have been exchanged into the New Bonds.

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 the 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 is 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 is unsecured but is guaranteed by the Company. Any amounts owed by the Group to Trinity Eagle 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, was 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.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date :

(a) save for the Creditors Scheme, the Exchange Proposal and the transactions contemplated thereunder, none of Trinity Eagle, Mr. Chan or parties acting in concert with any of them has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within Relevant Period;

(b) save for the Creditors Scheme, the Exchange Proposal and the transactions contemplated thereunder, none of Trinity Eagle, Mr. Chan or parties acting in concert with any of them owns, holds, controls or has direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(c) none of Trinity Eagle, Mr. Chan or parties acting in concert with any of them has received any irrevocable commitment in relation to voting of the resolutions in respect of the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder at the SGM;

(d) there is no outstanding derivative in respect of the securities of the Company which has been entered into by Trinity Eagle, Mr. Chan or parties acting in concert with any of them;

(e) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of Trinity Eagle or the Company and which might be material to the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(f) there is no agreement or arrangement to which Trinity Eagle, Mr. Chan or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(g) none of Trinity Eagle, Mr. Chan or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and

(h) save for the Special Deal and the Assignments, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholder; and (b) either (i) Trinity Eagle, Mr. Chan or parties acting in concert with any of them; or (ii) the Company, its subsidiaries or associated companies. As the Assignments do not have any favourable conditions which are not extended to all Shareholders, they do not constitute special deal under Rule 25 of the Takeovers Code.

As at the Latest Practicable Date:

(a) there is no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between any of Trinity Eagle, its ultimate beneficial owner and parties acting in concert with any one of them on the one hand and the Company and any party acting in concert with it on the other hand;

(b) there is no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder, and (ii) any of Trinity Eagle, its ultimate beneficial owner and parties acting in concert with any one of them; or the Company, its subsidiaries or associated companies;

(c) save for the Assignments, there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) any of Trinity Eagle, its ultimate beneficial owner and parties acting in concert with any one of them; and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders, having any connection with or dependence upon the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(d) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(e) save for Ms. Zhu Xinxin who 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), none of the Directors beneficially held any Shares and accordingly, none of them will be entitled to vote to accept or reject the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(f) no arrangement was in place for any benefit (other than statutory compensation) to be given to any Directors as compensation for loss of office or otherwise in connection with the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(g) there was no agreement or arrangement between any Directors and any other person which was conditional on or dependent upon the outcome of or is otherwise connected with the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(h) there was no material contract entered into by the Creditors in which, save for the Director Creditors, any Director had a material personal interest;

(i) the Company did not hold, control or have direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities in Trinity Eagle and persons acting in concert with it, and it has not dealt for value in any such securities of Trinity Eagle and persons acting in concert with it during the Relevant Period;

(j) none of the Directors held, controlled or had direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities in Trinity Eagle and persons acting in concert with it, and none of them has dealt for value in any such securities of Trinity Eagle and persons acting in concert with it during the Relevant Period;

(k) save for Ms. Zhu Xinxin whose shareholding is set out in the section headed "Disclosure of Interests" in Appendix II of this circular, none of the Directors held, controlled or had direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities in the Company. In addition, none of the Directors has dealt for value in any such securities of the Company during the Relevant Period;

(l) no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" in the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of "associate" in the Takeovers Code but excluding exempt principal traders and exempt fund managers during the Relevant Period;

(m) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code during the Relevant Period;

(n) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company during the Relevant Period;

(o) save for Ms. Zhu Xinxin, none of the Directors and their respective associates owned or controlled any shares and any options, warrants, derivatives or convertible securities in respect of securities in the Company. In addition, none of them has dealt for value in any such securities of the Company during the Relevant Period. Therefore, save for Ms. Zhu Xinxin who will abstain from voting at the SGM, none of the other Directors will be entitled to vote to accept or reject the resolutions to be proposed at the SGM to approve the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder; and

(p) neither the Company nor any of the Directors has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

As at the Latest Practicable Date, the Company confirms that the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder does not comply with other applicable rules and regulations.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

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 and in the interest of the Independent Shareholders only 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 directly interested in the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder.

The Company has appointed the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in accordance with the requirements under the Takeovers Code on such matters.

GENERAL

The SGM will be convened and held to consider and, if thought fit, approve the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder.

Ms. Lau Ting (who is interested in 52,282,782 Shares, representing approximately 33.86% of the issued share capital of the Company as at the Latest Practicable Date, and assigned certain debts owned by the Group to Trinity Eagle), Ms. Zhu Xinxin (who is interested in 292,500 Shares, representing approximately 0.19% of the issued share capital of the Company as at the Latest Practicable Date, and assigned certain debts owed by the Group to Mr. Norman Chan) and Mr. Qiu Peiyuan (who is interested in 1,955,500 Shares, representing approximately 1.27% of the issued share capital of the Company as at the Latest Practicable Date, and will be Director Creditor), and their respective associates and parties acting in concert with any of them 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). Save as disclosed above, none of the Shareholders or their associates is involved in or interested in the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder and thus, no other Shareholder is required to abstain from voting at the SGM in respect of the resolution(s) relating to the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder.

Accordingly, Ms. Lau Ting, Ms. Zhu Xinxin, Mr. Qiu Peiyuan, Trinity Eagle and Mr. Chan (who are interested in 54,530,782 Shares, representing approximately 35.32% of the issued share capital of the Company as at the Latest Practicable Date) and their respective associates and parties acting in concert with any of them 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 be required to abstain from voting on any resolutions proposed at the SGM in relation to the relevant resolutions.

No Shareholders are required to abstain from voting at the SGM in respect of the resolution relating to the Share Premium Cancellation and the transactions contemplated thereunder.

As Mr. Di Ling, Mr. Duan Xinxiao, Dr. Meng Zhijun and Ms. Zhu Xinxin have a material interest in the proposed Restructuring and the transactions contemplated thereunder, they have abstained from voting on the relevant resolution(s) at the meeting of the Board.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange. Results of the poll voting will be published on the Company's website and the website of Stock Exchange after the SGM.

