MESSIS 大有融資

26 August 2025

To the Independent Board Committee and
the Independent Shareholders

Dear Sir/Madam,

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS; AND (2) PLACING OF UNSUBSCRIBED RIGHTS SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 26 August 2025 (the "**Circular**"). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 6 August 2025, the Company resolved to propose to issue up to (i) 494,704,608 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date and full subscription under the Rights Issue) or (ii) 544,744,608 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than full conversion of the 2024 CB, full exercise of the outstanding Share Options and full subscription under the Rights Issue), to raise gross proceeds of up to approximately HK$222.6 million or approximately HK$245.1 million, respectively, at the Subscription Price of HK$0.45 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholder(s).

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. If the Rights Issue is not fully subscribed, the number of Rights Shares that are not subscribed by the Qualifying Shareholders or renouncees or transferees of the Nil-paid Rights under the PALs and the EAFs (i.e. the Unsubscribed Rights Shares) will be placed to independent Placees on a best effort basis through the Placing. The Unsubscribed Rights Shares that are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares (excluding treasury shares) by more than 50% within the 12-month period immediately preceding the date of the Announcement, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM.

To the best knowledge of the Directors, as at the Latest Practicable Date, the Company does not have any controlling Shareholders as defined under the Listing Rules. Mr. Fu Yiu Man, Peter, being an executive Director, holds 2,000,000 Shares, representing approximately 0.81% of the existing total number of issued Shares. Accordingly, he is required to abstain from voting in favour of the resolution(s) relating to the Rights Issue and the transactions contemplated thereunder at the EGM.

The Company has not conducted any other rights issues, open offers or specific mandate placings within the 12-month period immediately preceding the date of the Announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion)granted or to be granted to Shareholders as part of such rights issues, open offers and/or specific mandate placings.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Placing Shares will be allotted and issued under the Specific Mandate and the Placing will be subject to Shareholders' approval at the EGM. As the Placing is conditional upon, among other things, the passing of necessary resolution(s) relating to the Rights Issue at the EGM, Mr. Fu Yiu Man, Peter, being an executive Director with beneficial interest in the Company as aforesaid, shall abstain from voting in favour of the resolution(s) relating to the Placing and the Specific Mandate at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Wong Chung Kin, Quentin, Mr. Siu Miu Man, Simon, MH and Mr. Au Tin Fung, Edmund, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM, taking into account the recommendations of the Independent Financial Adviser.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable; (ii) whether the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the relevant resolutions to be proposed at the EGM in relation to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group, and have not provided any other services to the Group, in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Rights Issue, the Placing Agreement and the transactions contemplated thereunder is at market level and not conditional upon successful passing of the resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Directors and/or its senior management staff (the "**Management**"). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in this Circular were reasonably made after due enquiry and careful consideration. 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 adviser and/or the Directors, which have been provided to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable and there are no reasons to doubt the accuracy and reliability of such public information.

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

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

The Group is principally engaged in provision of brokerage and financing services, corporate finance and other advisory services, asset management services, insurance brokerage, proprietary trading and property investment.

1.1 Historical Information of the Group

The summary of the key items of the Group's (i) consolidated statement of profit or loss for the financial year ended 31 December 2023 ("**FY 2023**") and 31 December 2024 ("**FY 2024**"); and (ii) consolidated statement of financial position as at 31 December 2023 and 31 December 2024 are set out below:

Consolidated statement of profit or loss for FY 2024 and FY 2023

HK$'000	**For the year ended 31 December 2024**	**For the year ended 31 December 2023**
Revenue	69,092	73,315
Loss before tax	(126,908)	(290,862)
Loss for the year	(129,146)	(288,198)

The Group's revenue decreased from approximately HK$73.3 million for FY 2023 to approximately HK$69.1 million for FY 2024, representing a decrease of approximately 5.8%, which was primarily due to (i) decrease in revenue from brokerage and financing business from approximately HK$59.7 million for FY 2023 to approximately HK$55.4 million for FY 2024, which was in turn mainly due to decrease in interest income from money lending clients (HK$29.5 million for FY 2024 vs HK$34.3 million for FY 2023).

The Group's loss for the year, in contrast, improved from approximately HK$288.2 million for FY 2023 to approximately HK$129.1 million for FY 2024, representing a reduction of approximately HK$159.1 million, which was primarily due to the stabilised segment result from proprietary trading of a loss of approximately HK$50.4 million, whereas a segment loss of approximately HK$132.4 million for FY 2023 was recorded for the proprietary trading business, attributable to the decrease in market value against the backdrop of the particularly poor performing equity market and bearish investor sentiment during the year.

Consolidated statement of financial position as at 31 December 2023 and 31 December 2024

HK$'000	**As at 30 December 2024**	**As at 31 December 2023**
Non-current assets	52,458	52,735
Current assets	399,143	516,417
Total assets	451,601	569,152
Current liabilities	49,499	54,438
Non-current liabilities	17,410	1,432
Total liabilities	66,909	55,870
Net assets	384,692	513,282

The Group's total assets decreased from approximately HK$569.2 million as at 31 December 2023 to approximately HK$451.6 million as at 31 December 2024, representing a decrease of approximately 20.7%. The decrease in total assets was mainly attributable to (i) a decrease of approximately HK$50.9 million in accounts receivable from approximately HK$312.9 million as at 31 December 2023 to approximately HK$262.0 million as at 31 December 2024; and (ii) a decrease of approximately HK$38.7 million in financial assets at fair value through profit or loss from approximately HK$155.1 million as at 31 December 2023 to approximately HK$116.4 million as at 31 December 2024.

The Group's total liabilities increased from approximately HK$55.9 million as at 31 December 2023 to approximately HK$66.9 million as at 31 December 2024, representing an increase of approximately 19.7%, which was mainly attributable to the convertible bonds in the amount of approximately HK$13.5 million as at 31 December 2024 (nil as at 31 December 2023).

As at 31 December 2024, the Group's net assets were approximately HK$384.7 million, down from approximately HK$513.3 million as at 31 December 2023.

