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

24 February 2026

To: *The Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

CONNECTED TRANSACTION PROPOSED EXTENSION OF THE MATURITY DATE OF HK$200,000,000 ZERO COUPON CONVERTIBLE BOND DUE 2026

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of whether the 6th Extension is in the interests of the Company and the Shareholders as a whole and whether the terms of the 6th Deed of Amendment are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned. Details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 24 February 2026 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 20 January 2026, the Company and the Subscriber entered into the 6th Deed of Amendment to (i) further extend the Maturity Date of the Convertible Bond for 36 months and the Conversion Period will accordingly be further extended for 36 months to March 2029; and (ii) include the Company's Partial Redemption Right. Save for the above, all terms of the Convertible Bond remain unchanged.

香港中環畢打街20號會德豐大廈15樓1505室
Room 1505, 15/F, Wheelock House, 20 Pedder Street, Central, Hong Kong
T: +852 2128 9400 F: +852 2123 1746 www.legogroup.hk

As at the Latest Practicable Date, the Subscriber holds 569,616,589 issued Shares, representing approximately 74.42% of the issued share capital of the Company and is therefore a controlling shareholder and a connected person of the Company under the Listing Rules. The 6th Extension to be effected by the 6th Deed of Amendment entered into between the Company and the Subscriber constitutes a connected transaction of the Company under the Listing Rules and therefore, the 6th Extension is subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Mr. Wong Sze Wai, being the director of the Subscriber and the executive Director, will abstain from voting in respect of the relevant resolution(s) approving the 6th Deed of Amendment and the transactions contemplated thereunder (including the 6th Extension) at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Wong Man Hin Raymond, Mr. Chan Yiu Fai Youdey and Mr. Pak Wai Keung Martin have been established to advise the Independent Shareholders as to whether the 6th Extension and the terms of the 6th Deed of Amendment and the transactions contemplated thereunder are on normal commercial terms, and fair and reasonable so far as the Company and Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution(s) to be proposed at the SGM to approve the 6th Deed of Amendment and the transactions contemplated thereunder (including the 6th Extension). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, the Company has applied to the Stock Exchange for its approval of the proposed amendments contemplated by the 6th Deed of Amendment pursuant to Rule 28.05 of the Listing Rules.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we have received or will receive any fees or benefits from the Company. Accordingly, we consider that we are independent from the Company pursuant to the requirement under Rule 13.84 of the Listing Rules and thus we are qualified to give independent advice in respect of the 6th Extension and the terms of the 6th Deed of Amendment and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (iv) our review of the relevant public information. 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 respects as at the time they were made and may be relied upon. We have also assumed that all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management were true, accurate, complete and not misleading in all respects at the time they were made and continued to be so up to the date of the SGM.

We consider that we have reviewed sufficient information currently available 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 Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the Subscriber or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the 6th Extension and the terms of the 6th Deed of Amendment, we have considered the following principal factors and reasons:

1. Background information

The Group is principally engaged in (i) mining and sales of coal; (ii) provision of renewable energy solution and services; and (iii) provision of information technology outsourcing, consultancy and technical services.

On 14 March 2008, the Company issued zero coupon Convertible Bond with an aggregate principal amount of HK$200,000,000 to the Subscriber due 13 March 2011 pursuant to the Subscription Agreement dated 15 January 2008 entered into between the Company and the Subscriber, pursuant to which the Company (i) had conditionally agreed to allot and issue to the Subscriber, and the Subscriber had conditionally agreed to subscribe in cash consideration of HK$80,000,000 for a total of 400,000,000 subscription shares at the subscription price of HK$0.20 per subscription share; and (ii) had conditionally agreed to issue the Convertible Bond to the Subscriber in an aggregate principal amount of HK$200,000,000 for a term of three years. The Convertible Bond bears no interest and is convertible into Shares. All outstanding Convertible Bond should have matured on 13 March 2011 pursuant to the original terms and conditions of the Convertible Bond.

On 11 February 2011, the Company and the Subscriber entered into the Deed of Amendment to extend the maturity date and the conversion period of the Convertible Bond for 36 months to 13 March 2014, which was approved by the independent Shareholders in the special general meeting on 11 March 2011. Accordingly, the maturity date and the conversion period of the Convertible Bond were extended to 13 March 2014.

On 21 January 2014, the Company and the Subscriber entered into the 2nd Deed of Amendment (as amended and supplemented by the Supplemental Deed) to further extend the maturity date and the conversion period of the Convertible Bond for 36 months to 13 March 2017, which was approved by the independent Shareholders in the special general meeting on 10 March 2014. As such, the maturity date and the conversion period of the Convertible Bond were further extended for 36 months to 13 March 2017.

On 25 January 2017, the Company and the Subscriber entered into the 3rd Deed of Amendment to further extend the maturity date and the conversion period of the Convertible Bond for 36 months to 13 March 2020, which was approved by the independent Shareholders in the special general meeting on 7 March 2017. Correspondingly, the maturity date and the conversion period of the Convertible Bond were further extended for 36 months to 13 March 2020.

