



Room 1706-07, 17/F
China Insurance Group Building
No.141 Des Voeux Road Central
Central, Hong Kong

20 January 2026

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF FINANCE SERVICES AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Finance Services Agreement with Shougang Finance in relation to the provision of the Deposit Services and Settlement Services by Shougang Finance to the Group subject to the terms and conditions therein (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 20 January 2026 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 5 December 2025 (after trading hours), the Company entered into the Finance Services Agreement with Shougang Finance in relation to the provision of the Deposit Services and Settlement Services by Shougang Finance to the Group subject to the terms and conditions therein.

GEM Listing Rules implications

As at the Latest Practicable Date, Shougang Group indirectly holds approximately 41.19% of the issued share capital of the Company and is a controlling shareholder and a connected person of the Company. As Shougang Finance is a wholly-owned subsidiary of Shougang Group, Shougang Finance is an associate of Shougang Group and hence a connected person of the Company. Accordingly, the transactions contemplated under the Finance Services Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As the highest of the applicable Percentage Ratios in respect of the proposed annual caps under the Finance Services Agreement exceeds 100%, the transactions contemplated under the Finance Services Agreement constitute (i) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules; and (ii) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

SGM AND VOTING AT THE SGM

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Finance Services Agreement and the transactions contemplated thereunder (including the proposed annual caps). As at the Latest Practicable Date, Shougang Group through its wholly-owned subsidiary, Shougang Hong Kong, held 619,168,023 Shares, representing approximately 41.19% of the issued share capital of the Company. Shougang Group, Shougang Hong Kong and their respective associate(s) are required to abstain from voting at the SGM. To the best of the knowledge, information and belief of the Directors, save as disclosed herein, no other Shareholder is required to abstain from voting on relevant resolutions at the SGM.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Yiu Kin, Mr. Zheng Xiaodong, Ms. Wu Chunhua and Ms. Yang Siwei, has been established to consider and advise the Independent Shareholders as to whether the terms of the Finance Services Agreement are fair and reasonable and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in favour of the Transactions. None of the members of the Independent Board Committee has any material interest in the Transactions.

We, First Global Corporate Finance Co., Limited ("**First Global**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. First Global is a licensed corporation licensed under the Securities and Futures Ordinance ("**SFO**") to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Wendy Liu ("**Ms. Liu**") is the person signing off the opinion letter from First Global contained in the Circular. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2014. Ms. Liu has participated in and completed various independent financial advisory transactions in Hong Kong.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between the Group, the other party(ies) to the Transactions, or a close associate or core connected person of any of them and us. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the other party(ies) to the Transactions, or a close associate or core connected person of any of them and us, or other parties that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and its subsidiaries or their respective substantial shareholders or any party acting in concert, or presumed to be acting in concert, with any of them. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have reviewed the documents including but not limited to (i) the Finance Services Agreement; (ii) the announcement of the Company dated 5 December 2025 in relation to the renewal of the Finance Services Agreement (the “**Announcement**”); (iii) the Circular and the Letter from the Board contained therein; (iv) the interim report of the Company for six months ended 30 June 2024 and 2025, respectively (the “**2025 Interim Report**”); (v) the annual report of the Company for the year ended 31 December 2023 and 2024, respectively (the “**2024 Annual Report**”); and (vi) the relevant supporting documents in respect of the Transactions provided by the Company, including but not limited to historical documents and records, to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the SGM. The Shareholders will be informed should there be any material change of information in the Circular up to the date of the SGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. Where applicable, we have also conducted independent desktop search and confirmed that there was no material difference between our search result and the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility of the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Transactions, we have considered the following principal factors and reasons:

I. Background of the Group

(i) Background information of the Group

The Group is principally engaged in interactive entertainment and digital assets management business and property assets management business in the PRC.