1.2 Outlook and prospects of the Group

The Group's core businesses in brokerage services, financing services, asset management services, and corporate finance advisory services, the future performance of which are largely influenced by the prospect of the local capital market, which is in turn affected by the local and China's economy and to the greater extent the global economic activities.

As mentioned in the 2024 Annual Report, Hong Kong's economy is expected to reflect steady growth in 2025 as influenced by a blend of domestic policies and global economic dynamics, including stable monetary policy maintained by the HKMA to support economic growth while managing inflation. Meanwhile, the local financial market will continue to be a global leader, with its IPO hub drawing significant attention from international businesses and investors. In 2025, it is set to strengthen its position further by diversifying its offerings and streamlining its regulatory processes.

Indeed, according to the latest information from the Hong Kong Census and Statistics Department, in the first quarter of 2025, Hong Kong's economy demonstrated robust growth, with real GDP increasing by 3.1% year-on-year, up from 2.5% in the preceding quarter, which marked the strongest expansion since Q4 2023. Meanwhile, as for the local capital market, the Hang Seng Index reached a three-year high of 24,771 on March 19, 2025, and closed the first quarter of 2025 at 23,120. According to press release titled "Hong Kong's ECM Landscape in H1 2025" published by the Stock Exchange in July 2025, the Hong Kong capital market saw robust issuance, with money raised from IPOs reaching US$14.1 billion in the first half of 2025, which was US$4.8 billion more than the second leading exchange, according to Dealogic data.

As further mentioned in the 2024 Annual Report, the Group has been diligently pursuing investment opportunities in other business segments, while endeavouring simultaneously to nurture its current operations.

Considering the historical financial information of the Group amid the improving sentiment in the local capital market as mentioned above, we are of the view that it is reasonable for the Company to consolidate its market position by strengthening its existing businesses, while explore opportunities along the value chain of the greater capital market to benefit the Shareholders if they think fit.

2. Rationale for the Rights Issue and proposed use of proceeds

2.1 The funding needs

The Company intends to use the net proceeds from the Rights Issue and the Placing as follow:

(A) approximately HK$145.9 million as general working capital of (i) approximately HK$87.0 million for the development of the Group's financial services business, amongst others, the financing business under the brokerage and financing segment of the Group; and (ii) approximately HK$58.9 million to be applied as overhead expenses of the Group for the coming 18 months in which (a) approximately HK$7.2 million for rental expenses, (b) approximately HK$24.7 million for staff cost,(c) approximately HK$7.6 million for professional fees, (d) approximately HK$11.6 million for office, administration and interest expenses and (e) approximately HK$7.8 million for other operating expenses which will mainly be utilised for the services fee provided by independent third parties to the Company and its subsidiaries for: provision of office facilities; marketing and business promotions activities; and business development corporate planning;

(B) approximately HK$25.7 million for repayment of liabilities of the Group in which approximately HK$9 million for a mortgage loan, approximately HK$6 million for the accrual expenses and other payables, approximately HK$4 million for margin loan payables with other securities firms, approximately HK$5.6 million for interest of/and outstanding convertible bonds issued by the Company and approximately HK$1.1 million for other loans; and

(C) approximately HK$44.0 million for the possible expansion into cryptocurrency industry including the operation of virtual assets trading platform (the "**VATP**") business.

Strengthen the Brokerage and Financing Business

Securities brokering and dealing is one of the Group's core businesses, which collectively contributed approximately 80% of the Group's total revenue for FY 2024.

As stated in the Letter from the Board, maintaining sufficient working capital is essential to support the potential growth in clients' demand for financing within the Group's brokerage and financing business. Under the Securities and Futures (Financial Resources) Rules (Cap. 571N of the Laws of Hong Kong), a licensed corporation is required to maintain sufficient liquid capital, defined as the excess of liquid assets over ranking liabilities, to ensure financial soundness and regulatory compliance.

On the other hand, based on our understanding from the management of the Company, of the various services in the brokerage and financing business, (i) securities brokering and dealing; (ii) financing services; and (iii) asset management businesses are particularly capital demanding and are scalable depending on available capital.

As analysed above, the Hong Kong capital market is currently experiencing a period of growth as evidenced by the rallying Hang Seng Index and robust IPO activities that saw the Stock Exchange to come out on top against other major exchanges around the world. In view of the increasing demand for securities trading business and financing from retail and institutional clients of the brokerage and financing business, the Group intends to strengthen its capital position with a maximum of approximately HK$87.0 million net proceeds to support the provision of scalable, compliant, and comprehensive financing services.

Against this backdrop, we are of the view that it is commercially justifiable to expand the strategically important brokerage and financing business of the Group in order to timely capture such uptrend of the local capital market with a scalable, compliant, and comprehensive financing services platform, and that the Rights Issue and the Placing is a timely response to the rising market opportunity to enhance the Group's long-term competitiveness and service capabilities.

Expansion into Virtual Assets Trading Platform

As stated in the Letter of the Board of this Circular, the Group is a well-established local financial institution with decades of experience. In order to adapt to the evolving financial landscape, which is diversifying from traditional securities-based products to digital assets, the Group intends to allocate a portion of the net proceeds from the Rights Issue and the Placing, after fulfilling general working capital needs and repayment of liabilities as stated above, to explore a presence in the virtual asset industry in Hong Kong by way of uplifting the virtual asset trading platform licence. This will enable the Company's subsidiary, which currently holds the SFC Type 1 licence, to meet the demand of its clients for dealing in virtual assets such as cryptocurrency.

From our research on the virtual asset industry, we note that during 2018-2024, the cryptocurrency market has expanded by 24 times to reach HK$25.9 trillion, according to statistical highlights "Virtual assets development in Hong Kong" issued by the Research Office of the Hong Kong Legislative Counsel Secretariat in June 2025. It is furthered mentioned that, to expedite fintech development, the Government issued a policy statement to set out the direction for developing a virtual asset sector and ecosystem in October 2022, followed by the introduction of a licensing regime for virtual asset trading platforms in June 2023, and the passage of the Stablecoins Bill more recently in May 2025, and a second policy statement would soon be released to explore ways to converge virtual asset into traditional finance as suggested by the Financial Secretary.