On 3 February 2020, the Company and the Subscriber entered into the 4th Deed of Amendment to further extend the maturity date and the conversion period of the Convertible Bond for 36 months to 13 March 2023, which was approved by the independent Shareholders in the special general meeting on 11 March 2020. Correspondingly, the maturity date and the conversion period of the Convertible Bond were further extended for 36 months to 13 March 2023.

On 11 August 2022, the Company and the Subscriber entered into the 5th Deed of Amendment to further extend the maturity date and conversion period of the Convertible Bond for 36 months to 13 March 2026, which was approved by the independent Shareholders in the special general meeting on 9 December 2022. Correspondingly, the maturity date and the conversion period of the Convertible Bond were further extended for 36 months to 13 March 2026. As at the Latest Practicable Date, the Convertible Bond with aggregate amount of HK$200,000,000 held by the Subscriber was still outstanding.

As disclosed in the annual report of the Company for the year ended 31 March 2025 (the "**2024/2025 Annual Report**"), the Group owns one mining right in Xinjiang in respect of the Enlarged Kaiyuan Mine. As disclosed in the letter from the Board, the Group has been actively proceeding with the Updated Optimization and Upgrading Plan since 2011 as part of the government restructuring proposals to consolidate smaller mines as well as an expansion and development of the Group's business of coal mining and sales.

As disclosed in the announcement of the Company dated 6 December 2019, Mulei County Kai Yuan Company Limited* (木壘縣凱源煤炭有限責任公司) ("**Kaiyuan Company**"), an indirect wholly-owned subsidiary of the Company, as the transferee and Xinjiang Natural Resources Department as the transferor entered into the transfer agreement (the "**Transfer Agreement**") dated 2 December 2019, pursuant to which Kaiyuan Company acquired the mining right of the Enlarged Kaiyuan Mine for 30 years from August 2019 to August 2049 from the Xinjiang Natural Resources Department to conduct mining activities at the Enlarged Kaiyuan Mine at a consideration (the "**Consideration**") of RMB160,978,000, which shall be settled in cash and paid by Kaiyuan Company to Xinjiang Natural Resources Department in fifteen instalments: (i) the first instalment of RMB32,200,000 was paid by Kaiyuan Company in November 2019; (ii) the second to fourteenth instalments of RMB9,200,000 each shall be paid before 20 November of every year from 2020 to 2032; and (iii) the last instalment of RMB9,178,000 shall be paid before 20 November 2033. In addition, as part of the Transfer Agreement, Kaiyuan Company is required to pay a supplemental resources fee of RMB76,502,500 to Xinjiang Natural Resources Department within 30 days from signing of the Transfer Agreement for the unpaid output of 19.8 million tonnes of coal of Kaiyuan Mine. Such amount was paid by Kaiyuan Company in November 2019.

As disclosed in the announcement of the Company dated 24 November 2021, the Group has been granted the ten-year Renewed Mining Permit from 11 October 2021 to 11 October 2031 in respect of the New Mining Right for the Enlarged Kaiyuan Mine covering a mining area of approximately 4.112 km^2 with designed capacity of 0.9 million tonnes per annum (representing ten times of the designed annual capacity of 90,000 tonnes of the original Kaiyuan Mine).

From June to November 2022, the project officially entered the trial operation phase of the 0.9 million tonnes per annum expansion project. Since the construction period, testing, checking and verification were conducted by experts, which were filed to the local government authorities, and relevant opinion letters and certificates were issued, implying steps forward to the completion of expansion project. In September 2023, a specialized checking of the documents was conducted by a group of experts, and it successfully passed the expert group's evaluation. At the same time, a comprehensive completion testing, checking and verification of the 0.9 million tonnes per annum expansion project was conducted by a group of experts, and a completion verification opinion letter for the project was issued. In October and November 2023, the Changji Emergency Bureau and Autonomous Region Emergency Department ("**Changji EBARED**")* (昌吉州應急局及自治區應急廳) organized experts to perform the inspection of the application for the work safety permit and it was successfully approved. The Changji EBARED agreed to issue the work safety permit, the final permit required to complete 0.9 million tonnes per annum expansion plan.

As disclosed in the announcement of the Company dated 7 March 2025, Kaiyuan Company has been permitted by local government industry and energy competent department to increase its production capacity at the Enlarged Kaiyuan Mine from 900,000 tonnes per annum to 4,000,000 tonnes per annum (the "**Expansion in Production Capacity**"), while its mining area remains approximately 4.112 km^2.

2. Reasons for and benefits of the 6th Extension

As disclosed in the Letter from the Board, the Convertible Bond will be due on 13 March 2026. According to the terms of the Convertible Bond, the Company shall redeem all outstanding Convertible Bond on the maturity date (i.e. 13 March 2026), which amounted to HK$200,000,000 as at the Latest Practicable Date. By entering into of the 6th Deed of Amendment, the Directors consider that the 6th Extension can relieve the imminent need of the Company to repay the Convertible Bond over a relatively short period in light of the Group's latest cash position, which in turn, can enable the Company to retain the funds for replenishing the Company's working capital to support the current business operations including the coal mining business operation at the Enlarged Kaiyuan Mine, in particular, given the Expansion in Production Capacity, as the 6th Extension effectively allows the Group to refinance the debts under the Convertible Bond under the same terms for a further 36 months.