(ii) Historical financial performance and position of the Group

Set out below is certain financial information of the Group for years ended 31 December 2023 (“FY2023”) and 2024 (“FY2024”) as extracted from the 2024 Annual Report, and for each of the six months ended 30 June 2024 (“1H2024”) and 2025 (“1H2025”) as extracted from the 2025 Interim Report:

	1H2025 <i>(unaudited)</i> <i>HK\$’000</i>	1H2024 <i>(unaudited)</i> <i>HK\$’000</i>	For the FY2024 <i>(audited)</i> <i>HK\$’000</i>	For the FY2023 <i>(audited)</i> <i>HK\$’000</i>
Interactive Entertainment and Digital Assets	11,595	14,575	25,677	23,826
Property Assets Management (formerly known as “New Cultural and Sports Space”)	18,424	22,598	44,755	46,363
Revenue	30,019	37,173	70,432	70,189
Gross Profit	5,662	2,189	(15,056)	5,097
Profit/(loss) for the period	24,033	(22,692)	(63,812)	(10,142)

Discussion on the Group's financial performance for the 1H2025 as compared with that for the 1H2024

Based on the 2025 Interim Report, the Group's revenue reached approximately HK\$30.0 million for 1H2025, decrease with approximately 19.3% as compared with revenue of approximately HK\$37.2 million for 1H2024. The decrease in revenue was attributable to a combination of the following factors: (i) the year-on-year decrease in related revenue of HK\$5.7 million resulting from the distribution of only one animated film during 1H2025 (1H2024: two); (ii) a year-on-year decrease in rental and management service fee income of HK\$4.2 million; and (iii) a year-on-year increase in revenue from production services of HK\$2.7 million.

Gross profit increased from approximately HK\$2.2 million for 1H2024 to approximately HK\$5.7 million for FY2025, representing an increase of approximately 158.7%. The increase in gross profit mainly due to the decrease in the production costs of original films recorded in profit or loss during 1H2025 and decrease in staff costs.

The Group's profit or loss for the period increased from loss of approximately HK\$22.7 million for 1H2024 to profit of approximately HK\$24.0 million for 1H2025, which is mainly due to a one-off net gain of HK\$34.0 million arising from the deconsolidation of a non-wholly owned subsidiary of the Group.

Discussion on the Group's financial performance for the FY2024 as compared with that for the FY2023

Based on the 2024 Annual Report, the Group's revenue reached approximately HK\$70.4 million for FY2024, with a year-on-year growth of approximately 0.4% as compared with revenue of approximately HK\$70.2 million for FY2023. The increase in revenue was attributable to a combination of factors: (i) the decrease in rental income and the decrease in the average exchange rate of Renminbi against Hong Kong dollars by approximately 2% as compared with the corresponding period last year, and (ii) the distribution of two (FY2023: one) original animated film during FY2024 which led to a year-on-year increase in income from original projects.

Gross profit or loss decreased from profit of approximately HK\$5.1 million for FY2023 to loss of approximately HK\$15.1 million for FY2024, representing a decrease of approximately 395.4%. The decrease in gross profit or loss was mainly due to the provision for impairment of productions work in progress and an increase in operating costs and impairment loss on right-of-use assets of the Suzhou Technical Service Center during FY2024.

The Group's loss for the year increased from approximately HK\$10.1 million for FY2023 to approximately HK\$63.8 million for FY2024, representing an increase of approximately 529.2%.

	As at 30 June 2025 <i>HK\$'000</i>	As at 31 December 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
Total Assets	482,648	474,324	545,081
Total Liabilities	95,908	238,374	236,893
Net Assets	386,740	235,950	308,188

Discussion on the Group's financial position as at 30 June 2025 as compared with that as at 31 December 2024

The total assets of the Group were approximately HK\$482.6 million and HK\$474.3 million as of 30 June 2025 and 31 December 2024, respectively, representing an approximately 1.8% increase, which is mainly attributable to the increase in investment properties and the right of use assets. The total liabilities of the Group were approximately HK\$95.9 million and HK\$238.4 million at 30 June 2025 and 31 December 2024, respectively, representing an approximately 59.8% decrease, which is mainly attributable to the decrease in provision for rental and settlement payables and accruals and other payables.