We were given to understand that the SFC has established clear licensing requirements for VATP operators, including but not limited to a minimum of HK$5 million in paid-up share capital and sufficient liquid assets to cover 18 months of operating expenses. According to the current business plan of the Group and subject to further market research and studies, it is expected that approximately HK$44.0 million of the net proceeds from the Rights Issue and the Placing will be allocated to the paid-up capital, support system development, cybersecurity testing, and compliance support, custody arrangements, legal opinions for token listings, and SFC licensing processes under the regulatory framework. As advised by the management of the Company, the Company targets to submit the application of uplifting of the VATP licence before the end of the first half of 2026.

We are of the view that the Rights Issue and the Placing are in line with the Company's business plans, and it is reasonable for the Company to allocate the net proceeds considering that the Company will continue to strengthen the brokerage and financing business and at the same time, expand into the virtual assets trading platform.

2.2 Fund raising method

We noted that the Company has also considered other debt or equity fundraising alternatives such as bank borrowings, placing or open offer.

The net proceeds from the Rights Issue and the Placing are estimated to be approximately HK$215.6 million (assuming no change in the number of Shares in issue on or before the Record Date and full subscription under the Rights Issue), which is a substantial amount compared to the Group's asset base (representing over 50% of the current assets of the Group of approximately HK$399.1 million and approximately 47.7% of the total assets of the Group of approximately HK$451.6 million as at 31 December 2024). In the context of debt financing, we concurred with the Directors' view that for bank borrowings, given the size of the fundraising, banks would request for substantial collateral to secure the borrowings, which would result in interest costs and put pressure on the liquidity of the Group.

In contrast to other equity financing means such as a placing, in addition to offering all existing Shareholders an equal opportunity to participate in the future growth of the Company which a placing is unable of, thereby maintaining their proportional shareholdings and mitigating the potential risk of dilution which a standalone placing would not, the Rights Issue has the extra benefit of allowing the Shareholders to sell the Nil-paid Rights in the market in contrast to an open offer. As such, the Rights Issue is fairer and more equitable among the equity financing means based on the foregoing.

Additional arrangements such as the inclusion of an excess application arrangement further enhances fairness by allowing Shareholders to apply for additional shares that are not initially taken up, ensuring broader participation, while the Placing arrangement, which involves the placement of the Unsubscribed Rights Shares at the same price of the Subscription Price, serves to maximise the fund to be raised.

We are of the view that the Rights Issue and the Placing provide certainty and flexibility for the Shareholders in whether to get the proportionate entitlements with their respective shareholding, which is fair and reasonable, while help strengthening the Group's capital structure without incurring additional debt financing cost and enhance its financial position, which in turn will support the Company's continuing development and business growth.

3. Principal terms of the Rights Issue and the Placing

3.1 Summary of the key terms

Basis of the Rights Issue	Two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	HK$0.45 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	247,352,304 Shares
Number of Rights Shares to be issued under the Rights Issue	(i) Up to 494,704,608 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date and full subscription under the Rights Issue) (ii) Up to 544,744,608 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than full conversion of the 2024 CB, full exercise of the outstanding Share Options and full subscription under the Rights Issue)
Enlarged number of Shares in issue upon completion of the Rights Issue	(i) Up to 742,056,912 Shares (assuming no change in the number of Shares in issue on or before the Record Date and full subscription under the Rights Issue) (ii) Up to 817,116,912 Shares (assuming no change in the number of Shares in issue on or before the Record Date other than full conversion of the 2024 CB, full exercise of the outstanding Share Options and full subscription under the Rights Issue)

Gross proceeds from the proposed Rights Issue	(i) Up to approximately HK$222.6 million (assuming no change in the number of Shares in issue on or before the Record Date and full subscription under the Rights Issue) (ii) Up to approximately HK$245.1 million (assuming no change in the number of Shares in issue on or before the Record Date other than full conversion of the 2024 CB, full exercise of the outstanding Share Options and full subscription under the Rights Issue)
Net price per Rights Share (i.e. Subscription Price less costs and expenses incurred in the Rights Issue)	Approximately HK$0.436 per Rights Share (assuming no change in the number of Shares in issue on or before the Record Date and full subscription under the Rights Issue)
Rights of excess application	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, there are outstanding convertible bonds (consisting of the 2024 CB) which are convertible into 14,400,000 new Shares prior to the Record Date and 10,620,000 outstanding Share Options which entitle the holders thereof to subscribe for an aggregate of 10,620,000 new Shares. Save as disclosed above, as at the Latest Practicable Date, the Company does not have any other share options, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares prior to the Record Date.

For further information of the Rights Issue and the Placing, please refer to the Letter from the Board.

3.2 Subscription Price

The Subscription Price of HK$0.45 per Rights Share represents:

(i) a discount of 25.00% to the closing price of HK$0.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 4.26% to the closing price of HK$0.47 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 5.86% to the average closing price of HK$0.478 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 1.21% to the average closing price of HK$0.4555 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 1.53% to the theoretical ex-rights price of approximately HK$0.457 per Share based on the closing price of HK$0.47 per Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 3.11%, represented by the theoretical diluted price of approximately HK$0.4573 per Share to the benchmarked price of HK$0.472 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of HK$0.47 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average of the closing prices of HK$0.472 per Share as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Latest Practicable Date); and

