

22 November 2024

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs or Madams,

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE PURCHASE FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Purchase Framework Agreement, the underlying proposed annual caps (the “**Proposed Annual Cap(s)**”) and the transactions contemplated thereunder, 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 22 November 2024 (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.

Reference is made to the announcement of the Company dated 1 November 2024 (the “**Announcement**”) and the announcement of the Company dated 4 November 2024. On 1 November 2024, Best Linking, as the purchaser, and South Wing, as the supplier, entered into the Purchase Framework Agreement, pursuant to which the Group agreed to purchase, and South Wing agreed to sell heavy duty machineries for a term commencing from the Effective Date to 31 December 2026.

As at the Latest Practicable Date, South Wing was indirectly wholly-owned by Mr. WT Chan, father of Mr. YP Chan and Mr. LP Chan, both were executive Directors of the Company. As the Company is owned as to 75% by C Centrum, which is wholly-owned by Mr. YP Chan, Mr. YP Chan is also a Substantial Shareholder of the Company. Accordingly, South Wing is a connected person of the Company and the transactions contemplated under the Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Proposed Annual Caps exceed HK\$10,000,000 and the relevant highest applicable percentage ratio exceeds 5% but is less than 25%, the transactions contemplated under the Purchase Framework Agreement and the adoption of the Proposed Annual Caps are subject to the announcement, reporting, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee, comprising all three of the independent non-executive Directors, has been formed to advise the Independent Shareholders on whether or not the Purchase Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or South Wing or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, save for the engagement in connection with the Purchase Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, there was no engagement between the Group and Lego Corporate Finance Limited. As at the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements existed whereby we had received or would receive any fees or benefits from the Company or South Wing. Accordingly, we are qualified to give independent advice in respect of the Purchase Framework Agreement, the Proposed Annual Caps 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 Group 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 date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular were true at the time they were made and have continued to be true as at the date of the Circular and 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 truthfulness, 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 material respects at the time they were made and have continued to be so until the date of the Circular.

We consider that we have reviewed the relevant 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 Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or South Wing or any of their respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

1. Information on the parties involved

The Group

The Group is a leading premium slewing rings manufacturer in the PRC. It is also a comprehensive products provider for mechanical parts and components and machineries. The mechanical parts and components which the Group manufactures and sources include sprocket, track shoes, rollers, which are commonly sought by its customers alongside the slewing rings that the Group manufactures and sources for its customers. In addition, the Group also sources minerals and heavy duty machineries such as excavators, pile drivers, wheel loaders and trucks for its customers.

Best Linking is an indirect wholly-owned subsidiary of the Company and its principal business is the manufacturing of slewing rings, and the sourcing of mechanical parts and components as well as machineries for resales to the Group's customers.

South Wing

As disclosed in the Letter from the Board, South Wing is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of import and export of construction machineries, mainly brand new excavators from Japan and generators, as well as mechanical parts and components. South Wing is indirectly wholly-owned by Mr. WT Chan, father of Mr. YP Chan and Mr. LP Chan.

2. Reasons for and benefits of entering into the Purchase Framework Agreement and the transactions contemplated thereunder

The Group has been sourcing heavy duty machineries for its customers since 2020. As disclosed in the listing document of the Company dated 22 September 2023 for the transfer of listing of the Shares to the Main Board of the Stock Exchange and the annual report of the Company for the financial year ended 31 December 2023, the Group sources brand new and

used Japanese brands excavators as well as other heavy duty machineries, such as pile drivers, trucks and wheel loaders, for its customers for construction and/or mining purposes on an ad-hoc basis upon receiving their requests. The Group's sourcing of machineries is driven by the demand of customers and is not considered as a general trading business. Such business had consistently contributed over 20% of the corresponding total annual revenue of the Group each financial year since the year ended 31 December 2020.