The consolidated net assets increasing by approximately 63.9%, from approximately HK\$236.0 million as at 31 December 2024 to approximately HK\$386.7 million as at 30 June 2025.

Discussion on the Group's financial position as at 31 December 2024 as compared with that as at 31 December 2023

The total assets of the Group were approximately HK\$474.3 million and HK\$545.1 million as of 31 December 2024 and 31 December 2023, respectively, representing an approximately 13.0% decrease, which is mainly attributable to the decrease in investment property, movies and television programmes rights and trade receivables. The total liabilities of the Group were approximately HK\$238.4 million and HK\$236.9 million as at 31 December 2024 and 31 December 2023, respectively, representing an approximately 0.6% increase, which is mainly attributable to the increase in lease liabilities.

The consolidated net assets decreasing by approximately 23.4%, from approximately HK\$308.2 million as at 31 December 2023 to approximately HK\$236.0 million as at 31 December 2024.

II. The Finance Services Agreement

(i) *Background information of the Shougang Finance*

Shougang Finance is established in the PRC with limited liability. Its establishment as a non-bank financial institution has been approved by NFRA. Shougang Finance acts as a platform for members of Shougang Group (including the Group) for provision of intra-group facilities through financial products including deposit-taking, money-lending and financial consulting, etc. As at the Latest Practicable Date, Shougang Finance is a wholly-owned subsidiary of Shougang Group. Shougang Group is a company established in the PRC and a state-owned enterprise wholly-owned by Assets Supervision and Administration Commission of People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會). Shougang Group is one of the largest steel production enterprises in the PRC and is principally engaged in a wide range of business including steel and iron production, overseas business, property development, mining resources and other businesses.

(ii) *Reasons for and benefits of the Transaction*

The Group has to maintain deposits and other bank balances with financial institutions in Hong Kong and the PRC from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business. Shougang Finance has been providing Deposit Services and Settlement Services to the Group since 2023. Given that Shougang Finance (1) provides Settlement Services to the Group on a free of charge basis; (2) has in-depth knowledge about the operation of the Group and could provide more convenient and effective services to the Group than other financial institutions; (3) is a non-bank financial institution licensed by the NFRA with customers primarily comprised of members of the Shougang Group, which means it is exposed to lower risks than other financial institutions and hence could offer better security to the deposits of the Group; (4) ensure that the relevant deposits are placed is/are operated in strict compliance with the risk monitoring indicators for financial institutions issued by the NFRA and that its major regulatory indicators such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the NFRA. Besides, it ensures that the relevant deposits have reached the security standards for domestic commercial banks; (5) offers the deposit interest rates will be no less favourable to the Group than those offered by commercial banks in Hong Kong and the PRC to the Group for comparable deposits, which would enable the Group to generate interest income therefrom; and (6) is the financial institution under the Shougang Group, and the credit rating of Shougang Group as rated by China Chengxin International Credit Rating Co., Ltd.* (中誠信國際信用評級有限責任公司) and Golden Credit Rating International Co., Ltd.* (東方金誠國際信用評估有限公司), each a credit rating agency recognized by the PBOC, for the year 2025 was "AAA", which evidenced that Shougang Group has healthy cash flow and strong capability to repay its debt; hence, the credit risk in relation to placing deposits with Shougang Finance, would be relatively low. Pursuant to the terms of the Finance Services Agreement, (i) the Group is not precluded from using the services of other financial institutions. The Group has the discretion to select any major and independent commercial banks in Hong Kong and the PRC as its financial services providers as it thinks fit and appropriate for the benefit of the Group; (ii) the Group has the discretion to determine the deposit term length with Shougang Finance; and (iii) the Group is free to invest its funds in products or projects with higher returns.

In view of the reasons and benefits set out above and the internal control measures in place, the Directors (excluding Mr. Feng Xianhuai, Mr. He Peng and Mr. Xu Liang (a former executive Director) who are required to abstain from voting) consider that the Finance Services Agreement is entered into in the ordinary and usual course of business of the Group on normal commercial terms and that the terms of the Finance Services Agreement (including the Daily Deposit Cap) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(iii) Principal terms of the Finance Services Agreement

The principal terms of the Finance Services Agreement are set out below:

Date: 5 December 2025

Parties: (i) the Company; and
(ii) Shougang Finance

Term

The term of the Finance Services Agreement shall commence from the Effective Date and shall continue up to 31 December 2028 (both dates inclusive).