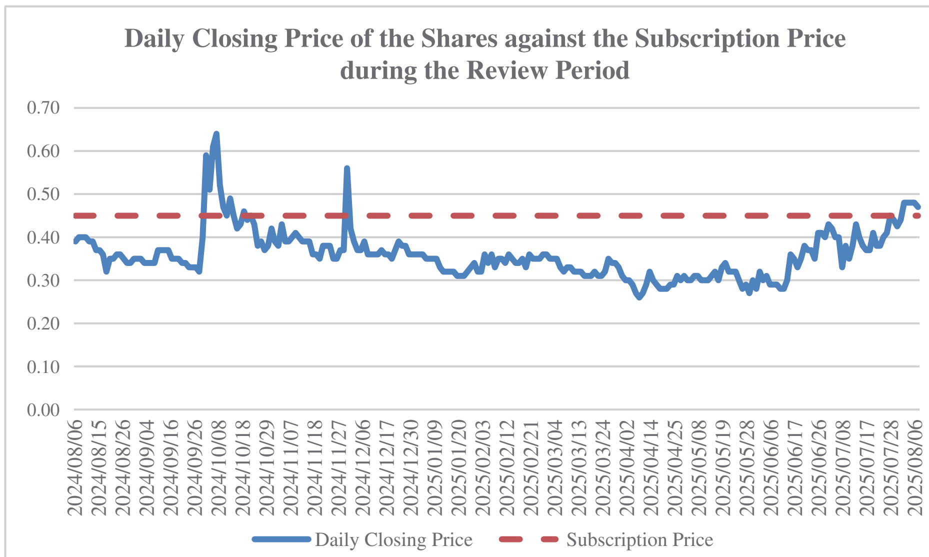
(vii) a discount of approximately 71.06% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK$1.555 (based on the latest published audited consolidated net asset value attributable to Shareholders of approximately HK$384,727,000 and 247,352,304 Shares in issue as at the date of this Circular).

The Subscription Price was determined with reference to, among others, (i) the then recent market price of the Shares under the then market sentiment and prevailing market conditions in an upward trend; (ii) the financial position of the Group, among others, the substantial discount of more than 71% of the Subscription Price to the NAV per Share; and (iii) the reasons as discussed in the section headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" in the Letter from the Board. The Subscription Price is at a slight discount to the recent closing price per Share which may attract the Shareholders to subscribe for the Rights Shares. In addition, given the Company's high NAV per Share, the Subscription Price reflects a more reasonable valuation of its underlying assets. It also serves to attract long-term, committed investors with a solid understanding of the Company's financial position and growth prospects. As a well-established local financial institution with a long operating history, this approach further encourages existing Shareholders to participate in the Rights Issue and strengthen their investment in the Company. The Directors (excluding the members of the Independent Board Committee whose opinion is expressed in the letter from the Independent Board Committee after considering the advice of the Independent Financial Adviser) consider that the terms of the Rights Issue (including the Subscription Price at a slight discount to the then closing prices of the Shares) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In order to assess the fairness and reasonableness of the Subscription Price to be set at a slight discount to the prevailing Share price, we have considered the historical price performance of the Shares and the trading liquidity of the Shares.

Historical price performance of the Shares

Set out below are two charts illustrating the historical closing price of the Shares during the period from 6 August 2024, being 12 months immediately preceding the Last Trading Day and up to the Last Trading Day (the "**Review Period**"). We consider that a period of 12 months, which reflects historical and prevailing market sentiment, is adequate to illustrate the recent price movement of the Shares for the purpose of conducting a reasonable comparison.



As illustrated in the above chart, the Shares were traded within the range from HK$0.30 to HK$0.50 per Share for majority of the Review Period. During the Review Period, the highest daily closing price of the Shares was HK$0.64 per Share as recorded on 7 October 2024, and the lowest daily closing price of the Shares was HK$0.26 per Share as recorded on 8 April 2025. The average daily closing price per Share during the Review Period was approximately HK$0.36.

There was a downtrend beginning on 6 August 2024, with the closing price of the Shares reaching a periodic low of HK$0.32 per Share on 27 September 2024. Following China's announcement of a stimulus package on 24 September 2024, which contributed to a substantial surge in the Hang Seng Index of the Hong Kong stock market, the Share price recorded a significant increase from HK$0.32 per Share on 27 September 2024 to HK$0.64 per Share on 7 October 2024.

After reaching its highest closing price during the Review Period, the closing price of the Shares gradually decreased, hitting a relatively low closing price of HK$0.35 per Share on 25 November 2024. The closing price of the Shares then rose slightly to HK$0.56 per Share on 29 November 2024, before gradually decreasing to the lowest closing price of HK$0.26 per Share on 8 April 2025. From April to early June 2025, the closing price of the Shares fluctuated around HK$0.30 per Share, and gradually increased over the following two months, reaching the closing price of HK$0.47 per Share on the Last Trading Day.

We note that the Subscription Price of HK$0.45 per Share is above the average daily closing prices of the Shares throughout the Review Period and represents (i) a premium of 73.1% of the lowest closing price; (ii) a discount of approximately 29.7% from the highest closing price; and (iii) a premium of approximately 25.1% from the average daily closing price of the Review Period. We also note that the Subscription Price represents a slight premium over the closing prices per Shares for the majority of the Review Period. Given that there was an increasing trend of the closing price of the Share for the two months prior to the Last Trading Day as mentioned above, we are of the view that setting the Subscription Price at a premium over the closing prices per Shares for the majority of the Review Period demonstrates the Company's commitment to preserving Shareholder value and minimizing unnecessary value dilution while balancing its need for new capital. The Subscription Price represents a discount of approximately 71.06% to the audited consolidated NAV per Share of approximately HK$1.555 as at 31 December 2024. Given that reducing the Subscription Price would further enlarge the discount to audited consolidated NAV per Share, we concur with the Company's view that the Subscription Price reflects more reasonable valuation of its underlying assets. Nevertheless, the premiums represented by the Subscription Price over the prevailing Share market prices, as further discussed in the section headed "Comparison with recent rights issue transactions" below, are within the range of the premium/discount represented by the subscription price under the Comparables (as defined below) over/to their respective prevailing market prices and therefore, the Subscription Price is considered in line with the market. Having considered the above, we are of the view that the Subscription Price is fair and reasonable. Given the recent upward trend in the market price of the Shares under the prevailing market conditions, we are of the view that offering a slight discount to the recent closing price of the Shares could provide an incentive for the existing Shareholders to invest in the Company.

Trading liquidity of the Shares

To assess whether the Subscription Price is at a fair and reasonable level, we also considered the trading liquidity of the Shares from the average daily trading volume as a percentage to (i) the total number of issued Shares as at the end of the corresponding months; and (ii) the total number of issued Shares held by the public Shareholders as at the Latest Practicable Date.