In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time appointed for holding the SGM, (i.e. 11:30 a.m. on Tuesday, 23 June 2026), or any adjournment thereof. The completion and return of the form of proxy will not preclude any Shareholder from attending and voting in person at the SGM or any adjournment thereof should he/she/it so wishes.

The register of members of the Company will be closed from Monday, 22 June 2026 to Thursday, 25 June 2026, both days inclusive, during which period no transfer of shares will be registered for the purpose of determining who will be entitled to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM to be held on Thursday, 25 June 2026, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 18 June 2026.

RECOMMENDATION

The Directors (including the member of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee in this circular) consider that the terms of (i) the proposed Restructuring; (ii) the change in board lot size; (iii) the issue of Scheme Shares under Specific Mandate; (iv) the Whitewash Waiver and the Special Deal, and the respective transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions and special resolutions (as the case may be) to be proposed at the SGM.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 58 to 59 of this circular which contains its recommendation to the Independent Shareholders in relation to the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 60 to 96 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

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

Since the Restructuring is subject to various sanctions and approvals (as applicable) by the Hong Kong Court, the Independent Shareholders, the Stock Exchange, the Creditors, etc., there is no guarantee that the Restructuring will be materialised. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, immediately upon issuance of the Scheme Shares, the shareholding of Trinity Eagle, Mr. Chan and parties acting in concert with any of them in the Company will exceed 50% of the voting rights of the Company. Trinity Eagle, Mr. Chan and parties acting in concert with any of them may increase their shareholding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

For and on behalf of
China Ecotourism Group Limited
ZHU Xinxin
Director and Chief Executive Officer

China Ecotourism Group Limited
中國生態旅遊集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1371)

26 May 2026

To the Independent Shareholders

Dear Sir or Madam,

(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

I refer to the circular of the Company dated 26 May 2026 (the "**Circular**"), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

I have been appointed by the Board as the member of the Independent Board Committee 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 to advise the Independent Shareholders on how to vote on the relevant resolutions. Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

I wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation as set out on pages 60 to 96 of the Circular; (ii) the letter from the Board as set out on pages 14 to 57 of the Circular; and (iii) the additional information set out in the appendices to the Circular.

Having considered the terms of the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, I am of the opinion that the terms of the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder are, though not in the ordinary and usual course of business of the Group, on normal commercial terms, in the interests of the Company and the independent shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, I recommend the Independent Shareholders to vote in favour of the resolutions relating to the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,
Member of the Independent Board Committee
LAU Fai Lawrence
Independent non-executive Director

The following is the full text of a letter of advice from Merdeka Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee, in respect of the terms of the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder, for the purpose of incorporation into the Circular.

MERDEKA 領智

Room 1108–1110, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

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 whose 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:

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

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;

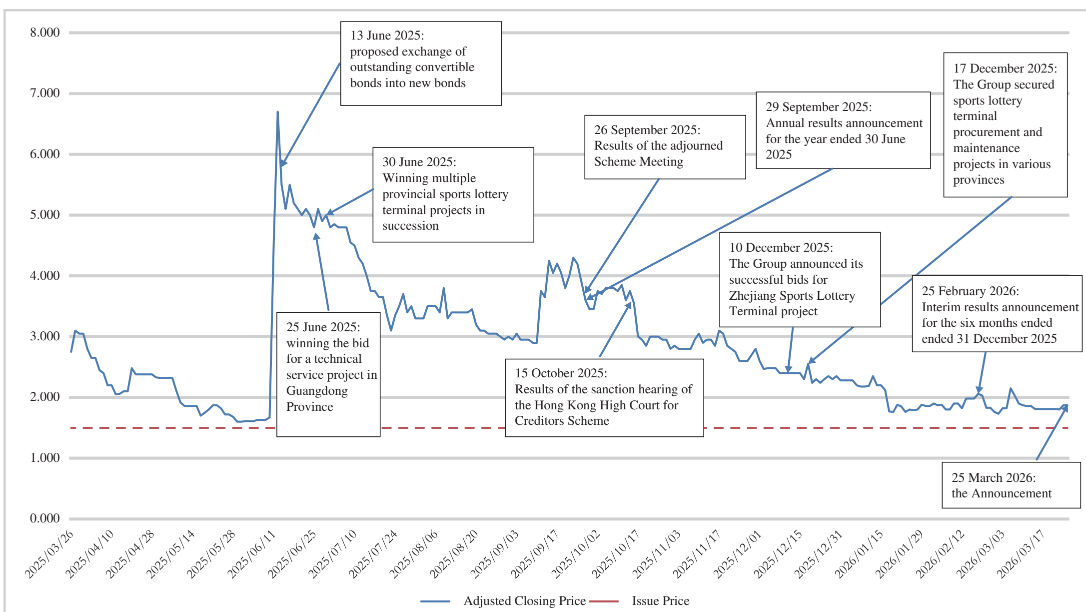
(vi) a premium of approximately HK$50.20 over the theoretical unaudited consolidated net liabilities attributable to the owners of the Company as at 31 December 2025 (as disclosed in the interim results announcement of the Company for the six months ended 31 December 2025) of approximately HK$48.70 per 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.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for the 18 months ended 30 June 2023, the years ended 30 June 2024 and 2025, and the unaudited financial results of the Group for the six months ended 31 December 2024 and 2025 as extracted from the relevant annual reports and interim report of the Company.