Deposit Services

Services

The Group may deposit funds into the deposit accounts in Shougang Finance in return for interest income. The daily maximum balance of deposits placed by the Group shall be not more than RMB100,000,000 (approximately HK\$109,890,000) during the Term.

Pricing Policy

The rate at which interest will accrue on any deposit placed by the Group with Shougang Finance under the Finance Services Agreement will not be lower than the following:

- (a) the benchmark interest rate prescribed by the PBOC for the same type of deposits of the same period;
- (b) the interest rates offered by commercial banks in the PRC and overseas (including Hong Kong) to the Group for the same type of deposits of the same period; and
- (c) the interest rates offered by Shougang Finance to other members of Shougang Group for the same type of deposits of the same period.

Every time a deposit is renewed or a new deposit is placed, the Company will:

- (a) obtain the deposit interest rate offered by three commercial banks for same type of deposits of the same period when determining the interest rate under the Finance Services Agreement;
- (b) check online for the interest rate prescribed by the PBOC for same type of deposits of the same period. The PBOC has not updated the benchmark interest rates since 24 October 2015. For the Existing Finance Services Agreement, the Company has used the 7-day deposit rate issued by the PBOC for benchmarking. The prevailing 7-day deposit rate issued by the PBOC for the period from 5 December 2023 to 30 November 2025 was approximately 1.35% per annum, which would be the expected 7-day deposit rate applicable to the deposits contemplated under the Finance Services Agreement;
- (c) check the real-time interest rates offered by Shougang Finance online for the same type of deposits of the same period. Shougang Finance has provided a written confirmation to the Company that the interest rates offered and to be offered by Shougang Finance to the Company would not be lower than the interest rate offered and to be offered by Shougang Finance to other members of Shougang Group for the same type of deposits of the same period.

We have cross-checked the above with the relevant websites of PBOC and Shougang Finance, and obtained a confirmation from Shougang Finance undertaking that the interest rates offered to the Group will not be lower than the rates offered to other members of Shougang Group, therefore, we are of the view that the above internal control procedures are in compliance with the Company's pricing policy as set out above.

Please refer to the details of the internal control measures to be implemented by the Group for determining and monitoring the deposit interest rate as set out in the paragraph headed "Internal Control Policy" below.

Settlement Services

Shougang Finance will provide payment and collection services and other ancillary services related to settlement business in accordance with the Group's instructions. No service fee will be charged by Shougang Finance for the Group to utilise the Settlement Services.