In addition, as the Convertible Bond is zero coupon, it will not incur any interest burden for the Group for the next three years. Save for the Maturity Date, the Conversion Period and the Company's Partial Redemption Right, all terms and conditions of the Convertible Bond remain unchanged. Besides, the subscription price was determined based on the then prevailing market conditions and net asset value of the Group back in January 2008 between the Company and the Subscriber after arm's length negotiations. Thus, despite the Conversion Price represents a discount to the benchmarks set out in the section headed "Principal terms of the Convertible Bond – Conversion Price" below, after arm's length negotiation and due consideration, the Company and the Subscriber have agreed not to change the Conversion Price and have entered into the 6th Deed of Amendment.

Moreover, the 6th Deed of Amendment includes the Company's Partial Redemption Right, under which the Company may, at its sole discretion, redeem a maximum of HK$40,000,000 of the outstanding principal amount prior to the Maturity Date, which was agreed upon after arm's length negotiation between the Company and the Subscriber. This term provides the Company with the strategic financial flexibility to reduce the Group's indebtedness as it considers appropriate, thereby safeguarding the Company's liquidity for its current operations and the gradual increase in production capacity at the Enlarged Kaiyuan Mine. Accordingly, the Board is of the view, and we concur, that the Company's Partial Redemption Right acts as a prudent measure that balances the need to retain working capital with the objective of gradually strengthening the Group's financial profile over the term of the 6th Extension, and is therefore in the interests of the Company and the Shareholders as a whole.

In considering the reasons for and benefits of the 6th Extension, we have considered the following factors:

Financial position of the Group

We have reviewed the interim report of the Company for the six months ended 30 September 2025 (the "**2025/2026 Interim Report**") and noted that the Group recorded net current liabilities of approximately HK$74.2 million as at 30 September 2025, comprising (i) cash and cash equivalents of approximately HK$282.3 million; (ii) trade and other receivables of approximately HK$6.7 million; (iii) convertible bond designated as financial liabilities at fair value through profit or loss of approximately HK$237.7 million; (iv) trade and other payables of approximately HK$108.3 million; and (v) interest-bearing borrowings of approximately HK$15.9 million. In addition, we have reviewed the latest management accounts of the Group, and noted that the cash and cash equivalents amounted to approximately HK$302.0 million as at 30 November 2025.

In light of the above, we noted that the full repayment of the outstanding principal amount of the Convertible Bond of HK$200 million will materially and negatively affect the Group's liquidity based on the Group's current cash level. We are of the view that the 6th Extension can relieve the imminent need of the Company to repay the Convertible Bond, which in turn, enables the Group to retain cash and maintain healthy liquidity level and have more financial flexibility to develop its business given the Expansion in Production Capacity, instead of repaying the Convertible Bond within a relatively short period.

Expected cash outflow and capital expenditure

As mentioned in the section headed "Background information" above, the Consideration of RMB160,978,000 shall be settled in cash and paid by Kaiyuan Company to Xinjiang Natural Resources Department in fifteen instalments. The first instalment amounting to RMB32,200,000 had been paid by Kaiyuan Company in November 2019, and the second to fourteenth instalments of RMB9,200,000 each shall be paid before 20 November of every year from 2020 to 2032; and the last instalment in an amount of RMB9,178,000 shall be paid before 20 November 2033. In light of the above, the Company is required to pay an aggregate amount of approximately RMB27.6 million (the "**8th to 10th Instalments**") to Xinjiang Natural Resources Department for the forthcoming three instalments from 2026 to 2028.

We have reviewed the 2024/2025 Annual Report, and noted that in coming years, there will be (i) a reasonable expected amount of expenditure in capital assets, in particular for the new plants, machines and facilities for the continuous environmental protection works and potential future capacity and technology upgrades, infrastructural development and sustainable development; and (ii) reasonable expenditure for works required by the Production Safety Supervision and Administration Bureau* (安全生產監督管理局) ("**Safety Bureau**") of the Xinjiang Zhundong Economic and Technological Development Zone* (新疆准東經濟技術開發區) to improve safety standard of the Group's coal mine. Apart from the expected cash outflow in relation to the 8th to 10th Instalments as mentioned above, as advised by the Management, the Group requires significant capital to facilitate the Expansion in Production Capacity. As such, the Group has been planning to procure additional equipment and upgrade its facilities as well as to fulfill the requirements of conducting the environmental protection remedial works as requested by the relevant government departments, since 2018, the Group has engaged certain contractors to set up some ancillary facilities for the production such as high voltage electrical facilities and facilities relating to the production so as to facilitate the production process and/or procedure to meet the increase in production capacity, to implement the environmental protection remedial works, and to improve safety standard of the Group's coal mine. Based on the plans and estimates provided by the Management, it is expected that an aggregate amount of approximately RMB198.1 million of capital expenditure will be incurred and paid for the three years ending 31 March 2029.