Based on the official website of South Wing (<http://www.swm.com.hk>), South Wing has an establishment history of more than 40 years and its existing product offerings primarily include, among others, brand new excavators of the brand of "Sumitomo" (the "**Sumitomo Brand**"), a Japanese heavy duty machinery brand, as well as other brand new generators of another brand. As advised by the Management, South Wing has been authorised as the official agent for brand new excavators of the Sumitomo Brand in Hong Kong since 2014. On the other hand, excavators represent a primary type of machineries having been requested by the Group's customers from time to time and specifically, we noted that such type of machineries of the Sumitomo Brand, regardless of the condition of being brand new or used, had significantly contributed over 60% and over 40% of the respective corresponding total annual revenues of the Group from sourcing machineries for the year ended 31 December 2022 and the year ended 31 December 2023. While the Group has been primarily relying upon its established business relationships with the affiliates of the Sumitomo Brand and a long established second-hand heavy equipment wholesaler for sourcing used excavators of the Sumitomo Brand for its customers, it has been challenging for the Group to identify reliable sources of brand new excavators, regardless of any brands, due to the relatively small number of suppliers available in the market. As further advised by the Management, prior to the entering into of the Purchase Framework Agreement, the Group primarily sourced brand new excavators (including those of the Sumitomo Brand) from the unofficial sellers in Hong Kong, who usually sell brand new excavators at a relatively higher price and may not have a stable and sufficient supply of the complete range of brand new excavators of different models as compared to those offered by the official agents.

Accordingly, leveraging on South Wing's capacity as the official agent for brand new excavators of the Sumitomo Brand in Hong Kong, the entering into of the Purchase Framework Agreement and the adoption of the Proposed Annual Caps would allow the Group to diversify its suppliers network by securing a stable and reliable source of supply of brand new machineries, primarily excavators of the Sumitomo Brand, for carrying out its ordinary and usual course of business. Considering the above, we are of the view that the entering into of the Purchase Framework Agreement and the transactions contemplated thereunder are in the interests of the Group and the Shareholders as a whole.

3. Principal terms of the Purchase Framework Agreement

On 1 November 2024, Best Linking entered into the Purchase Framework Agreement with South Wing in relation to the purchase of heavy duty machineries from South Wing for a term commencing from the Effective Date and ending on 31 December 2026. It is stated in the Letter from the Board that the Group has not previously conducted any transactions in relation to the purchase of machineries from South Wing.

As disclosed in the Letter from the Board, the pricing to be charged to the Group by South Wing shall be determined with reference to the prevailing market prices of the heavy duty machineries or substantially similar products, taking into account of the comparable order quantities and quality offered to the Group by other suppliers who are Independent Third Parties. In the event that the above is not applicable, pricing will be determined with reference to the price of similar products previously supplied to a third party, and on no less favourable terms to the Group comparable to those offered by South Wing to the Independent Third Parties, and on normal commercial terms comparable to those offered to the Independent Third Parties in respect of heavy duty machineries or substantially similar products with comparable order quantities and quality.

Further, reference is made to the relevant internal control measures to be implemented by the Group. Among others, in determining the pricing under the Purchase Framework Agreement, the Group will obtain quotations from not less than two Independent Third Party suppliers for the purchase of machineries with comparable quantities, quality and conditions as to those proposed to be purchased from South Wing, and the prices to be payable by the Group to South Wing under the Purchase Framework Agreement shall be no less favourable to the Group than those offered by the Independent Third Party suppliers. In addition, other internal control measures shall be implemented by the Group in order to govern the conduct of the transactions under the Purchase Framework Agreement, including regular reviews and monitoring of the transactions by the Management and the finance department of the Company, as well as the annual review of the transactions by the auditors of the Company and the independent non-executive Directors. For further details on the internal control measures, please refer to the sub-section headed “2. THE PURCHASE FRAMEWORK AGREEMENT — Internal Control Measures” of the Letter from the Board.

In assessing the fairness and reasonableness of the pricing terms of the Purchase Framework Agreement, considering that no previous transactions have been conducted by the Group with South Wing in relation to the purchase of machineries, we have primarily reviewed the internal policy and procedure manual currently adopted by the Group. Among others, it is stated in the manual that quotations should be obtained by the Group from two to three suppliers for comparison in selecting the suppliers. We have, in this regard, randomly selected and reviewed purchase orders (the “**Sample Purchase Orders**”) placed by the Group with Independent Third Party suppliers in relation to the purchase of machineries for the period from 1 January 2024 up to and including 30 September 2024 (the “**Review Period**”), the underlying aggregate transaction amount of which has accounted for more than 50% of the total transaction amount for the purchase of machineries by the Group during the Review Period, as well as the respective corresponding quotations obtained by the Group. Based on our review, the pricing offered by the selected suppliers were the most favourable to the Group among all corresponding quotations obtained.