Our Evaluation of the principal terms of the Finance Services Agreement

In order to assess the fairness and reasonableness of the terms of the Finance Services Agreement, we have obtained and reviewed the Finance Services Agreement, the Existing Finance Services Agreement, the Company's internal control policy and the list of deposits setting out the information of all the deposit status for the two financial years ended 31 December 2024 and for the six months ended 30 June 2025 (the "**Review Period**") between (i) the Group with Shougang Finance; and (ii) the Group with independent commercial banks (the "**List of Deposits**"). We have reviewed 9 deposit contracts between the Group with Shougang Finance and between the Group with other independent commercial banks, being all valid and non-expired deposit contracts during the Review Period as at the Latest Practicable Date, to examine whether the deposit interest rates and other commercial terms provided by Shougang Finance are in line with the pricing policy specified in the Finance Services Agreement which is similar to the pricing policy stated in the Finance Services Agreement. Since we have reviewed all valid and non-expired deposit contracts during the Review Period as at the Latest Practicable Date, we are of the view that our sample size is sufficient. According to the List of Deposits, we were able to compare the interest rates with respect to each type of Deposit Services including current deposit, fixed deposit and corporate deposit offered by Shougang Finance against the similar type of Deposit Services with comparable duration and size offered by independent commercial banks for each quarter of the financial year 2025. We noted that the deposit interest rates offered by Shougang Finance ranged from approximately 1.15% to 3% for each type of the Deposit Services; while the corresponding interest rates offered by independent commercial banks ranged from approximately 0.35% to 1.8%. We found that by making comparison between each similar type of Deposit Services with comparable duration and size offered by Shougang Finance and independent commercial banks which the Group engaged during the same quarter of the financial year 2025, the interest rates offered by Shougang Finance were more favourable compared to those offered by independent commercial banks, we consider that the deposit interest rates offered by the Shougang Finance are fair and reasonable and the pricing terms of the sample contracts entered into with Shougang Finance are not less favourable than those entered into by the Company with independent third parties. We noted that the interest rates charged by Shougang Finance have complied with the pricing policy. Also, we were advised that, in general practice, for the current deposit, the Group could withdraw the deposit from Shougang Finance and independent major PRC state-owned commercial banks at any time and without any restrictions. We also compared the major terms offered by Shougang Finance and other independent commercial banks such as service fees and the restrictions on deposit withdrawal procedures. For instance, we noted that (i) services fees charged by other independent commercial banks ranged from RMB1 to RMB200 depending on the size and nature of the transactions while Shougang

Finance will not charge the Group any service fees; and (ii) there is no penalty for early deposit withdrawals and the withdrawal procedures are similar for both Shougang Finance and other independent major PRC state-owned commercial banks which can be completed by internet banking. It is considered that these arrangements are more favourable to the Group and expected to remain unchanged during the terms of the Finance Services Agreement. Therefore, we are of the view that these arrangements are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders.

We understand that the Company will ensure that the deposit interest rate and commercial terms provided by Shougang Finance are in line with the pricing policy and are fair and reasonable, the Company's finance department was responsible for liaising the commercial terms, etc. of the deposit services agreement with Shougang Finance, and has compared deposit services of the same type and term provided by Shougang Finance with those offered by other independent major PRC state-owned commercial banks (such as Industrial Bank Co., Ltd, Ping An Bank Co., Ltd or Bank of China, etc.), and also obtain not less than three quotations on deposits via conducting online enquiries. The pricing policy would ensure the interest rate to be provided by Shougang Finance to the Group will be equal to or higher than the average interest rate offered by the comparable banks for comparable deposits of the same type and term. Furthermore, the Company's finance department will also quarterly monitor and confirm that the applicable interest rates provided by Shougang Finance to the Group will not be lower than the interest rates of other major PRC state-owned and Hong Kong commercial banks as provided in their quotations. Based on the List of Deposits and the samples deposit contracts provided by the Company, we noted that the Group followed the abovementioned pricing policy. Also, in view of the pricing policy can ensure that the interest rates offered by Shougang Finance to the Group were equal to or higher than the interest rates offered by the comparable banks for comparable deposits of the same type and term and creates a more favorable option to the Group, we consider that the pricing policy is fair and reasonable and on normal commercial terms. Also, as the Finance Services Agreement is made on a non-commitment basis, the Group has the discretion in deciding whether or not to use the Deposit Services provided by Shougang Finance. The Group is not obliged to use the Deposit Services provided by Shougang Finance if it decided not to do so. The Group is free to choose the most beneficial interest rates, including depositing a sizable portion of its cash with Shougang Finance if indeed that is the best option.

Having considered that (i) the interest rates offered by Shougang Finance were more favourable compared to those offered by independent commercial banks to the Group with respect to the similar type of Deposit Services with comparable duration and size under same period of time; (ii) other commercial terms offered by Shougang Finance were no less favourable than that offered by independent commercial banks to the Group with respect to the similar type of Deposit Service; and (iii) the Group has sole discretion to make its selection according to the relevant conditions and quality of services being delivered by other commercial banks or Shougang Finance, we concur with the Directors' view that the terms of the Finance Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