Consolidated Statement of Profit or Loss

	For the six months ended 31 December		For the year ended 30 June	For the year ended 30 June	For the 18 months ended 30 June
	2025	**2024**	**2025**	**2024**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited) (restated)	(audited)	(audited)	(audited)
Revenue	51,615	97,033	111,895	67,319	207,797
Costs of sales and services	(28,993)	(49,822)	(70,928)	(39,883)	(145,495)
Gross profit	22,622	47,211	40,967	27,436	62,302
Other income	1,015	8,210	2,958	2,692	3,152
Other losses – net	–	(38,762)	(13,167)	(62,792)	(32,318)
Net reversal of impairment/(impairment) losses on financial assets	–	–	6,354	(4,155)	(8,187)
Impairment loss of non-financial assets	–	–	–	(6,677)	–
Loss on reconsolidation of a subsidiary	–	(20,563)	(20,563)	–	–
Loss on deconsolidation of a subsidiary	–	–	–	(54,736)	–
Loss on derecognition of a property	–	–	–	(88,432)	–
General and administrative expenses	(16,200)	(37,610)	(57,691)	(72,820)	(185,127)
Operating profit/(loss)	7,437	(41,514)	(41,142)	(259,484)	(160,178)
Finance costs	(34,183)	(17,466)	(31,297)	(21,372)	(59,201)
Loss before income tax	(26,746)	(58,980)	(72,439)	(280,856)	(219,379)
Income tax (expense)/credit	(593)	(797)	(648)	6,246	(489)
Loss for the year/period from continuing operations	(27,339)	(59,777)	(73,087)	(274,610)	(219,868)
Loss for the period from discontinued operations	–	(139)	–	–	–
Loss for the year/period	(27,339)	(59,916)	(73,087)	(274,610)	(219,868)

	For the six months ended 31 December 2025 HK$'000 (unaudited)	2024 HK$'000 (unaudited) (restated)	For the year ended 30 June 2025 HK$'000 (audited)	For the year ended 30 June 2024 HK$'000 (audited)	For the 18 months ended 30 June 2023 HK$'000 (audited)
Loss attributable to:					
Owners of the Company	(29,412)	(67,748)	(72,363)	(271,967)	(219,030)
Non-controlling interests	2,073	7,832	(724)	(2,643)	(838)
	(27,339)	(59,916)	(73,087)	(274,610)	(219,868)
Loss per Share attributable to owners of the Company					
basic *(HK$ per share)*	(0.19)	(0.44)	(0.47)	(1.76)	(1.42)
diluted *(HK$ per share)*	(0.19)	(0.44)	(0.47)	(1.76)	(1.42)
Loss for the year/period	(27,339)	(59,916)	(73,087)	(274,610)	(219,868)
Other comprehensive expense for the year/period:					
Item that will not be reclassified to profit or loss					
Gain/(loss) on revaluation of properties held for own use	–	–	675	(625)	(3,554)
Items that may be reclassified to profit or loss					
Currency translation differences arising on					
– translation of financial statements of subsidiaries outside Hong Kong	–	–	1,305	(7,486)	(14,393)
Total of other comprehensive expense for the year/period	–	–	1,980	(8,111)	(17,947)
Total comprehensive expense for the year/period	(27,339)	(59,916)	(71,107)	(282,721)	(237,815)

	For the six months ended 31 December 2025 HK$'000 (unaudited)	2024 HK$'000 (unaudited) (restated)	For the year ended 30 June 2025 HK$'000 (audited)	For the year ended 30 June 2024 HK$'000 (audited)	For the 18 months ended 30 June 2023 HK$'000 (audited)
Attributable to:					
Owners of the Company	(29,412)	(67,748)	(70,375)	(280,081)	(229,134)
Non-controlling interests	2,073	7,832	(732)	(2,640)	(8,681)
Total comprehensive expense for the year/period	(27,339)	(59,916)	(71,107)	(282,721)	(237,815)

Save for disclosed above, there were no items of income or expenses which are material in respect of the audited consolidated financial statements of the Group for the 18 months ended 30 June 2023 and the years ended 30 June 2024 and 2025, and the unaudited financial statements of the Group for the six months ended 31 December 2024 and 2025.

There was no payment of dividends for each of the 18 months ended 30 June 2023 and the years ended 30 June 2024 and 2025, and the six months ended 31 December 2024 and 2025. Hence dividends per Share for each of the 18 months ended 30 June 2023 and the years ended 30 June 2024 and 2025, and the six months ended 31 December 2024 and 2025 was inapplicable.

There was no material change in accounting policy applicable to the 18 months ended 30 June 2023 and the years ended 30 June 2024 and 2025, and the six months ended 31 December 2024 and 2025 which rendered the financial figures not comparable to a material extent.

As disclosed in the annual report of the Company for the 18 months ended 30 June 2023, the following statement regarding material uncertainty related to going concern was given by McMillan Woods (Hong Kong) CPA Limited, the auditor of the Company:

"*MATERIAL UNCERTAINTY RELATED TO GOING CONCERN*

We draw attention to Note 2.1.1 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$219,868,000 during the 18 months ended 30 June 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$445,825,000 and the Group has net liabilities of approximately HK$137,587,000. As stated in Note 2.1.1, these events or conditions, along with other matters as set forth in Note 2.1.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

As disclosed in the annual report of the Company for the year ended 30 June 2024, the following statement regarding disclaimer of opinion was given by McMillan Woods (Hong Kong) CPA Limited, the auditor of the Company:

"DISCLAIMER OF OPINION

*We were engaged to audit the consolidated financial statements of China Ecotourism Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 79 to 208, which comprise the consolidated statement of financial position as at 30 June 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies. We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.*

BASIS FOR DISCLAIMER OF OPINION

*We draw attention to Note 2.1.1 in the consolidated financial statements, which describes that the Group incurred a net loss of approximately HK$274,610,000 for the year ended 30 June 2024 and, as of that date, the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately HK$407,963,000 and HK$420,308,000 respectively. As at that date, the Group's total liabilities amounted to HK$534,908,000. During the year, the Group defaulted in repayment of mortgage loans and convertible bonds ("**CB**"), resulting in appointments of receivers (the "**Receivers**") by the bank in respected of the mortgaged property and a trustee of CB in respect of the charged shares for possession. In addition on 5 July 2024, a trustee of CB filed winding up petition against the Company. These events and conditions, along with other matters as set forth in Note 2.1.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.*