Should the Company repay the Convertible Bond in full, not only the Company may have insufficient cash resources for its current business operations, including the operations at the Enlarged Kaiyuan Mine, but also to pay the 8th to 10th Instalments and to fund the expected capital expenditure as discussed above. Given the funding needs of the payment of the 8th to 10th Instalments and the operations and expansion of the Group's coal mining business as discussed above, we are of the view that the 6th Extension would allow the Group to delay the cash repayment obligation for the redemption of the Convertible Bond and hence provide the flexibility for the deployment of its financial resources to settle part of the Consideration and to fund its operations and development, as well as to plan its working capital requirements.

Other financing alternatives

Upon enquiry with the Management, we were given to understand that the Company has considered other financing alternatives for the Group to raise funds to repay the Convertible Bond rather than the extension of the Convertible Bond, including but not limited to, bank borrowing and equity financing. However, as bank borrowing may incur interest burden on the Group which will have negative impact on the liquidity and financial performance of the Group. With regard to equity financing, in view of the generally low liquidity of the Shares as further discuss in the section headed "Principal terms of the Convertible Bond" below as well as the recent volatile market condition, the procurement of commercial underwriting would be difficult and a private placement of Shares will inevitably cause immediate dilution effect on the shareholding of the existing Shareholders. Also, substantial cost and time may involve in equity financing. Based on the above and the fact that the outstanding Convertible Bond is non-interest bearing, we concur with the view of the Management that the 6th Extension is the most appropriate means to refinance the Convertible Bond.

As disclosed in the Letter from the Board, ultimately, the Company's intention and plan to repay the Convertible Bond at its maturity is expected to be considered upon taking into account its future financial and business performance, particularly, in the expanded operations at the Enlarged Kaiyuan Mine. The Board will continue to monitor the Group's financial position and capital requirements, and manage the repayment plan prudently to ensure the interests of the Company and its Shareholders as a whole.

Having considered that (i) the 6th Extension would effectively allow the Group to refinance its debts under the Convertible Bond under the same terms for further three years; (ii) full repayment of the Convertible Bond will substantially decrease the cash balance of the Group which may impose negative impact on the Group's liquidity; (iii) the 6th Extension would delay the cash outflow for the redemption of the Convertible Bond on maturity and hence provide the Group with flexibility in deploying its resources to fund its business development, taking into account the funding needs for the 8th to 10th Instalments and the Group's coal mining business in respect of the respective estimated capital expenditure to be incurred; (iv) the 6th Extension is the most appropriate means to refinance the Convertible Bond considering the Group's financial condition and market condition; and (v) the Convertible Bond is zero coupon and hence will not impose any interest burden on the Group for the next three years, we are of the view that the 6th Extension and the entering into of the 6th Deed of Amendment, despite not being in the ordinary and usual course of business of the Company, are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Convertible Bond

On 20 January 2026, the Company and the Subscriber entered into the 6th Deed of Amendment, to (i) further extend the Maturity Date of the Convertible Bond for 36 months and the Conversion Period will accordingly be further extended for 36 months to 13 March 2026; and (ii) include the Company's Partial Redemption Right. Save for the above, all terms of the Convertible Bond remain unchanged.

The 6th Deed of Amendment is subject to the fulfillment of the following conditions:

(a) the passing by the Independent Shareholders at the SGM of the necessary resolutions to ratify and approve the 6th Deed of Amendment and the 6th Extension;

(b) the Stock Exchange having approved the 6th Extension in accordance with Rule 28.05 of the Listing Rules; and

(c) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the 6th Extension having been obtained.

None of the above conditions precedent could be waived by the parties to the 6th Deed of Amendment. The 6th Deed of Amendment shall have no effect unless and until all the conditions precedent set out above are fulfilled. The effective date of the 6th Deed of Amendment shall be on the date when all its conditions precedent are fulfilled. As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled.

The principal terms of the Convertible Bond (as amended by the Deed of Amendment, the 2nd Deed of Amendment, the 3rd Deed of Amendment, the 4th Deed of Amendment, the 5th Deed of Amendment and the 6th Deed of Amendment) are as follows:

Principal amount	:	HK$200,000,000
Coupon	:	Zero (0)% interest rate
Maturity Date	:	The Company shall repay the principal amount of the outstanding Convertible Bond to the then holder of the Convertible Bond in full on the maturity date, being the date falling 252 months from the date of issue of the Convertible Bond certificate, unless previously converted, i.e. 13 March 2029.

Conversion	:	The Subscriber shall have the right to convert in whole or in part of the outstanding principal amount of the Convertible Bond into Conversion Shares at the Conversion Price during the Conversion Period, provided that the amount so converted shall be at least HK$1,000,000 (and in integral multiples thereof).
Conversion Price	:	HK$0.20 per Conversion Share, subject to adjustment provisions which are normal for convertible debt securities of this type.