Month	Number of trading day *Days*	Trading Volume of Shares *Shares*	Average daily trading volume of Shares *Shares*	Total issued Shares at the end of month *Shares*	Average daily trading volume as a percentage to the total number of issued Shares	Average daily trading volume as a percentage to the total number of issued Shares held by public Shareholders *(Note)*
2024						
August (since 6 August)	19	2,041,600	107,453	247,352,304	0.0434%	0.0508%
September	19	8,717,200	458,800	247,352,304	0.1855%	0.2171%
October	21	27,983,800	1,332,562	247,352,304	0.5387%	0.6305%
November	21	3,078,800	146,610	247,352,304	0.0593%	0.0694%
December	20	3,394,800	169,740	247,352,304	0.0686%	0.0803%
2025						
January	19	1,262,400	66,442	247,352,304	0.0269%	0.0314%
February	20	3,353,480	167,674	247,352,304	0.0678%	0.0793%
March	21	3,134,970	149,284	247,352,304	0.0604%	0.0706%
April	19	5,553,200	292,274	247,352,304	0.1182%	0.1383%
May	20	1,358,000	67,900	247,352,304	0.0275%	0.0321%
June	21	9,468,400	450,876	247,352,304	0.1823%	0.2133%
July	22	18,013,700	818,805	247,352,304	0.3310%	0.3874%
August (to the Last Trading Day)	4	226,400	56,600	247,352,304	0.0229%	0.0268%
Max					**0.5387%**	**0.6305%**
Min					**0.0229%**	**0.0268%**
Median					**0.1333%**	**0.1559%**

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

Note:

The calculation is based on the average daily trading volume divided by total number of issued Shares held by the public Shareholders (i.e. 211,361,504 Shares) as at the Latest Practicable Date.

As illustrated in the above table, the percentage of average daily trading volume to (i) the total number of issued Share as at the end of the corresponding month; and (ii) the total number of Shares held by public Shareholders as at the Latest Practicable Date, ranged from approximately 0.0229% to 0.5387% and 0.0268% to 0.6305% respectively during the Review Period. The average daily trading volumes of the Shares in October 2024 (1,332,562 shares) and July 2025 (818,805 shares) were exceptionally high during the Review Period. In this regard, we review the Company's announcements during the respective months and are not aware of any specific reasons for the exceptionally high trading volumes. The average daily trading volume of the Shares during the Review Period was approximately 356,044 Shares, representing approximately 0.1439% and 0.1685% of the total number of issued Shares and the total number of Shares held by public Shareholders as at the Latest Practicable Date, which implied that the Shares lack liquidity in the open market.

Although the Shares lack liquidity in the open market, the recent upward trend in their market price, as outlined in the section headed "Historical Price Performance of the Shares" above indicates improving investor perception and suggests that the Shares continue to exhibit investment appeal under the prevailing market conditions. We consider that the Subscription Price reflects the Company's initiative and confidence in leveraging this positive momentum to pursue a more reasonable valuation of the Shares, which may encourage existing investors to re-evaluate their investment in the Company and participate in the Rights Issue. By avoiding a subscription price set at a sizeable discount to historical market prices which could further depress the share price and liquidity of the Share, we are of the view that, from the perspective of trading liquidity of the Shares, the Subscription Price is fair and reasonable.

Comparison with recent rights issue transactions

In order to assess the fairness and reasonableness of the proposed terms of the Rights Issue, we have identified an exhaustive list of 20 companies (the "**Comparable(s)**") listed on the Main Board and GEM of the Stock Exchange which announced a rights issue or an open offer during three-month period prior to the Last Trading Day (the "**Comparable Review Period**"), i.e. 6 August 2025. We are of the view that a three-month period is sufficient and appropriate given that (i) such shorter period provides the recent and relevant information that demonstrates prevailing market practices prior to the Last Trading Day, particularly in light of ongoing economic and political volatility and its corresponding impact on market sentiment and pricing dynamics; and (ii) we are able to identify a sufficient and reasonable sample size for the selection of Comparables within the Comparable Review Period. In contrast, extending the selection period to 12 months would yield an excessive number of comparable rights issues, potentially diluting the analysis due to the broader range of premiums and discounts associated with subscription prices.

The criteria for selecting the Comparables were as follows: (i) the companies must be listed on the Stock Exchange; and (ii) the proposed rights issues have been announced during the Comparable Review Period. The inclusion of Comparables was conducted without any artificial selection or filtering or exclusion of outliers, ensuring that they authentically represent recent market trends among companies listed on the Stock Exchange. Hence, we are of the view that the Comparables and the corresponding range of premiums and discounts in the subscription prices provide fair and representative samples.