In addition, as disclosed in the Letter from the Board, each separate purchase order under the Purchase Framework Agreement shall be principally settled by the Group within 90 days from the date of each invoice. For our due diligence purpose, we have made reference to the Sample Purchase Orders and noted that the credit period of 90 days to be granted to the Group under the Purchase Framework Agreement is no less favourable to the Group than that offered by the Independent Third Party suppliers.

Accordingly, taking into account (i) the mechanism for the determination of the pricing to be charged to the Group by South Wing under the Purchase Framework Agreement is comparable to the pricing previously charged to the Group by Independent Third Party suppliers for the purchase of machineries during the Review Period on the basis that references shall be made to quotations from different independent suppliers; (ii) in particular, the pricing to be charged to the Group by South Wing under the Purchase Framework Agreement shall be no less favourable to the Group than those offered by not less than two Independent Third Party suppliers in respect of the purchase of machineries with comparable quantities, quality and conditions, or in the event that the above is not applicable, shall be no less favourable to the Group than those offered by South Wing to the Independent Third Parties in respect of machineries or substantially similar products with comparable order quantities and quality; (iii) the credit period to be granted to the Group under the Purchase Framework Agreement is no less favourable to the Group than that previously offered by the Independent Third Party suppliers; and (iv) the internal control measures to be implemented by the Group to govern the conduct of the transactions under the Purchase Framework Agreement, we are of the view that the terms of the Purchase Framework Agreement are fair and reasonable and on normal commercial terms.

4. The Proposed Annual Caps

The Proposed Annual Caps for the period from the Effective Date up to and including 31 December 2024 (the **“2024 Relevant Period”**), the year ending 31 December 2025 and the year ending 31 December 2026 (collectively, the **“Relevant Period”**) amount to HK\$20,000,000, HK\$32,000,000 and HK\$35,000,000, respectively.

In assessing the fairness and reasonableness of the determination of the Proposed Annual Caps, we have discussed with the Management and understand that the Proposed Annual Caps were primarily determined with reference to the estimated transaction amounts of the purchase of machineries to be conducted under the Purchase Framework Agreement during the Relevant Period, which shall primarily include new excavators of the Sumitomo Brand and new generators of another brand (collectively, the **“Machineries”**), and are in turn closely associated with the estimated transaction amounts to be generated by the Group from its sourcing of the Machineries for its customers (the **“Sourcing of Machineries Transaction Amount(s)”**) during the Relevant Period.

With reference to the Letter from the Board, in estimating the Sourcing of Machineries Transaction Amounts for the Relevant Period, the Management has primarily taken into account (i) the indicative orders (the **“Indicative Order(s)”**) received by the Group from a repeating independent customer as at the date of the Announcement in respect of the earliest available purchase of new excavators of the Sumitomo Brand, which are expected to be executed as soon as possible upon the Purchase Framework Agreement becoming effective and within 2024; (ii) the expected demand for the Machineries from the Group’s customers throughout the two years ending 31 December 2026; (iii) the expected market conditions for the Relevant Period including but not limited to certain governmental initiatives and policies; and (iv) the historical quantity and value of new excavators and new generators purchased by the Group from other suppliers.

(i) The Proposed Annual Cap for the 2024 Relevant Period

In assessing the fairness and reasonableness of the determination of the Proposed Annual Cap for the 2024 Relevant Period, we have enquired with the Management regarding the details of the Indicative Orders, and learnt that the underlying customer is a construction contractor responsible for an industrial landfill construction project in Hong Kong which is expected to commence in 2025. Further, as a specific requirement underlying the construction project, the excavators to be used by the authorised contractor must be brand new rather than those used excavators that had been primarily sourced by the Group from the existing suppliers and sold to the customers at their previous requests, and the underlying customer has specifically requested for new excavators of the Sumitomo Brand under the Indicative Orders. As at the Latest Practicable Date, the negotiations between the Group and the relevant customer regarding the Indicative Orders had been substantially finalised, whereby the parties thereto had reached mutual agreement on the material terms and the Indicative Orders were anticipated to be duly executed after the Purchase Framework Agreement becoming effective and within 2024.