HISTORICAL ANNUAL CAPS AND HISTORICAL DAILY MAXIMUM BALANCE OF FUNDS

The table below sets forth (i) the historical annual caps; and (ii) the historical amount of the daily maximum balance of funds placed by the Group with Shougang Finance (including any interest accrued thereon) under the Existing Finance Services Agreement:

	Historical annual cap <i>RMB</i>	Historical daily maximum balance of funds <i>RMB</i>
From 5 December 2023 to 31 December 2023	9,000,000 (approximately HK\$9,890,000)	8,000,000 (approximately HK\$8,791,000)
From 1 January 2024 to 31 December 2024	9,000,000 (approximately HK\$9,890,000)	8,127,590 (approximately HK\$8,931,000)
From 1 January 2025 to 31 December 2025	9,000,000 (approximately HK\$9,890,000)	8,249,223 (approximately HK\$9,065,000)

The utilisation rate of each of the historical annual caps under the Existing Finance Services Agreement was approximately 88.89% for the period from 5 December 2023 to 31 December 2023, approximately 90.31% for the period from 1 January 2024 to 31 December 2024 and approximately 91.66% for the period from 1 January 2025 to 31 December 2025.

The historical daily maximum balance of funds placed by the Group with Shougang Finance (including any interest accrued thereon) did not exceed the historical annual cap during the term of the Existing Finance Services Agreement.

PROPOSED ANNUAL CAPS

The daily maximum balance of funds placed by the Group with Shougang Finance (including any interest accrued thereon) under the Finance Services Agreement during the Term (the “**Daily Deposit Cap**”) will not exceed the following proposed annual caps:

	<i>RMB</i>
From the Effective Date to 31 December 2026	100,000,000 (approximately HK\$109,890,000)
From 1 January 2027 to 31 December 2027	100,000,000 (approximately HK\$109,890,000)
From 1 January 2028 to 31 December 2028	100,000,000 (approximately HK\$109,890,000)

In determining the above proposed annual caps, the Directors have taken into account the following factors:

- (a) the existing level of cash held by the Group. As at 30 June 2025, the total cash position of the Group (including total cash and cash equivalent together with time deposits at bank with original maturity over three months) amounted to approximately HK\$227.6 million and the proposed Daily Deposit Cap of RMB100,000,000 (equivalent to approximately HK\$109,890,000) would represent approximately 48.3% of the Group’s total cash position as at 30 June 2025;
- (b) the cash position of the Group and expected growth of business operation of the Group. Based on the information currently available to the Company, the Group expects to achieve a turnaround from a loss of approximately HK\$63.8 million for the year ended 31 December 2024 to a profit for the year ended 31 December 2025, which is expected to increase the net cash inflow to the Group;
- (c) the expected daily deposit balances of the Group during the Term, which is expected to remain at a level above the historical annual caps, after taking into account (i) the actual cash position as at 30 June 2025 of approximately HK\$227.6 million; (ii) the expected net increase in cash inflow to the Group to be generated during the Term; and (iii) the projected interest income of the Group during the Term; and
- (d) the basis of determining the deposit interests as disclosed in “Deposit Services – Pricing Policy” above. In particular, the deposit interest rate in relation to the Deposit Services will be not lower than the rates the Group would receive from major commercial banks, which would enable the Group to generate higher interest income therefrom.

The Board has considered that the significant increase in the proposed annual caps as compared with the historical annual caps under the Existing Finance Services Agreement to be reasonable. The Board noted the high utilisation rate of the historical annual caps in the range of approximately 88.89% to 91.66% during the term of the Existing Finance Services Agreement. The increase in the proposed annual caps would provide greater flexibility for the Group to increase its level of deposits with Shougang Finance, which would enable the Group to benefit from the higher interest rate offered by Shougang Finance compared with the interest rates offered by commercial banks. For example, in November 2025, the interest rate for 2-year deposit offered by Shougang Finance was 2.5%, which was higher than the interest rate for 2-year deposit in the range of 1.2% to 1.4% offered by three commercial banks. The Board also considered that the proposed Daily Deposit Cap of RMB100,000,000, which would represent approximately 48.3% of the Group's cash position as at 30 June 2025, to be at a reasonable level, in light of the expected growth of business operation of the Group and the expected increase in the net cash inflow to the Group for the year ended 31 December 2025. Pursuant to the terms of the Finance Services Agreement, the Group has the discretion to determine the deposit term length with Shougang Finance and the Group is free to invest its funds in products or projects with higher returns. In view of the above, the Board considered that the terms of the Finance Services Agreement, including the basis of determination of the proposed annual caps, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Our view on the Proposed Annual Caps