	Date of announcement	Company name (Stock code)	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date	Amount of gross proceeds	Use of proceeds	(Discount)/Premium of Subscription Price (to)/over the closing price as at the last trading day *(%)*	5-day average *(%)*	10-day average *(%)*	the theoretical ex-rights entitlement price *(%)* *(Note 2)*	consolidated net asset value per Share *(%)* *(Note 2)*	Theoretical dilution effect *(%)* *(Note 2)*	Excess Application (EA)/ Compensatory Arrangement (CA) *(EA/CA)*	Underwriting arrangement *(Yes/No)*	Placing commission rate *(%)* *(Note 4)*
1	4/8/2025	TOMO Holdings Limited (6928)	1 for 2	sales and installation of passenger vehicle leather upholstery, and electronic accessories	210.6	40.5	expansion of business and working capital	(62.10)	(63.20)	(65.40)	(52.20)	25.00	(21.30)	CA	No	1.0
2	30/7/2025	XJ International Holdings Co., Ltd. (1765)	1 for 12	provision of education services	1,595.6	137.1	redeem the outstanding Convertible Bonds	(1.96)	(0.50)	(0.79)	(1.82)	(83.61)	(0.15)	CA	No	0.5
3	30/7/2025	Da Yu Financial Holdings Limited (1073)	1 for 2	provision of corporate finance advisory services and asset management services	458.0	136.7	expansion of business and working capital	(16.67)	(18.92)	(18.37)	(11.76)	(45.45)	(6.67)	EA	No	N/A
4	25/7/2025	Shin Hwa World Limited (0582)	1 for 1	integrated resort business	252.0	182.6	payment of loan and interest expenses	(34.21)	(33.07)	(33.99)	(17.11)	(97.12)	(17.11)	EA	Yes	N/A
5	23/7/2025	Future Machine Limited (1401)	1 for 2	manufacturing and sales of mobile phones and PCBA and IoT related products	1,485.0	140.0	expansion of business, working capital and investments	(72.28)	(72.28)	(72.28)	(63.48)	(28.61)	(24.09)	CA	No	1.0
6	8/7/2025	Alco Holdings Limited (0328)	4 for 1	manufacturing and selling of consumer electronic products	40.7	148.5	repayment of loans and creditors and working capital	(19.00)	(19.00)	(12.79)	N/A	N/A	(15.52)	CA	No	1.5
7	7/7/2025	Sanergy Group Limited (2459)	1 for 2	manufacturing of graphite electrodes	241.1	45.6	expansion of business and working capital	(55.60)	(56.30)	(56.70)	(45.50)	(89.00)	(18.80)	CA	No	3.5
8	25/6/2025	Sino Splendid Holdings Limited (8006)	3 for 2	travel media operations	18.4	17.7	repayment of account payables and working capital	(11.10)	(12.10)	(13.00)	(4.80)	(52.40)	(6.67)	CA	No	2.5
9	17/6/2025	Risecomm Group Holdings Limited (1679)	5 for 1	sales of power line communication products	59.8	127.9	repayment of liabilities and working capital	(22.48)	(21.63)	(22.12)	(4.62)	N/A	(18.73)	CA	No	0.5
10	10/6/2025	Greenheart Group Limited (0094)	1 for 2	Provision of timber business	153.0	33.7	expansion of business and funding for expenses	(9.25)	(4.97)	(6.92)	(6.44)	(88.80)	(3.00)	EA	No	2.0
11	10/6/2025	Pinestone Capital Limited (0804)	3 for 2	provision of financial services	182.0	60.7	invest in its services, acquisition and working capital	(40.71)	(41.55)	(40.29)	(22.14)	N/A	(24.93)	CA	No	5.0

	Date of announcement	Company name (Stock code)	Basis of entitlement	Principal business	Market capitalisation on the Last Trading Date	Amount of gross proceeds	Use of proceeds	(Discount)/Premium of Subscription Price (to)/over the closing price as at the last trading day *(%)*	5-day average *(%)*	10-day average *(%)*	the theoretical ex-rights entitlement price *(%)* *(Note 2)*	consolidated net asset value per Share *(%)* *(Note 2)*	Theoretical dilution effect *(%)* *(Note 2)*	Excess Application (EA)/ Compensatory Arrangement (CA) *(EA/CA)*	Underwriting arrangement *(Yes/No)*	Placing commission rate *(%)* *(Note 4)*
12	4/6/2025	Howkingtech International Holding Limited (2440)	1 for 2	provision of data transmission and processing services	1,483.0	154.8	expansion of business and working capital	(49.70)	(50.00)	(48.60)	N/A	50.20	(16.70)	EA	No	N/A
13	2/6/2025	Lvji Technology Holdings Inc. (1745)	1 for 2	provision of online tour guide	491.0	151.8	business expansion, acquisition and working capital	(32.10)	(33.10)	(37.10)	(24.10)	(72.60)	(11.30)	EA	Yes	N/A
14	23/5/2025	Grand Talents Group Holdings Limited (8516)	5 for 2	provision of maintenance engineering	23.7	27.5	expansion of business and working capital	(33.00)	(33.00)	(32.29)	(12.34)	(18.51)	(23.57)	CA	No	3.0
15	22/5/2025	China Health Group Limited (0673)	3 for 10	trading of medical equipment and consumables	319.6	15.0	settlement of payables and working capital	(28.60)	(37.10)	(41.90)	(23.70)	(12.40)	(23.60)	CA	Yes	2.0
16	15/5/2025	Zhongzheng International Company Limited (0943)	1 for 2	manufacturing and sales of healthcare and household products	414.2	114.6	business transformation and working capital	nil	nil	1.00	nil	(56.20)	nil	CA	Yes	2.0
17	13/5/2025	Shougang Century Holdings Limited (0103)	3 for 20	manufacturing and sales of steel cords	1,486.5	160.0	upgrade its technology and working capital	12.30	14.30	13.20	10.60	(40.10)	nil	EA	No	N/A
18	13/5/2025	Capital Realm Financial Holdings Group Limited (0204)	3 for 1	provision of financial services	41.0	155.7	repayment of its bonds, investments and working capital	4.17	21.36	29.53	N/A	(86.28)	nil	CA	No	3.0
19	9/5/2025	China Sci-Tech Industrial Investment Group Limited (0339)	1 for 2	trading of listed and unlisted securities	127.4	10.1	repayment of liabilities and working capital	(43.10)	(47.40)	(48.10)	(38.60)	Net Liabilities	(16.20)	CA	No	1.5
20	7/5/2025	SEEC Media Group Limited (0205)	1 for 2	provision of media-related businesses	281.6	40.5	repayment of its bond and payables and working capital	(23.61)	(26.17)	(26.67)	(17.29)	(53.78)	nil	CA	No	3.0
				Min *(Note 3)*	18.4	10.1		(72.28)	(72.28)	(72.28)	(63.48)	(97.12)	(24.93)			0.5
				Max *(Note 3)*	1,595.6	182.6		12.30	21.36	29.53	10.60	50.20	nil			5.0
				Median *(Note 3)*	225.9	121.2		(26.11)	(29.59)	(29.48)	(17.11)	(53.09)	(15.86)			2.0
				Average *(Note 3)*	457.1	95.0		(26.95)	(26.73)	(26.68)	(19.72)	(46.85)	(12.42)			2.1
		The Company	2 for 1		116.3	222.6		(4.26)	(5.86)	(1.21)	(1.53)	(71.06)	(3.11)	EA	No	2.5

Notes:

1. Information has been extracted from the relevant announcements (including supplemental announcements) of the rights issue of the respective Comparables.

2. "N/A" denotes that the announcement did not disclose such information.

3. The calculation did not include the ones did not have theoretical dilution effect given the Company's subscription price will result in theoretical dilution effect.