For our due diligence purpose, we have reviewed the signed official request letter provided by the relevant customer to the Group setting out its intention to acquire new excavators of the Sumitomo Brand under the Indicative Orders and other details such as the underlying model and quantity of machineries, delivery location and period, as well as the nature of the relevant construction project. We have further reviewed the relevant draft purchase orders to be placed by the relevant customer with the Group and the corresponding draft purchase orders to be placed by Best Linking with South Wing regarding the Indicative Orders, as well as a purchase order schedule of the Group which summarises details of each Indicative Order including but not limited to the name of the customer, the designated product and model, the involved quantity and price of the product as well as the planned delivery date. It is noted that the expected aggregate transaction amount to be generated in respect of the provision of the Machineries under the Indicative Orders is anticipated to account for not less than 75% of the Proposed Annual Cap in the amount of HK\$20,000,000 for the 2024 Relevant Period.

Considering that the expected aggregate transaction amount to be generated by the Group under the Indicative Orders is anticipated to account for a substantial portion of not less than 75% of the Proposed Annual Cap for the 2024 Relevant Period, we are of the view that the determination of the Proposed Annual Cap for the 2024 Relevant Period is fair and reasonable.

(ii) The Proposed Annual Caps for the two years ending 31 December 2026

The Proposed Annual Caps for the two years ending 31 December 2026 amount to HK\$32,000,000 and HK\$35,000,000, respectively, representing a year-on-year increase of approximately 9.4%.

In assessing the fairness and reasonableness of the determinations of the Proposed Annual Caps for the two years ending 31 December 2026, we have primarily taken into account (a) the Indicative Orders expected to be executed during the 2024 Relevant Period; and (b) the expected increase in demand for the Machineries from the Group's

customers throughout the two years ending 31 December 2026, which was in turn anticipated primarily with reference to (1) the recent performance of the Group's sourcing of new excavators and new generators, being the primary categories of machineries to be purchased by the Group from South Wing under the Purchase Framework Agreement; and (2) the general prospect of the construction industry in Hong Kong, which is considered to be positively related to the demand for the Machineries by the Company's customers who are construction contractors based in Hong Kong, while references have also been made to (3) the enquiries received from the Group's customers on the Machineries from time to time.

(a) The Indicative Orders

It is worth noting that, for illustrative purpose and assuming that the 2024 Relevant Period would be of approximately one month, the expected aggregate transaction amount to be generated by the Group under the Indicative Orders is expected to represent not less than 75% of the Proposed Annual Cap for the 2024 Relevant Period, implying an estimated amount of not less than HK\$15,000,000 to be generated by the Group for approximately one month. On such basis, the hypothetical annualised transaction amount to be generated by the Group for sourcing the Machineries for its customers for 2024 on a full-year basis (the "**2024 Hypothetical Annualised Transaction Amount**") would amount to not less than HK\$180,000,000.

Accordingly, the Proposed Annual Cap for each of the year ending 31 December 2025 and the year ending 31 December 2026 represents a discount to the 2024 Hypothetical Annualised Transaction Amount.

(b) The expected increase in demand for the Machineries from the Group's customers throughout the two years ending 31 December 2026

- (1) Recent performance of the Group's sourcing of new excavators and new generators for its customers

The recent performance of the Group's sourcing of new excavators and new generators for its customers has been generally solid. For our due diligence purpose, we have reviewed the breakdown of the Group's revenue from sourcing machineries by categories for each of 2022, 2023 and the first half of 2024. It is noted that the annual revenue of the Group from sourcing new excavators has been, or is expected to be, solely accounted for by the corresponding annual revenue of the Group from sourcing new excavators of the Sumitomo Brand for each of 2022, 2023 and 2024 (on a hypothetical basis after considering the figures for the first half of 2024 and the Indicative Orders). Further, the total annual revenue of the Group from sourcing both new excavators and new generators has exhibited a significant year-on-year increase of not less than 150% in 2023, and is expected to exhibit a year-on-year increase of not less than 50% in 2024 (on a hypothetical basis after considering

the figures for the first half of 2024 and the Indicative Orders) and reach a level representing over 90% of the Proposed Annual Cap for the 2024 Relevant Period.