The directors have certain plans and measures to improve the Group's liquidity and financial position, which are set out in Note 2.1.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these plans and measures, which are subject to multiple uncertainties, including (i) whether the Receivers could sell the pledged properties and the amount of the respective consideration; (ii) whether the Group can further negotiate debt restructuring plan with CB holders; (iii) whether the Company is successful in implementing alternative capital raising initiatives to provide additional funds for the Group; and (iv) whether the Group is able to implement its cost control measures to attain positive cash flows from operations of the Group. As a results of above multiple uncertainties, the potential interactions *of these uncertainties, and the possible cumulative effect thereof, we were unable to assess the appropriateness or reasonableness of assumptions adopted in the Group's cash flow forecast in supporting the use of the going concern basis in the preparation of these consolidated financial statements. As a result of these limitations and uncertainties, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue as a going concern and to settle its obligations and commitments, and adjustments may have to be made to write down the Group's assets to amounts that can be realised, to provide for any further liabilities which might arise and to reclassify noncurrent assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments, which could be both material and pervasive, have not been reflected in these consolidated financial statements.*"

As disclosed in the annual report of the Company for the year ended 30 June 2025, the following statement regarding disclaimer of opinion was given by McMillan Woods (Hong Kong) CPA Limited, the auditor of the Company:

"***DISCLAIMER OF OPINION***

*We were engaged to audit the consolidated financial statements of China Ecotourism Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 82 to 220, which comprise the consolidated statement of financial position as at 30 June 2025, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies. We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.*

BASIS FOR DISCLAIMER OF OPINION

We draw attention to Note 2 in the condensed consolidated financial statements of this announcement, which describes that the Group incurred a net loss of approximately HK$73,087,000 for the year ended 30 June 2025, and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$479,108,000, and its total liabilities exceeded its total assets by approximately HK$491,415,000. The Group's total liabilities amounted to HK$648,972,000 as at 30 June 2025. Since October 2023, the Group has defaulted on the repayment of mortgage loans and convertible bonds, resulting in the appointment of receivers by the bank in respect of the mortgaged property, and by the trustee of the convertible bonds in respect of the charged shares. Furthermore, the Company previously received a winding-up petition filed by a trustee of convertible bonds, which was finally withdrawn on 13 November 2024. However, on 11 March 2025, the Company received another winding-up petition *(the "Petition"), which was filed in the Hong Kong High Court by the Hong Kong branch of a creditor bank in the PRC. The Petition relates to outstanding indebtedness of approximately HK$78,543,000 (including accrued interest) as at the date of the Petition. Following the joint application by way of consent summons, the Hong Kong High Court ordered, among other things, that the hearing of the Petition be adjourned to 1 December 2025. As of 30 June 2025, the Group may not be able to meet its liabilities in full unless it is able to generate sufficient cash flows from future operations and/or other sources, as it only had cash and bank balances of approximately HK$59,176,000 and restricted bank deposits of approximately HK$19,385,000. These events and conditions, along with other matters as set forth in Note 2 to the condensed consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The directors have certain plans and measures to improve the Group's liquidity and financial position, which are set out in Note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these plans and measures, which are subject to multiple uncertainties, including (i) whether the Group can be successful to formulate a debt restructuring involving a scheme of arrangement to be entered into between the Company and the creditors under Part 13 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); (ii) whether the Company is successful in implementing alternative capital raising initiatives to provide additional funds for the Group; and (iii) whether the Group is able to implement its cost control measures to attain positive cash flows from operations of the Group. As a results of above multiple uncertainties, the potential interactions of these uncertainties, and the possible cumulative effect thereof, we were unable to assess the appropriateness or reasonableness of assumptions adopted in the Group's cash flow forecast in supporting the use of the going concern basis in the preparation of these consolidated financial statements. As a result of these limitations and uncertainties, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue as a going concern and to settle its obligations and commitments, and adjustments may have to be made to write down the Group's assets to amounts that can be realised, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments, which could be both material and pervasive, have not been reflected in these consolidated financial statements.*"

Save as disclosed above, there were no modified opinion, emphasis of matter or material uncertainty related to going concern contained in the auditor's report of the Group in respect of the 18 months ended 30 June 2023 and the years ended 30 June 2024 and 2025.

2. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group, together with significant accounting policies and the accompanying notes to the consolidated financial statements for 18 months ended 30 June 2023, the years ended 30 June 2024 and 2025 and the six months ended 31 December 2025 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ecotourgroup.com).

Annual report for the 18 months ended 30 June 2023 (pages 77 to 224):

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1006/2023100600429.pdf

Annual report for the year ended 30 June 2024 (pages 76 to 208):

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1030/2024103001493.pdf

Annual report for the year ended 30 June 2025 (pages 82 to 220):

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/1027/2025102701308.pdf

Interim report for the six months ended 31 December 2025 (pages 1 to 52):

https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0311/2026031100524.pdf

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

(a) Bank and other borrowings

The Group had unsecured and guaranteed bank loans and the loan from Million Sensible that are repayable on demand due to breach of loan covenants ("**Defaulted Loans**"). The outstanding principal amounts of the Defaulted Loans were approximately HK$60,688,000 and HK$71,285,000 respectively. As at 31 March 2026, the accrued interest on these loans was approximately HK$40,709,000 and HK$31,173,000 respectively. The Group also had unsecured and unguaranteed bank loan of approximately HK$10,940,000.

(b) Unlisted bonds

As at 31 March 2026, the Group had unsecured and unguaranteed unlisted bonds of the outstanding of approximately HK$221,912,000 at principal amount of approximately HK$195,410,000.

(c) Amounts due to a Director

As at 31 March 2026, the Group had unsecured and unguaranteed amount due to a Director of approximately HK$6,658,000.

(d) Amounts due to Trinity Eagle

As at 31 March 2026, the Group had unsecured and unguaranteed amount due to Trinity Eagle of approximately HK$82,997,000.