In assessing the fairness and reasonableness of the Daily Deposit Cap, we have reviewed the relevant information provided by the Company including but not limited to a table showing the interests rate offered by Shougang Finance for different duration and size of deposits, we have cross-checked the information with the relevant websites of Shougang Finance, and discussed with the Management on the basis and assumptions of determining the Daily Deposit Cap and formed our opinion after considering the following factors: As noted from the Letter from the Board, the Daily Deposit Cap increase significantly as the historical annual caps after the Company has taken into account, including but not limited to:

- (i) the existing level of cash held by the Group. As at 30 June 2025, the total cash position of the Group amounted to approximately HK\$227.6 million. The Group recorded the historical maximum daily deposit balances (including accrued interests) deposited with Shougang Finance amounted to approximately RMB8.0 million, RMB8.1 million and RMB8.2 million, for the years ended 31 December 2023, 2024 and 2025 respectively. The total cash position as at 30 June 2025 is significantly higher when compared to the historical maximum daily deposit balances for the years ended 31 December 2023, 2024 and 2025. The utilisation rate of each of the historical annual caps under the Existing Finance Services Agreement was approximately 88.89% for the period from 5 December 2023 to 31 December 2023, approximately 90.31% for the period from 1 January 2024 to 31 December 2024 and approximately 91.66% for the period from 1 January 2025 to 31 December 2025. As advised by the Management, the Group has to maintain deposits and other bank balances with financial institutions in Hong Kong and the PRC from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business. It is expected that the maximum daily deposit balances will increase gradually in the coming three years. According to the 2025 Interim report, the Group maintained a cash position amounted approximately HKD223.7 million and HKD227.6 million as at 31 December 2024 and 30 June 2025 respectively. In view of the utilization of the historical annual caps and cash and cash equivalents balance is much larger than the Daily Deposit Cap at all time, it is considered that the Daily Deposit Caps is reasonable and just sufficient to meet the operation need of the Group.
- (ii) we observed that the Group has maintained a cash balance exceeding RMB200 million since 2023, when it first entered into the Existing Finance Services Agreement with Shougang Finance. At that time, the Company adopted a prudent approach by setting relatively smaller annual caps compared to its cash position, as it was the Group's initial experience depositing with Shougang Finance. Over the years, the Group has been satisfied with the services provided. However, revising the annual caps prior to the expiry of the Existing Finance Services Agreement would have constituted a material change requiring shareholders' approval, and the Group therefore chose not to make such revisions. The Company recognizes that Shougang Finance possesses in-depth knowledge of the Group's operations and is able to deliver more convenient and effective services. In addition, the Group retains discretion in determining deposit terms with Shougang Finance and remains free to allocate its funds to products or projects offering higher returns. Therefore, we considered the significant increase in the Deposit Services Annual Caps which only represent approximately 48.3% of the Group's total cash level as at 30 June 2025, to be at a reasonable level.
- (iii) the expected growth of business operation of the Group. Based on the forecast and budget provided by the Company, the Group expects to achieve a turnaround from a loss of approximately HK\$63.8 million for the year ended 31 December 2024 to a profit for the year ended 31 December 2025, which is expected to increase the net cash inflow to the Group.
- (vi) also, we have been advised by the Management that, when determining the interest amount of the Daily Deposit Cap, being 2.5%, the Company has made reference to the highest interest rates offered by Shougang Finance amongst current accounts and fixed deposits for Renminbi as at November 2025. We reviewed the calculation provided by the Company and no material deviation was found.