(2) The general prospect of the construction industry in Hong Kong

As advised by the Management, considering that those customers who are construction contractors based in Hong Kong, including the customer underlying the Indicative Orders, have been the primary customers demanded for brand new excavators and brand new generators from the Group in recent years, it is the Company's plan to primarily focus on exploring the market for sourcing the aforesaid machineries in Hong Kong during the two years ending 31 December 2026 after securing the reliable source of supply from South Wing, being the official agent of the new excavators of the Sumitomo Brand in Hong Kong, while the Group may also consider exploring the business opportunities in other places shall such suitable opportunities arise. We have, in this regard, reviewed the breakdown of the Group's revenue from sourcing brand new excavators and brand new generators for its customers by geographical locations for the year ended 31 December 2023 and the six months ended 30 June 2024. It is noted that Hong Kong has contributed, or is expected to contribute, over 70% of the annual revenue of the Group from sourcing brand new excavators and brand new generators for its customers for the year ended 31 December 2023 and the year ending 31 December 2024 (on a hypothetical basis after considering the figures for the first half of 2024 and the Indicative Orders), respectively. Accordingly, in assessing the expected increase in demand for the Machineries from the Group's customers throughout the two years ending 31 December 2026, we have primarily focused on the general prospect of the construction industry in Hong Kong, which is considered to be significantly and positively related to the demand for the Machineries by the Company's customers.

According to the quarterly reports published by the Census and Statistics Department of the Hong Kong government (<https://www.censtatd.gov.hk/>) on the gross domestic product information on 19 March 2024 and 20 September 2024, respectively, as opposed to the period-on-period percentage decrease recognised in the corresponding quarter of 2023, the value of production of the Hong Kong construction industry underwent a period-on-period percentage increase of 9.2% in the first quarter of 2024, which has then further increased to 17.2% in the second quarter of 2024, being the selected economic activity with the most vigorous growth during the review period.

Furthermore, supportive initiatives and policies have been implemented by the Hong Kong government in order to promote the development of the construction industry in the future. According to the Budget 2024–25 released by the Financial Secretary of Hong Kong on 28 February 2024, the expected government expenditure allocated for infrastructure development during the financial year 2024/25 amounted to approximately HK\$105.9 billion,

representing a significant increase of approximately 19.4% as compared to that for the previous financial year. With reference to the report named “Building for the future” published in May 2024 by Brand Hong Kong (<http://www.brandhk.gov.hk>), a government programme launched in 2001 designed to promote Hong Kong as a top international city, Hong Kong invests heavily in infrastructure and other capital works in order to boost its connectivity; whereby the annual capital works expenditure of Hong Kong is expected to exceed HK\$100 billion and the annual total construction output of Hong Kong is expected to reach approximately HK\$300 billion in the coming years. As further mentioned in the 2024 Policy Address released on 16 October 2024 by the Chief Executive of Hong Kong, a large number of development projects have been or will be introduced in Hong Kong. Such development projects involve a wide range of aspects including, among others, expansion of the airport, development of sports parks, the development of the Northern Metropolis, housing, land production, urban redevelopment and expansion of transport infrastructure etc., and are currently at different stages of development, signaling the ongoing opportunities for the Hong Kong construction market in the near to medium-term future.

In light of the foregoing, we are of the view that the prospect of the construction industry in Hong Kong would be generally positive in the near future, which shall in turn impose positive impacts on the expected demand for the Machineries from the Group’s customers during the two years ending 31 December 2026.

(3) Requests received from the Group’s customers on the Machineries from time to time

As advised by the Management, the Group has received enquiries from customers, both formally and informally, from time to time in respect of the Machineries. We have, in this regard, reviewed the relevant enquiry received from the Group’s customer requesting for quotations for several models of new excavators of the Sumitomo Brand and the new generators. In addition, for reference purpose only, we were given to understand that the Group has recently received enquiries from a customer regarding the needs of new excavators of the Sumitomo Brand for a quantity expected to be similar as the Indicative Orders for its potential construction project (the “**Potential Project**”). We have conducted research on the background of the Potential Project from which we understand that the Potential Project is a development project in Hong Kong relating to creation of a third core business district by constructing artificial islands within the expanded Harbour Metropolis. It is brought up in the 2023 Policy Address that the Potential Project would provide 1000 hectares of land, creating a new central district which connects the Hong Kong island, Lantau Island, the airport, New Territories West and even Qianhai of Shenzhen. As stated in the 2024 Policy Address, among others, the statutory

environmental impact assessment process for the reclamation works under the Potential Project shall be commenced by the end of 2024 with an aim to complete the relevant approval procedures in 2025.