(e) Amounts due to Mr. Norman Chan

As at 31 March 2026, the Group had unsecured and unguaranteed amount due to Mr. Norman Chan of approximately HK$15,609,000.

(f) Working Capital Facility

As at 31 March 2026, the Group had outstanding principal amounts of loans under Working Capital Facility of approximately HK$11,361,000. The accrued interest on these loans was approximately HK$1,411,000. The Working Capital Facility is 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.

(g) Contingent liabilities

As at 31 March 2026, the Group did not have any material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, as at 31 March 2026, the Group did not have any other debt securities issued and outstanding, or authorized or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, which were either guaranteed, unguaranteed, secured or unsecured, any mortgages and charges, or any contingent liabilities or guarantees.

4. MATERIAL CHANGE

The Directors confirm that, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group subsequent to 30 June 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

(i) as disclosed in the interim report of the Company for the six months ended 31 December 2025 (the "**2025/2026 Interim Report**") published on 11 March 2026, the Group recorded unaudited revenue of approximately HK$51.62 million for the six months ended 31 December 2025, representing a decrease of approximately 46.81% as compared to approximately HK$97.03 million for the six months ended 31 December 2024, which was mainly due to the decrease in the sales of lottery terminals and related equipment. The loss for the period from the continuing operations amounted to HK$27.34 million for the six months ended 31 December 2025, representing a decrease of approximately 54.27% as compared to HK$59.78 million for the corresponding period last year; and

(ii) the proposed Restructuring.

5. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account (i) the relief of substantial financial burden as a result of the completion of the proposed Restructuring; (ii) the Working Capital Facility; (iii) the cash flows to be generated from the operating and financing activities; and (iv) the available cash on hand, the Group has sufficient working capital for at least twelve months from the date of this circular, in the absence of unforeseeable circumstances.

6. FINANCIAL AND BUSINESS PROSPECTS OF THE GROUP

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; and (ii) research and development, processing, production and sales of natural and health food.

In 2025, the global economic environment continued to be challenging, with intensified great power competition and geopolitical conflicts, as well as escalating trade protectionism. Notwithstanding that, the lottery industry in the PRC continues to develop steadily through high-standard regulatory practices in 2025. According to data released by the Ministry of Finance, total lottery sales in the PRC has reached approximately RMB628.0 billion in 2025, representing a slight increase of approximately 0.7% as compared to 2024. According to data released by the Ministry of Finance, the total lottery sales in the PRC for the first quarter of 2026 has declined by approximately 3.1% as compared to the corresponding period in 2025.

Notwithstanding any unforeseen circumstances and uncertainties to the future business environment and the prospects of the Group, the Directors will continue to strive for the business development and improvement of the Group. Upon the completion of the Restructuring, the liquidity shortage and financial distress situation of the Group will be resolved, and thus, more available operational and financial resources of the Group can be deployed to the long-term business growth and expansion in the foreseeable future.

For the purpose of establishing a long-term and sustainable business plan and strategy of the Group, the Directors have performed a comprehensive review of the business performance of the Group throughout the previous years, and considered that it would be in the interests of the Company and the Shareholders to continue to focus in the Group's lottery business expansion. It is anticipated that the Group's resources can be better utilised to procure more potential lottery-related projects and participate in more project biddings upon the completion of the Restructuring. Meanwhile, the Group will continue to explore potential business opportunities in its natural and health food segment. Taking into consideration of the abovementioned, the Directors are confident on the financial and trading prospects of the Group.

1. RESPONSIBILITY STATEMENT

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

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

2. SHARE CAPITAL

Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation having become effective (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to effective date of the Capital Reorganisation); (iii) 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 are as follows:

(i) As at the Latest Practicable Date:

Authorised		*HK$*
250,000,000	Shares	125,000,000
Issued and fully paid or credited as fully paid		*HK$*
154,422,109	Shares	77,211,054.50

(ii) Immediately after the Capital Reorganisation having become effective (assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date up to effective date of the Capital Reorganisation):

Authorised		*HK$*
50,000,000,000	New Shares	500,000,000

Issued and fully paid or credited as fully paid		*HK$*
15,442,210	New Shares	154,422.10

(iii) 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:

Authorised		*HK$*
50,000,000,000	New Shares	500,000,000

Issued and fully paid or credited as fully paid		*HK$*
15,442,210	New Shares	154,422.10
326,666,666	Scheme Shares to be issued	3,266,666.66
342,108,876	New Shares upon the issue of Scheme Shares	3,421,088.76

All of the Scheme Shares to be issued will rank *pari passu* in all respects with all the New Shares in issue as at the date of allotment and issue of the Scheme Shares in accordance with the Company's memorandum of association and bye-laws and will have the same voting, dividend, return of share capital and other rights attached or accruing thereto as from the date of allotment and issue of the Scheme Shares. The Scheme Shares to be issued will be listed on the Stock Exchange.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Scheme Shares. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Scheme Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

No Shares had been issued since 30 June 2025 (being the date to which the latest audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no other outstanding shares, options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such shares, options, derivatives, warrants or securities of the Company.

3. MARKET PRICE

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	**Closing price per Share**
29 August 2025	0.295
30 September 2025	0.345
31 October 2025	0.285
28 November 2025	0.280
31 December 2025	0.228
31 January 2026	0.186
27 February 2026	0.176
25 March 2026 (the Last Trading Day)	0.187
31 March 2026	0.170
30 April 2026	0.180
22 May 2026 (the Latest Practicable Date)	0.161

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$0.430 per Share (on 23 September 2025) and HK$0.160 per Share (on 15 May 2026), respectively.

4. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions, of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("**Model Code**") contained in the Listing Rules or (iv) required to be disclosed under the Takeovers Code were as follows:

Interests in the Shares and underlying Shares of the Company

Name	**Capacity**	**Number of Shares** *(Note 1)*	**Percentage of issued share capital of the Company** *(Note 2)*
Ms. ZHU Xinxin	Beneficial owner	292,500	0.19%

Notes:

1. All interest stated are long positions.

2. Calculation of percentage of the Company's issued share capital is based on the issued share capital of 154,422,109 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules relating to securities transactions by Directors; or (iv) required to be disclosed under the Takeovers Code.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, as far as was known to the Directors, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executives of the Company) had interests and short positions in the Shares and underlying Shares of the Company:

Name	Capacity	Number of Shares(Note 4)	Percentage of issued share capital of the Company(Note 5)
Ms. LAU Ting(Note 1)	Beneficial owner	52,282,782	33.86%
Mr. CAO Junsheng(Note 2)	Beneficial owner	12,525,000	8.11%
China Carbon Neutral Development Group Limited(Note 3)	Beneficial owner	10,000,000	6.48%

Notes:

1. 48,656,379 Shares were beneficially owned by Ms. Lau Ting. For the corporate interest, 375,264 Shares were held by Hang Sing Overseas Limited which was wholly owned by Ms. Lau Ting. 688,677 Shares were held by Strong Purpose Corporation, a company which was owned as to 50% by Ms. Lau Ting and as to 50% by Mr. Chan Shing. 2,562,462 Shares were held by Glory Add Limited which was wholly owned by Favor King Limited, a company which was owned as to 50% by Ms. Lau Ting and as to 50% by Mr. Chan Shing. Ms. Lau Ting and Mr. Chan Shing are deemed to be parties acting in concert in relation to the Company. As such, Ms. Lau Ting is deemed to be interested in all the Shares held by Strong Purpose Corporation (i.e. 688,677 Shares, representing approximately 0.45% of the shareholding of the Company) and Glory Add Limited (i.e. 2,562,462 Shares, representing approximately 1.66% of the shareholding of the Company) by virtue of the SFO.

2. Such Shares were held by Mao Yuan Capital Limited which was wholly owned by Mr. Cao Junsheng.

3. China Carbon Neutral Development Group Limited is listed on the Main Board of the Stock Exchange (stock code: 1372 and is ultimately beneficially owned as to approximately 23.94% by Mr. Sha Tao, the spouse of Ms. Chan Tan Na Donna (i.e. a former executive Director and daughter of Ms. Lau Ting)).

4. All interest stated are long positions.

5. Calculation of percentage of the Company's issued share capital is based on the issued share capital of 154,422,109 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO. As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, the substantial Shareholders, nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. MATERIAL CONTRACTS

During the two years immediately preceding the date of the Announcement (i.e. 25 March 2026) and up to and including the Latest Practicable Date, the following contract which is not in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, has been entered into by the Group and/or is material:

– the facility agreement dated 18 December 2024 (as amended and supplemented by the supplemental facility agreement dated 31 December 2025) entered into between Mr. Chan and China LotSynergy Group Limited (a direct wholly-owned subsidiary of the Company) in relation to the Working Capital Facility.

8. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 30 June 2025 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

9. ARRANGEMENTS IN CONNECTION WITH THE ADDITIONAL DISCLOSURE OF DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY

As at the Latest Practicable Date

(a) save for the Creditors Scheme, the Exchange Proposal and the transactions contemplated thereunder, none of Trinity Eagle, Mr. Chan or parties acting in concert with any of them has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company during the Relevant Period;

(b) save for the Creditors Scheme, the Exchange Proposal and the transactions contemplated thereunder, none of Trinity Eagle, Mr. Chan or parties acting in concert with any of them owns, holds, controls or has direction over any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(c) none of Trinity Eagle, Mr. Chan or parties acting in concert with any of them has received any irrevocable commitment in relation to voting of the resolutions in respect of the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder at the SGM;

(d) there is no outstanding derivative in respect of the securities of the Company which has been entered into by Trinity Eagle, Mr. Chan or parties acting in concert with any of them;

(e) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of Trinity Eagle or the Company and which might be material to the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(f) there is no agreement or arrangement to which Trinity Eagle, Mr. Chan or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(g) none of Trinity Eagle, Mr. Chan or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(h) save for the Special Deal and the Assignments, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholder; and (b) either (i) Trinity Eagle, Mr. Chan or parties acting in concert with any of them; or (ii) the Company, its subsidiaries or associated companies. As the Assignments do not have any favourable conditions which are not extended to all Shareholders, they do not constitute special deal under Rule 25 of the Takeovers Code.

As at the Latest Practicable Date:

(a) there is no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between any of Trinity Eagle, its ultimate beneficial owner and parties acting in concert with any one of them on the one hand and the Company and any party acting in concert with it on the other hand;

(b) there is no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder, and (ii) any of Trinity Eagle, its ultimate beneficial owner and parties acting in concert with any one of them; or the Company, its subsidiaries or associated companies;

(c) save for the Assignments, there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) any of Trinity Eagle, its ultimate beneficial owner and parties acting in concert with any one of them; and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders, having any connection with or dependence upon the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(d) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the Capital Reorganisation, the Share Premium Cancellation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(e) save for Ms. Zhu Xinxin who 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), none of the Directors beneficially held any Shares and accordingly, none of them will be entitled to vote to accept or reject the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(f) no arrangement was in place for any benefit (other than statutory compensation) to be given to any Directors as compensation for loss of office or otherwise in connection with the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(g) there was no agreement or arrangement between any Directors and any other person which was conditional on or dependent upon the outcome of or is otherwise connected with the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal or the transactions contemplated thereunder;

(h) there was no material contract entered into by the Creditors in which, save for the Director Creditors, any Director had a material personal interest;

(i) the Company did not hold, control or have direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities in Trinity Eagle and persons acting in concert with it, and it has not dealt for value in any such securities of Trinity Eagle and persons acting in concert with it during the Relevant Period;

(j) none of the Directors held, controlled or had direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities in Trinity Eagle and persons acting in concert with it, and none of them has dealt for value in any such securities of Trinity Eagle and persons acting in concert with it during the Relevant Period;