Having considered the above, in particular existing level of cash held by the Group is significantly higher when compared to the historical maximum daily deposit balances, which is expected to continue in the coming years, we concur with the Directors that the basis of determining the Daily Deposit Cap is reasonable.

INTERNAL CONTROL POLICY

The internal control measures on the determination of deposit interest rate for the Deposit Services are as follows:

1. Before entering into any deposit arrangements with the Shougang Finance, the Group will obtain and review the deposit interest rates for the same type of deposits quoted by three other major domestic commercial banks in the PRC and Hong Kong.
2. The Group will enter into supplemental agreement(s) with Shougang Finance as and when necessary to ensure that the deposit interest rate of the Deposit Services under the Finance Services Agreement will be no less favourable to the Group than the same type of deposits quoted by the other major domestic commercial banks in the PRC and Hong Kong.

The internal control measures on monitoring the proposed Daily Deposit Cap are as follows:

1. The finance department of the Company will monitor the amount of funds deposited into the designated account of the Shougang Finance on a daily basis to ensure that the proposed Daily Deposit Cap will not be exceeded. If the deposits of the Group placed with the Shougang Finance are expected to exceed the Daily Deposit Cap, Shougang Finance shall inform the Company in a timely manner and the Group will arrange for the transferring of funds to other deposit accounts of the Group.
2. The finance department of the Company will report to the management of the Company and provide updates on the deposit arrangements with Shougang Finance on a monthly basis.
3. The independent non-executive Directors and auditors of the Company will conduct an annual review with respect to the continuing connected transactions conducted by the Group throughout the preceding financial year (including the transactions contemplated under the Finance Services Agreement) and will provide annual confirmations pursuant to the requirements under the GEM Listing Rules to ensure that the continuing connected transactions (including the transactions contemplated under the Finance Services Agreement) are in accordance with the terms of the Finance Services Agreement governing such transactions, on normal commercial terms, fair and reasonable, and in accordance with the pricing policies and the proposed Daily Deposit Cap.

The capital risk control measures on the Deposit Services and the Settlement Services are as follows:

1. Shougang Finance will provide the Group with the quarterly financial report, yearly audited report and other statements regularly.
2. Shougang Finance will ensure the safe operation of the fund management information systems. All fund management information systems of the Shougang Finance in which the relevant deposits are placed have passed the security test in respect of the interface of online banking of commercial banks and have reached the security standards for domestic commercial banks.
3. Shougang Finance will ensure that it is operated in strict compliance with the risk monitoring indicators for financial institutions issued by the NFRA and that its major regulatory indicators such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the NFRA.
4. For the purpose of credit assessment, the finance department of the Company will (i) review quarterly financial report, yearly audited report and other statements provided by Shougang Finance (as stated in paragraph (1) above) on a regular basis; and (ii) review the credit rating reports on Shougang Group published annually by credit rating agencies recognized by the PBOC.
5. To ensure that the Group will have sufficient working capital and liquidity for its business operations, the finance department of the Company will monitor the cash position of the Group from time to time and the Group will make withdrawals where necessary to ensure that the amount deposited with Shougang Finance under the Deposit Services shall not exceed the Daily Deposit Cap.

In view of the above, we consider that the above internal control measures, if implemented effectively by the Company, are sufficient to safeguard Shareholders' interest in the provision of the Deposit Services and Settlement Services under the Financial Services Agreement. We have reviewed the internal control manual concerning the aforementioned continuing connected transactions. As at the date of this letter, we are not aware of any matters which would affect the effectiveness of the implementation and no historical discrepancy has been identified during our review. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the renewal of the Financial Services Agreement and the related caps are (i) in the ordinary and usual course of the business of the Group; (ii) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favour of the relevant resolution for approving the Finance Services Agreement and the related annual caps at the SGM.

Yours faithfully,
For and on behalf of
First Global Corporate Finance Co., Limited



Wendy Liu
Managing Director

Ms. Liu is a licensed person registered with SFC and regarded as a responsible officer of Type 6 (advising on corporate finance) of First Global Corporate Finance Co., Limited. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2014.