Due to the challenges previously encountered by the Group to identify reliable and stable sources of supply of brand new excavators, as mentioned in the sub-section above headed “2. Reasons for and benefits of entering into the Purchase Framework Agreement and the transactions contemplated thereunder” of this letter, the Group had been primarily focusing on sourcing used machineries for its customers in the past. Yet, the Management advised that by securing the reliable and stable source of new excavators and new generators from South Wing via the Purchase Framework Agreement, the Group will proactively put in more resources and efforts in exploring the business opportunities with customers who primarily target new machineries for a relatively larger quantity and longer term, thus driving the demand for the Machineries.

Considering (i) the generally solid performance of the Group’s sourcing of new excavators and new generators for its customers, particularly, the significant year-on-year growths in revenue from sourcing such machineries for both 2023 and 2024 (after taking into account the figures for the first half of 2024 and the Indicative Orders); (ii) the generally positive prospect of the construction industry in Hong Kong as supported by, among others, supporting government initiatives and policies and a diversified range of development projects introduced and to be introduced in Hong Kong, which shall potentially drive the expected demand for the Machineries from the Group’s customers; and (iii) the requests received from the Group’s customers on the Machineries from time to time relating to potential projects including, among others, governmental development project of relatively large scale, as well as the increasing efforts to be made by the Group in exploring business opportunities with customers targeting new machineries for relatively large quantity and long term, we are of the view that it is fair and reasonable to anticipate an increasing demand for the Machineries from the Group’s customers during the Relevant Period for the two years ending 31 December 2026.

On the other hand, for the purpose of our analysis, we have further enquired with the Management regarding the reasons for adopting a relatively prudent basis for determining the Proposed Annual Caps for the two years ending 31 December 2026 as compared to the 2024 Hypothetical Annualised Transaction Amount. We learnt that in determining the Proposed Annual Caps for the two years ending 31 December 2026, the Management has considered the potential mixed impacts of several factors including, among others, the fact that the Indicative Orders represent the first batch of orders expected to be received by the Group from its customers for the purchase of brand new machineries of relatively large scale in terms of transaction amount due to the difficulties previously encountered by the Group to identify reliable and stable sources of such machineries. Accordingly, a relatively conservative estimation

has been adopted for the two years ending 31 December 2026 in order to enable the Group to gradually develop the business of sourcing the Machineries for its customers for a relatively large quantity and long term after securing South Wing as the reliable and stable supplier. In fact, we noticed that the expected aggregate transaction amount to be generated by the Group under the Indicative Orders is expected to significantly exceed the transaction amount of each of the batches of orders received by the Group from customers for sourcing comparable brand new machineries for each of the year ended 31 December 2022, the year ending 31 December 2023 and the first half of 2024, which amounted to not more than HK\$10,000,000 each.


Accordingly, considering the mixed impacts of the factor above as well as other factors as previously analysed, including (i) the 2024 Hypothetical Annualised Transaction Amount is relatively significant and the Proposed Annual Cap for each of the two years ending 31 December 2026 represents a discount to the aforesaid; and (ii) the expected increase in demand for the Machineries from the Group's customers during the two years ending 31 December 2026, we are of the view that the determinations of the Proposed Annual Caps for the two years ending 31 December 2026, which are relatively prudent as compared to the 2024 Hypothetical Annualised Transaction Amount and are expected to exhibit a year-on-year increase of approximately 9.4% throughout the two years ending 31 December 2026, are fair and reasonable.

In light of the foregoing, we are of the view that the determinations of the Proposed Annual Caps for the Relevant Period are fair and reasonable.

RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the view that the Purchase Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Group, and the terms of the Purchase Framework Agreement and the Proposed Annual Caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Purchase Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

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


Joshua Liu
Managing Director

Mr. Joshua Liu 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. He has over 25 years of experience in the securities and investment banking industries.