(k) save for Ms. Zhu Xinxin whose shareholding is set out in the section headed "Disclosure of Interests" in Appendix II of this circular, none of the Directors held, controlled or had direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities in the Company. In addition, none of the Directors has dealt for value in any such securities of the Company during the Relevant Period;

(l) no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" in the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of "associate" in the Takeovers Code but excluding exempt principal traders and exempt fund managers during the Relevant Period;

(m) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code during the Relevant Period;

(n) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company during the Relevant Period;

(o) save for Ms. Zhu Xinxin, none of the Directors and their respective associates owned or controlled any shares and any options, warrants, derivatives or convertible securities in respect of securities in the Company. In addition, none of them has dealt for value in any such securities of the Company during the Relevant Period. Therefore, save for Ms. Zhu Xinxin who will abstain from voting at the SGM, none of the other Directors will be entitled to vote to accept or reject the resolutions to be proposed at the SGM to approve the Capital Reorganisation, the Creditors Scheme, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder; and

(p) neither the Company nor any of the Directors has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

10. LITIGATION

On 11 March 2025, the Company received a winding-up petition (the "**Petition**"), which was filed against the Company on 11 March 2025 at the Hong Kong Court by the Hong Kong branch of a creditor bank in the PRC (the "**Petitioner**") for the winding up of the Company under the provisions of the Companies (WUMP) Ordinance. The Petition is relating to the outstanding indebtedness amount of HK$78,542,936.71 (inclusive of the accrued interest) and will be heard before the Hong Kong Court on Wednesday, 14 May 2025. It was ordered on 27 February 2026 that, among others, the hearing of the Petition be adjourned to 1 June 2026 at 9:30 a.m.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

11. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given its opinion or advice or statement as contained in this circular:

Name	Qualification
Merdeka Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and/or references to its name in the form and context in which they respective appear.

As at the Latest Practicable Date, the expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the expert did not have any direct or indirect interests in any assets which have been, since 30 June 2025 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the websites of the Company (www.ecotourgroup.com), the Stock Exchange (www.hkexnews.hk) and the SFC (www.sfc.hk) between the period from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the letter from the Board, the text of which is in this circular;

(c) the letter from the Independent Board Committee, the text of which is set out in this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(e) the annual report of the Company for the 18 months ended 30 June 2023;

(f) the annual report of the Company for the year ended 30 June 2024;

(g) the annual report of the Company for the year ended 30 June 2025;

(h) the interim report of the Company for the six months ended 31 December 2025;

(i) the written consent referred to in the paragraph headed "11. Expert and consent" in this appendix;

(j) the material contracts as referred to in the paragraph headed "7. Material contracts" in this appendix;

(k) the Assignments; and

(l) this circular.

13. MISCELLANEOUS

(a) The registered office of the Company is at Victoria Place, 5th Floor 31 Victoria Street Hamilton HM 10, Bermuda, and the principal place of business of the Company in Hong Kong is at Unit 1202, 12/F Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong.

(b) The company secretary of the Company is Ms. Wong Yin Ming, who is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

(c) The registered office of Trinity Eagle is at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

(d) The branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(e) The financial adviser to the Company is Lego Corporate Finance Limited and its registered office is situated at Room 1505, 15/F, Wheelock House, Pedder Street, Central, Hong Kong.

(f) The Independent Financial Adviser is Merdeka Corporate Finance Limited and its registered office is situated at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong.

(g) In the event of inconsistency, the English texts of this circular shall prevail over their respective Chinese texts.

中國生態旅遊集團
CHINA ECOTOURISM GROUP

China Ecotourism Group Limited
中國生態旅遊集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1371)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**SGM**") of China Ecotourism Group Limited (the "**Company**") will be held at 10/F., Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong, on Thursday, 25 June 2026 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of the Company. Unless the context otherwise requires, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 26 May 2026 (the "**Circular**").

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) subject to and conditional upon the Capital Reorganisation (as defined below) becoming effective, the scheme of arrangement entered into between the Company and the Creditors (as defined in the Circular) under Part 13 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Creditors Scheme**") (which also constitutes a special deal under Rule 25 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**")), details of which are set out in the section headed "Letter from the Board – Creditors Scheme" in the Circular, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, subject to any modification thereof or addition thereof approved or imposed by the Hong Kong Court (if any);

   (b) subject to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, all of the Scheme Shares (as defined in the Circular), a specific mandate be and is hereby granted to the Directors of the Company for the allotment and issue of an aggregate of 326,666,666 New Shares on a *pari passu* basis in accordance with the terms of the Creditors Scheme;

   (c) the proposed allotment and issue of 326,666,666 New Shares in accordance with the terms of the Scheme be and is hereby approved;

(d) any one Director of the Company be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) as may be necessary, desirable or expedient to implement or to give effect to any matters relating to the Creditors Scheme and the transactions contemplated thereunder, including the issue of the Scheme Shares to the Director Creditors (as defined in the Circular) and deemed connected persons (as defined in the Circular)."

2. "**THAT** the proposed settlement of the Admitted Scheme Claims which may result in issue of Scheme Shares to the Creditor Shareholders and the Disposal of the Scheme Shares under the Cash Option for the benefit of the Creditor Shareholders under the Creditors Scheme, which constitutes a special deal under Rule 25 of the Takeovers Code (the "**Special Deal**"), be and are hereby approved, confirmed and ratified."