4. "N/A" denotes that the respective fundraising exercise did not involve placing agents.

The Comparables include rights issues of varying sizes, involving companies with different business natures, scales, and funding needs. Our analysis primarily focuses on the principal terms of the rights issues, and we have not found any established evidence indicating a correlation between (i) business nature, (ii) market capitalization, or (iii) size of the rights issue and its underlying principal terms.

We are of the view that the market capitalisation should not be considered as a determinative factor alone. We are of the view, that the fund raising scale and the discount/premium scale of the subscription price of such Comparables were determined by the management of Comparables after taking into account of a complex of weighing factors, including but not limited to their historical financial position and financial performance, prospects of principal business, macroeconomics, and market sentiment to affect their share price and trading liquidity. Hence, given different situations of different companies, we consider the cross reference to the Comparables' ultimate discount/premium scale of the subscription price against/over their prevailing market price are representative. Including companies in the Comparables with diverse business profiles, sizes and funding needs provides a more comprehensive understanding of market sentiment. In our analysis, we have obtained a meaningful sample size of 20 Comparables, which adequately reflects current market practices regarding recent rights issues. As mentioned above, we also consider that the duration of the Comparison Review Period is sufficient to reflect prevailing market conditions.

It is noted that among the 20 Comparables, only three of them set the subscription price at premium level over one or more of the closing prices as at the last trading day, 5-day average closing price preceding to the last trading day, 10-day average closing price preceding to the last trading day, and the theoretical ex-rights entitlement price, while a majority of them set the subscription price at the discount level over the abovementioned price basis.

According to the above analysis, (i) the subscription price against the closing price as at the last trading day of the Comparables ranged from a discount of approximately 72.28% to a premium of approximately 12.30%, with an average discount and median discount of approximately 26.95% and 26.11% respectively; (ii) the subscription price against the 5-day average closing price preceding to the last trading day of the Comparables ranged from a discount of approximately 72.28% to a premium of approximately 21.36%, with an average discount and median discount of approximately 26.73% and 29.59% respectively; (iii) the subscription price against the 10-day average closing price preceding to the last trading day of the Comparables ranged from a discount of approximately 72.28% to a premium of approximately 29.53%, with an average discount and median discount of approximately 26.68% and 29.48% respectively; (iv) the subscription price against the theoretical ex-rights entitlement price ranged from a discount of approximately 63.48% to a premium of approximately 10.60%, with an average discount and median discount of approximately 19.72% and 17.11% respectively; (v) the subscription price against the consolidated net asset value per share of the Comparables ranged from a discount of approximately 97.12% to a premium of approximately 50.20%, with an average discount and median discount of approximately 46.85% and 53.09% respectively; and (vi) the theoretical dilution effect ranged from nil to approximately 24.93%, with an average and median of approximately 12.42% and 15.86% respectively.

In addition to the above, we note the significant variation in the premiums and discounts of the subscription price of the Comparables against the (i) closing share price as at the last trading day; (ii) 5-day average closing price preceding to the last trading day; and (iii) 10-day average closing price preceding to the last trading day; (iv) theoretical ex-rights entitlement price; (v) consolidated net asset value per share of the Comparables. We are not aware of any specific reasons for the significant discounts in the subscription prices of the Comparables against their respective closing prices. In the absence of a compelling rationale to exclude outliers from the Comparables, we have opted to include them in our analysis. This approach is intended to minimise potential bias and ensure a more accurate representation of the data. By incorporating the outliers, we aim to provide a thorough and comprehensive understanding of the Comparables.

Given the (i) Subscription Price was set at the discount of 4.26% against the closing price as at the Last Trading Day, which falls into the range of the Comparables; (ii) Subscription Price was set at the discount of 5.86% against the 5-day average closing price preceding to the Last Trading Day, which falls into the range of the Comparables; (iii) Subscription Price was set at the discount of 1.21% against the 10-day average closing price preceding to the Last Trading Day, which falls into the range of the Comparables; (iv) Subscription Price was set at the discount of 1.53% against the theoretical ex-rights entitlement price, which falls into the range of the Comparables; (v) Subscription Price was set at the discount of 71.06% against the consolidated net asset value per share, which falls into the range of the Comparables; and (vi) the theoretical dilution effect was 3.11%, which is in line with the range of the Comparables, we considered the Subscription Price is fair and reasonable.

In light of above, we consider that the Subscription Price are fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

Excess application

According to the Letter from the Board, all Qualifying Shareholders are entitled to apply, by way of excess application under the EAF(s), for additional Rights Shares in excess of their provisional entitlements.

The Excess Rights Shares will comprise:

(i) any Nil-paid Rights provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of Nil-paid Rights prior to the Latest Time for Acceptance;

(ii) any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold; and

(iii) the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any).

A Shareholder who applies to take up all or part of his/her/its entitlement under the PAL and/or Excess Rights Shares under the EAF may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or cause the public float of the Company to decrease to below 25%. According to the Letter from the Board, all applications for Rights Shares whether under the PAL(s) or the EAF(s), or by transferees of Nil-paid Rights will be made on the basis that the applications are to be scaled down by the Company to a level which (a) does not trigger an MGO Obligation on the part of the applicant or parties acting in concert with him/her/it, and/or (b) does not result in the non-compliance of the Public Float Requirement on the part of the Company. Any subscription monies for the Scale-down PAL Shares or the Scale-down EAF Shares will be refunded to the applicants, and the Scale-down PAL Shares and the Scale-down EAF Shares will be will be made available for subscription by other Qualifying Shareholders through the EAF(s).

Among the Comparables, 6 of out 20 Comparables allow application for excess rights shares. Therefore, we consider that the Rights Issue which allows application for excess Rights Shares and the possibility of applying for excess Rights Shares under the Rights Issue are not uncommon in the market.