The Conversion Price, which was determined when the Subscription Agreement was entered into in January 2008, represents (assuming no adjustment to the Conversion Price is to be made):

(a) a discount of approximately 6.54% to the closing price of HK$0.214 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 1.96% to the closing price of HK$0.204 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(c) a discount of approximately 9.50% to the average closing price of approximately HK$0.221 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and

(d) a discount of approximately 9.50% to the average closing price of approximately HK$0.221 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day.

Following various discussions and negotiation between the Company and the Subscriber on the terms of the 6th Extension, including the Conversion Price, having principally taken into account that: (i) the Conversion Price was determined when the Subscription Agreement was entered into in January 2008 with reference to primarily the then net asset value of the Group; (ii) the zero coupon rate of the Convertible Bond; (iii) the cash position of the Company as at 30 September 2025; and (iv) other possible alternate financing methods to settle the Convertible Bonds, which are not commercially reasonable, the Company and the Subscriber have agreed not to change the Conversion Price and have entered into the 6th Deed of Amendment. As detailed in the section "Reason for the 6th Extension" in the Letter from the Board, the Directors are of the view that the 6th Extension at the Conversion Price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The theoretical dilution effect of the issue of the Conversion Shares at the Conversion Price calculated based on the benchmark price of approximately HK$0.214 (being the closing price on the Last Trading Day) is approximately 3.71% and thus the issue of the Conversion Shares at the Conversion Price will not result in a theoretical dilution effect of 25% or more on its own as referred to under Rule 7.27B of the Listing Rules. The Company will continue to comply with Rule 7.27B of the Listing Rules after the 6th Extension.

Adjustments to Conversion Price : The Conversion Price is subject to adjustment provisions which are normal for convertible debt securities of this type and, in summary, an adjustment may be made in the event of:

(i) any consolidation or sub-division of the Shares;

(ii) any issue of Shares (other than in lieu of a cash dividend) by way of capitalization of profits or reserves;

(iii) any capital distribution to holders of the Shares or grant to such holders rights to acquire assets of the Group for cash;

(iv) any offer to holders of the Shares for subscription by way of rights or grant to holders of the Shares any options or warrants to subscribe for new Shares at a price which is less than 90% of the market price as at the date of the related announcement;

(v) the issue by the Company wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 90% of the market price as at the date of the related announcement;

(vi) the rights of conversion or exchange or subscription attached to such securities mentioned in (v) above are modified so that the total effective consideration per Share initially received for such securities shall be less than 90% of the market price at the date of the related announcement; or

(vii) any issue of Shares wholly for cash at a price per Share which is less than 90% of the market price at the date of the related announcement.

Conversion Period : The Conversion Period is a period commencing from the date of issue of the Convertible Bond certificate and ending on the Maturity Date.

Redemption : Save for the Company's unilateral right to partial redemption of the outstanding principal amount of the Convertible Bond amounting to a maximum of HK$40,000,000 prior to the Maturity Date in accordance with the Early Repayment Notice (provided that such Early Repayment Notice has been served to the Subscriber not less than 3 months prior to the early repayment date stated therein), neither the Company nor the Subscriber shall at any time redeem (all or part of) the outstanding principal amount of the Convertible Bond prior to the Maturity Date.

Transferability	:	The Convertible Bond may be assigned or transferred (in whole or in part) with the execution of a transfer instrument in a form approved by the Board. Subject thereto, there is no restriction on the transfer of the Convertible Bond.
Public float requirement	:	The conversion rights attaching to the Convertible Bond will not be exercised by the holder of the Convertible Bond and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.
Ranking of Conversion Shares	:	The Conversion Shares issued upon the exercise by the holder of Convertible Bond the conversion rights attaching to the Convertible Bond will, when issued, rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares, including the right to receive all future dividends and distributions.
Listing of the Convertible Shares	:	No application has been nor will be made for the listing of the Convertible Bond on the Stock Exchange or any other recognized stock or securities exchanges. An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond.

(i) Conversion Price

Closing prices of the Shares

In order to assess the fairness and reasonableness of the Conversion Price, we have reviewed the daily prices of the Shares on the Stock Exchange for the period from 20 January 2025 (being the 12-month period immediately prior to the date of the 6th Deed Amendment), up to and including the date of 6th Deed of Amendment (the "**Review Period**"). We consider that a period of 12 months prior to the date of the 6th Deed Amendment is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison between the historical closing prices of the Shares and the Conversion Price as (i) a one-year period represents a reasonable period to reflect the performance of the closing price of the Shares in response to the prevailing market condition and operating condition; (ii) a shorter review period can only demonstrate the Share price performance in a limited and specific time which may be distorted by specific events; and (iii) it is commonly used for analysis purpose. The comparison of daily closing prices of the Shares during the Review period and the Conversion Price is shown in the chart below:

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

As shown in the chart above, the closing prices of the Shares during the Review Period ranged from HK$0.14 per Share to HK$0.30 per Share, with an average closing price of approximately HK$0.221 per Share. The Conversion Price of HK0.20 per Conversion Share is close to the average closing price of the Shares during the Review Period and within the range of the closing prices of the Shares and represents (i) a premium of approximately 42.86% over the lowest closing price of the Shares; (ii) a discount of approximately 33.33% to the highest closing price of the Shares; and (iii) a discount of approximately 9.37% to the average closing price of the Shares during the Review Period.