SPECIAL RESOLUTIONS

3. "**THAT** subject to and conditional upon fulfilment of the conditions ("**CR Conditions**") set out in the section headed "Conditions precedent to the Capital Reorganisation" in the circular of the Company dated 26 May 2026, with effect from the second Business Day immediately following the date on which this special resolution is passed or the CR Conditions are fulfilled (whichever is later) ("**CP Effective Date**"):

(a) every ten (10) issued existing shares ("**Existing Shares**") of par value of HK$0.50 each in the share capital of the Company be consolidated into one (1) consolidated share ("**Consolidated Shares**") of par value of HK$5.00 in the share capital of the Company ("**Share Consolidation**");

(b) the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation be and is hereby rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation ("**Rounding**");

(c) the issued and paid-up share capital of the Company be reduced by cancelling the paid-up capital of the Company to the extent of HK$4.99 on each of the then issued Consolidated Shares so that the par value of each issued Consolidated Share will be reduced from HK$5.00 to HK$0.01 (each such reduced ordinary share, a "**New Share**") (which together with the Rounding, "**Capital Reduction**");

(d) each of the then authorised but unissued Existing Shares of par value of HK$0.50 each be sub-divided into fifty (50) New Shares of par value of HK$0.01 each ("**Share Subdivision**" which together with the Share Consolidation and the Capital Reduction, "**First Phase Capital Reorganisation**") so that following the First Phase Capital Reorganisation, the authorised share capital of the Company will remain at HK$125,000,000 but divided into 12,500,000,000 New Shares of par value of HK$0.01 each (previously divided into 250,000,000 Existing Shares of par value of HK$0.50 each) and the issued share capital of the Company will be reduced from an amount of HK$77,211,054.50 by an amount of HK$77,056,632.40 to an amount of HK$154,422.10;

(e) the credits arising from the Capital Reduction be entirely transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda ("**Contributed Surplus Account**") and the board ("**Board**") of directors of the Company or a committee thereof be and is hereby authorised to utilise and apply any credit balance of the Contributed Surplus Account to eliminate or to set off the accumulated losses of the Company as at the CR Effective Date and/or to eliminate or to set off the accumulated losses of the Company which may arise from time to time and/or to pay dividend and/or to make any other distribution out of the Contributed Surplus Account from time to time without further authorisation from the shareholders of the Company and/or to use the credit in such other manner as may be permitted under the bye-laws of the Company in effect from time to time and all applicable laws without further authorisation from the shareholders of the Company and all such actions in relation thereto be approved, confirmed and ratified;

(f) fractional Consolidated Shares will not be issued to holders of the same and the Board be and is hereby authorised to make arrangements for the settlement and disposal of fractional entitlements, if any, arising from or in connection therewith and, in particular (but without prejudice to the generality of the foregoing), by aggregating any fractional entitlements arising as a result thereof and selling the same for the benefit of the Company in such manner and on such terms as the Board may think fit; and

(g) the Board or a committee thereof be and is hereby authorised to do all such acts and things and execute all such documents on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to the First Phase Capital Reorganisation."

4. "**THAT** subject to and conditional upon fulfilment of the conditions ("**SPC Conditions**") set out in the section headed "Conditions precedent to the Share Premium Cancellation" in the Circular, with effect from the date immediately following the date on which this special resolution is passed or the SPC Conditions are fulfilled (whichever is later) ("**SPC Effective Date**"):

   (a) the entire amount standing to the credit of the share premium account of the Company as at the SPC Effective Date be and is hereby reduced to nil so that the amount of the share premium on the SPC Effective Date as last determined by the Company of HK$1,625,182,560 be reduced by an amount of HK$1,625,182,560 to HK$Nil ("**Cancellation**");

   (b) the credits arising from the Cancellation be entirely transferred to the Contributed Surplus Account and the Board or a committee thereof be and is hereby authorised to utilise and apply any credit balance of the Contributed Surplus Account to eliminate or to set off the accumulated losses of the Company as at the SPC Effective Date and/or to eliminate or to set off the accumulated losses of the Company which may arise from time to time and/or to pay dividend and/or to make any other distribution out of the Contributed Surplus Account from time to time without further authorisation from the shareholders of the Company and/or to use the credit in such other manner as may be permitted under the bye-laws of the Company in effect from time to time and all applicable laws without further authorisation from the shareholders of the Company and all such actions in relation thereto be approved, confirmed and ratified; and

   (c) the Board or a committee thereof be and is hereby authorised to do all such acts and things and execute all such documents on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to the Cancellation."

ORDINARY RESOLUTION

5. "**THAT** subject to and conditional upon the First Phase Capital Reorganisation becoming effective, the authorised share capital of the Company be increased from the amount of HK$125,000,000 divided into 12,500,000,000 New Shares of HK$0.01 each by the amount of HK$375,000,000 to the amount of HK$500,000,000 divided into 50,000,000,000 New Shares of HK$0.01 each."

SPECIAL RESOLUTION

6. "**THAT**:

(a) the terms of the whitewash waiver (the "**Whitewash Waiver**") granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the "**Executive**") to Trinity Eagle Investments Limited ("**Trinity Eagle**") pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of Trinity Eagle to make a mandatory general offer for all the issued shares of the Company not already owned or agreed to be acquired by Trinity Eagle, Mr. Chan Ka Wang Chris and parties acting in concert with any of them, which would otherwise arise as a result of the Creditors Scheme becoming effective, details of which are set out in the section headed "Letter from the Board – Implications under the Listing Rules and Takeovers Code – Takeovers Code implications – Application for Whitewash Waiver" in the Circular, be and are hereby approved, confirmed and ratified; and

(b) any one Director of the Company be and is hereby authorised to do all such acts and things and execute all such documents on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to or in connection with the Whitewash Waiver and the transactions contemplated thereunder."

For and on behalf of
China Ecotourism Group Limited
ZHU Xinxin
Director and Chief Executive Officer

Hong Kong, 26 May 2026

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.

2. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

3. Deposit of Proxy Form: A proxy form for use at the SGM is enclosed. In order to be valid, the proxy form, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).

4. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the SGM or any adjournment thereof (as the case may be) and, in such event, the proxy form appointing a proxy shall be deemed to be revoked.

5. To ascertain shareholders' eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 22 June 2026 to Thursday, 25 June 2026, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the SGM, all transfer documents accompanied by the relevant Share certificates must be lodged with the Hong Kong branch share registrar of the Company at the Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 18 June 2026.

6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning, or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 10:00 a.m. on the date of the SGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.ecotourgroup.com and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.