At the beginning of the Review Period, the closing price of the Shares demonstrated relative stability, trading within a narrow band between approximately HK$0.14 and HK$0.165 from January 2025 to early April 2025. Subsequently, the closing price of the Shares commenced an upward trend in late April 2025 and reached HK$0.295 on 7 May 2025. Following that, the closing price of the Shares reached the peak of HK$0.30 on 16 June 2025, due to the publication of the positive profit alert announcement for the year ended 31 March 2025 on 16 June 2025. After that, the closing price of the Shares fluctuated between the range of approximately HK$0.22 and HK$0.28. As at the Latest Practicable Date (13 February 2026), the Shares closed at HK$0.204, which represents a discount of approximately 1.96% to the Conversion Price of HK$0.20.

We did not notice any notable event which might have caused such fluctuations in the closing price of the Shares. We have discussed with the Management and were given to understand that they are not aware of any reasons for the upward movement since 16 April 2025.

Liquidity of the Shares

We have also reviewed the historical liquidity of the Shares. The following table sets out the average daily trading volume per month of the Shares during the Review Period:

	Average daily trading volume of Shares during the month/period *(Shares)* *(Note 1)*	**Percentage of average daily trading volume of Shares to the total number of issued Shares** *(%)* *(Note 2)*
2025		
January (from 20 January 2025 to 31 January 2025)	108,571	0.014%
February	184,200	0.024%
March	356,095	0.047%
April	2,436,672	0.318%
May	2,533,100	0.331%
June	1,440,571	0.188%
July	1,052,364	0.137%
August	455,333	0.059%
September	889,273	0.116%
October	1,333,900	0.174%
November	1,277,100	0.167%
December	440,857	0.058%
2026		
January (up to and including the date of 6th Deed of Amendment)	224,154	0.032%
Maximum	2,533,100	0.331%
Minimum	108,571	0.014%
Average	980,938	0.128%

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

Notes:

1. Computed by dividing the total daily trading volume of the Shares by the number of trading days of the respective corresponding month/period.

2. Computed by dividing the average daily trading volume of the Shares by the total number of issued Shares of 765,373,584 Shares as at the Latest Practicable Date.

We noted that the average trading volume of the Shares ranged from approximately 108,571 Shares to approximately 2,533,100 Shares during the Review Period, representing approximately 0.014% to 0.331% of a total of 765,373,584 Shares in issued as at the Latest Practicable Date.

We further noted that, the trading volume of the Shares was extremely thin during the Review Period, where the percentages of the average daily trading volume of the Shares to the total number of issued Shares were generally below or around 0.3%.

Due to the generally low liquidity of the Shares, we consider that it might not be possible for the Subscriber to realise its shareholdings in the market after full conversion of the Convertible Bond. In addition, given the trading volume of the Shares is insufficient, the disposal of large number of Shares within a short period in the market might generate substantial downward pressure on the market price of the Shares, which in turn might have negative impact on the financing ability of the Group.

Comparison with other issue and subscription of convertible bonds/notes exercises

As part of our analysis, we have further reviewed the relevant issues and subscriptions of convertible bonds/notes exercise for fund raising purposes by companies listed on the Main Board of the Stock Exchange (excluding consideration issue and A-share, B-share and H-share companies) (the "**Comparables**") as announced during the last six months prior to and including 20 January 2026, being the date of the 6th Deed of Amendment (the "**Comparable Period**") and identified an exhaustive list of 15 Comparables. We consider that the abovementioned period adopted is appropriate to capture the recent market practice because the Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the issue of convertible bonds/notes for fund raising purposes (and excluding any acquisition involving issuance of convertible bonds/notes as full or partial settlement of consideration) under recent market condition and sentiment.

Notwithstanding that 15 Comparables are new issuance of convertible bonds as compared to the Company's situation which concerns the 6th Extension, given that the comparable analysis is mainly conducted to assess the fairness and reasonableness of key terms of the Convertible Bond under the prevailing market sentiment, we consider that new issue of convertible bonds would not affect our analysis as they can provide a reasonable reference as to how the recent market generally perceives conversion prices, interest rate and term to maturity of convertible bonds. In addition, in view that similarity of the nature of the convertible bonds/notes exercises, we consider that the Comparables are fair and representative samples. Independent Shareholders should, however, note that the businesses, operation and prospects of the Group are not the same as the Comparables, and accordingly the Comparables are only used to provide a general reference for the common market practice in recent issuance of convertible bonds/notes by the companies listed on the Stock Exchange. Set out below is the summary of the Comparables:

Company name	Stock code	Date of relevant announcement	Conversion price premium over/ (discount to) the closing price on the last trading day on/prior to the date of agreement	Interest rate	Term to maturity	Principal amount	New issue/ extension
					(Number of years)		
			(Approximately)	*(p.a.)*	*(Approximately)*	*(HK$ million)*	
Immunotech Biopharm Ltd	6978	20-Jan-26	5.80%	7.80%	1	333	New issue
XtalPi Holdings Limited	2228	8-Jan-26	20.00%	0.00%	1	2,866	New issue
Tanwan Inc.	9890	18-Dec-25	38.24%	0.00%	1	468	New issue
Global New Material International Holdings Limited	6616	15-Dec-25	7.49%	4.25%	1	1,000	New issue
Synagistics Limited	2562	30-Oct-25	7.65%	4.50%	1	272	New issue
DTXS Silk Road Investment Holdings Company Limited	620	17-Oct-25	5.56%	3.85%	3	323	New issue
Karrie International Holdings Limited	1050	13-Oct-25	(7.26)%	2.00%	3	150	New issue

Company name	Stock code	Date of relevant announcement	Conversion price premium over/ (discount to) the closing price on the last trading day on/prior to the date of agreement	Interest rate	Term to maturity	Principal amount	New issue/ extension
					(Number of years)		
			(Approximately)	*(p.a.)*	*(Approximately)*	*(HK$ million)*	
Moiselle International Holdings Limited	130	3-Oct-25	20.00%	2.50%	3	25	New issue
MMG Limited	1208	30-Sep-25	34.62%	0.00%	5	3,890	New issue
Vobile Group Limited	3738	17-Sept-25	15.10%	0.00%	1	1,600	New issue
Tibet Water Resources Ltd.	1115	11-Sept-25	1.85%	5.00%	1	297	New issue
Alibaba Group Holding Limited	9988	11-Sept-25	31.25%	0.00%	7	24,679	New issue
China Rongzhong Financial Holdings Company Limited	3963	3-Sept-25	0.00%	2.75%	3	35	New issue
Pengo Holdings Group Limited	1865	1-Aug-25	(14.50)%	3.00%	1	120	New issue
DINGYI GROUP INVESTMENT LIMITED	508	31-Jul-25	5.81%	2.00%	3	980	New issue
		Min	(14.50)%	0.00%	1	25	
		Max	38.24%	7.80%	7	24,679	
		Average	11.44%	2.51%	2.4	2,469	
		Median	7.49%	2.50%	1.1	333	
		The Company	(3.38)%	0.00%	3	200	Extension

Source: *the announcement of relevant companies published on the Stock Exchange's website*

Among the Comparables, we noted that the range of the conversion price of the Comparables during the Comparable Period ranged from a discount of approximately 14.50% to a premium of approximately 38.24%, where the Conversion Price represents a discount of approximately 3.38% to the closing price of the Share on the date of the 6th Deed of Amendment. The discount rate of the Conversion Price is within the range of that of the Comparables.

After taking into account (i) the full repayment of the Convertible Bond will substantially decrease the cash balance of the Group which may impose negative impact on the Group's liquidity as described above; (ii) the generally low liquidity of the Shares during the Review Period in which the Subscriber might not be able to realise its shareholdings in the market after the conversion of the Convertible Bond; (iii) it is difficult for the Company to conduct other fund raising activities in view of the financial position of the Group (please refer to the paragraph headed "Other financing alternatives" under the section headed "Reasons for and benefits of the 6th Extension" above for detail analysis); (iv) the Convertible Bond has zero coupon payable by the Company to the Subscriber for a period of three years; and (v) the Company and the Subscriber have agreed not to change the Conversion Price and have entered into the 6th Deed of Amendment, we consider that the Conversion Price is justifiable so far as the Independent Shareholders are concerned.

(ii) Interest rate

As shown in the table above, the interest rates of the Comparables ranged from nil to 7.80%, with an average of approximately 2.51%. The Convertible Bond is non-interest bearing and at the bottom of the range of interest rates of the Comparables.

(iii) Term to maturity

The terms to maturity of the Comparables ranged from a minimum of 1 year and up to 7 years, with an average term of approximately 2.4 years. The 6th Extension pursuant to the 6th Deed of Amendment of 3 years therefore falls within the range of the terms to maturity of the Comparables and is in line with the recent market practice.

(iv) Company's Partial Redemption Right

The unilateral right provides the Company with an option, rather than an obligation, to redeem the outstanding principal amount of the Convertible Bond amounting to a maximum of HK$40,000,000, which preserves strategic financial flexibility without imposing a mandatory cash drain.

Taking into consideration that (i) the maximum redemption amount was agreed upon after arm's length negotiation between the Company and the Subscriber; (ii) the redemption amount is capped at HK$40 million, representing 20% of the principal amount of the convertible bond and approximately 13.2% of the cash and cash equivalents of the Group as at 30 November 2025, which balances the Group's need to retain working capital with the objective of managing the repayment plan prudently; and (iii) the exercise of the Company's Partial Redemption Right is at Company's sole discretion, we consider that setting a cap of HK$40 million in partial redemption is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

In view of the above and taking into account the reasons for and benefits of the 6th Extension as described above, we are of the view that the principal terms of the 6th Deed of Amendment including the Conversion Price, the interest rate, the extended term to maturity of the Convertible Bond and the addition of the Company's Partial Redemption Right are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4. Financial impacts of the entering into the 6th Deed of Amendment

When assessing the financial impacts of entering into of the 6th Deed of Amendment, we have taken into account the following main aspects:

Net asset value

According to the 2025/2026 Interim Report, the net assets of the Group was approximately HK$247.8 million as at 30 September 2025. Upon completion of the 6th Deed of Amendment, there may result in changes in the fair value of the Convertible Bond which will be subject to the valuation from independent valuers and the review of the independent auditors of the Company in the Group's subsequent financial statements.

Liquidity

The 6th Extension will not have any adverse impact on the liquidity of the Group. Conversely, as mentioned in the section headed "Reasons for and benefits of the 6th Extension" above, if the 6th Extension does not proceed and the Subscriber chooses to redeem the Convertible Bond to fully settle the Convertible Bond, cash outflow of approximately HK$200 million would be incurred which will materially and negatively affect on the Group's liquidity. As such, the entering into of the 6th Deed of Amendment is expected to maintain the liquidity and working capital of the Group.

Earning

Upon the 6th Deed of Amendment becoming effective, the outstanding Convertible Bond will remain as non-interest bearing. The Company will not be required to pay any interest to the Subscriber. Therefore, the 6th Extension will not have any adverse impact on the earnings of the Group.

Gearing ratio

Upon completion of the 6th Deed of Amendment, both the total borrowing and total equity of the Group would remain unchanged assuming no other factors affecting the financial position of the Group. As such, it is expected that the 6th Extension will not have any immediate material impact on the gearing position of the Group. It should be noted that, however, any repayment of the Convertible Bond, whether in full or in part (up to HK$40,000,000 pursuant to the Company's Partial Redemption Right), would improve the gearing position of the Group as the Group's overall indebtedness would be reduced by the liability component of the Convertible Bond, but in turn it will decrease the cash balance of the Group which will impose material adverse impact on the Group's liquidity as discussed above. Based on the aforesaid, the 6th Extension is primarily aimed at preserving the Group's liquidity and avoiding a substantial immediate cash outflow, rather than directly reducing its gearing ratio. Based on the aforesaid, although the 6th Extension will not help to improve the gearing position of the Group, after taking into consideration of the liquidity position of the Group as discussed above, we are of the view that the 6th Extension and the entering into the 6th Deed of Amendment is in the interests of the Company and the Shareholders as a whole.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the entering into of the 6th Deed of Amendment.

5. Dilution effect on the shareholding interests of the existing public Shareholders

The table below illustrates the possible shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bond:

Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bond (Note)	
	No. of Shares	%	*No. of Shares*	%
Ascent Goal Investments Limited	569,616,589	74.42	1,569,616,589	88.91
Existing public Shareholders	195,756,995	25.58	195,756,995	11.09
Total	**765,373,584**	**100.00**	**1,765,373,584**	**100.00**

Note:

Full conversion of the Convertible Bond is based on a hypothetical basis and in no way implies or indicates that Ascent Goal Investments Limited could or will exercise such conversion rights of the Convertible Bond to reduce the interest of public Shareholders to below 25%.

As illustrates in the above table, upon full conversion of the Convertible Bond, the aggregate shareholding of the existing public Shareholders will decrease from approximately 25.58% as at the Latest Practicable Date to approximately 11.09%, which will fall below the 25% minimum public float requirement under the Listing Rules. Pursuant to the terms of the Convertible Bond, the exercise of the conversion rights attaching to the Convertible Bond by the bondholders will be subject to the provisions of the Listing Rules in which the Company shall ensure that no less than 25% shareholdings will be held by the public at all times in compliance with the minimum public float requirement of the Listing Rules. In particular, the conversion rights attaching to the Convertible Bond will not be exercised by the bondholders and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

Based on the aforesaid, although the Subscriber is unable to fully exercise the conversion rights attached to the Convertible Bond in view of the dilution effect as illustrated in the table above as a result of possible breach of the minimum public float requirement under the Listing Rules, the Subscriber may alternatively sell a portion of the existing interest in the Company in the market prior to exercising the conversion rights attaching to the Convertible Bond in order to comply with the minimum public float requirement under the Listing Rules.

Based on the above analysis on the market price and the trading volume of the Shares during the Review Period, in the event that the Subscriber decides to sell a portion of the existing interest in the Company, it could put substantial downward pressure on the price of the Shares due to the low liquidity of the Shares, which in turn might have negative impact on the funding ability and credibility of the Group.

RECOMMENDATIONS

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the 6th Deed of Amendment and the 6th Extension are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and although not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the 6th Deed of Amendment and transactions contemplated thereunder (including the 6th Extension).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO (Chapter 571 of the laws of Hong Kong). She has over 20 years of experience in the securities and investment banking industries.