3.3 Miscellaneous

Non-underwritten basis of the Rights Issue

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. The Company has made references to the recent three months rights issue conducted by the companies in different industries listed on the Stock Exchange, among 20 cases, only 4 were conducted on non-underwritten basis. In addition, the Company has also approached 5 financial institutions, but none of them expressed an interest in underwriting the proposed Rights Issue. Therefore, the Company has appointed its subsidiary, VC Brokage Limited to act as the Placing Agent of the Company. In addition to the application for Excess Rights Shares, if the Rights Issue is not fully subscribed and in order to increase the subscription level, if the Rights Issue is not fully subscribed, the number of Rights Shares that are not subscribed by the Qualifying Shareholders or renouncees or transferees of the Nil-paid Rights under the PALs and the EAFs (i.e. the Unsubscribed Rights Shares) will be placed to independent Placees on a best effort basis through the Placing by the Placing Agent. The Unsubscribed Rights Shares that are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, to avoid the unwitting triggering of MGO Obligation and non-compliance of Public Float Requirement, all applications for Rights Shares whether under the PAL(s) or the EAF(s), or by transferees of Nil-paid Rights will be made on the basis that the applications are to be scaled down by the Company to a level which (a) does not trigger an MGO Obligation on the part of the applicant or parties acting in concert with him/her/it, and/or (b) does not result in the non-compliance of the Public Float Requirement on the part of the Company. Any subscription monies for the Scale-down PAL Shares or the Scale-down EAF Shares will be refunded to the applicants, and the Scale-down PAL Shares and the Scale-down EAF Shares will be made available for subscription by other Qualifying Shareholders through the EAF(s).

We noted that 16 out of the 20 Comparables were conducted on a non-underwritten basis, which suggested that it is common practice for the recent period that the rights issue was conducted on a non-underwritten basis.

The Placing Agreement

On 6 August 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to appoint and the Placing Agent has conditionally agreed to act as the Placing Agent for the Company to procure on a best effort basis not less than six (6) Placees to subscribe for the Placing Shares (i.e. the Unsubscribed Rights Shares) at the Placing Price during the Placing Period on and subject to the terms and condition set out in the Placing Agreement. Under the terms of the Placing Agreement, if the Rights Issue is fully subscribed, i.e. all the Rights Shares are being fully subscribed by the Qualifying Shareholders or renouncee(s) or transferee(s) under the PAL(s) and the EAF(s), the Placing will not proceed.

Having considered that the Placing will provide (i) a distribution channel of the Placing Shares for the Company; and (ii) a channel of participation in the Rights Issue for independent investors, so that the Placing would allow the Company to raise the shortfall of funds required where possible after the Rights Issue, we concur the Directors' view that the Placing is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As set out in the Letter from the Board, the terms of the Placing Agreement, including the Placing Price and rate of placing commission, were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms after considering (i) the prevailing market conditions; (ii) the funding requirements of the Group as detailed in the section headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" in the Letter from the Board; and (iii) the Subscription Price. The Company shall pay to the Placing Agent a placing commission in Hong Kong dollars of 2.5% of the amount which is equal to the Placing Price multiplied by the number of the Placing Shares actually placed by the Placing Agent pursuant to the terms of the Placing Agreement.

The placing price of each of the Placing Share shall be equivalent to the Subscription Price (exclusive of any brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee as may be payable). As we consider that the Subscription Price is fair and reasonable as discussed in the section headed "3.2 Subscription Price" in this letter, we also consider the arrangement of setting the Placing Price at the Subscription Price is fair and reasonable.

According to the Comparables above, the placing commission of the Comparables ranged from 0.50% to 5.00%, with an average and median of 2.13% and 2.0% respectively. The placing commission of 2.5% borne by the Company in the Rights Issue is slightly higher than the average of Comparables but in line with the range of the Comparables, we considered the placing commission is fair and reasonable, and in the interests of the Company and Independent Shareholders as a whole.

Having considered (i) the Placing will be only for the Placing Shares, i.e. Unsubscribed Rights Shares that are not subscribed by the Qualifying Shareholders (and after excess applications) under the Rights Issue; (ii) the Placing Price shall be the same as the Subscription Price; and the Subscription Price is considered acceptable based on analysis set out in the section under "3.2 Subscription Price" in this letter; (iii) the Placing provides a distribution channel of the Placing Shares to the Company and a channel of participation for independent investors; (iv) the placing commission payable to the Placing Agent is fair and reasonable as mentioned above, we are of the view that terms of the Placing are fair and reasonable, and the Placing are in the interest of the Company and its shareholders as a whole.

4. Financial impact

In terms of net tangible assets per Share, as set out in Appendix II to this Circular, upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per ordinary share as at 31 December 2024 immediately after the completion of the Rights Issue would be approximately HK$0.79 (assuming all Qualifying Shareholders have taken up the Rights Shares), representing an decrease of 47.7% as compared to the audited consolidated net tangible assets of the Group attributable to owners of the Company per ordinary share as at 31 December 2024 before the completion of the Rights Issue of approximately HK$1.51. Despite a reduction of approximately 47.7% in the consolidated net tangible assets of the Group attributable to owners of the Company per ordinary share upon completion of the Rights Issue, we have carefully considered (i) the reasons for the Rights Issue as outlined in the Letter from the Board, and (ii) the rights of the Qualifying Shareholders to take up their respective entitlements. This allows them to maintain their shareholdings in the Company and participate in the Group's potential growth. In our view, the overall impact on the consolidated net tangible assets of the Group attributable to owners of the Company per ordinary share is fair and reasonable, and it serves the best interests of the Company and its Shareholders as a whole.

In terms of liquidity position, the Group had bank balances and cash of approximately HK$18.4 million and the Group had current assets of approximately HK$399.1 million and current liabilities of approximately HK$49.5 million as at 31 December 2024, giving rise to a current ratio (being current assets divided by current liabilities) of approximately 8.1. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group may increase by up to the maximum amount of net proceeds from the Rights Issue; that is up to approximately HK$234.0 million. In such case, the current ratio of the Group will potentially increase from approximately 8.1 to 12.4. As such, the current ratio and the Group's liquidity position will improve following the Rights Issue.

After taking into consideration the above, particularly the improvement in liquidity position of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

5. Possible dilution effect

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue if they do not take up their full provisional allotments.

We are of the view that the proposed Rights Issue has provided equal opportunity to the Qualifying Shareholders as an invitation to treat. The Qualifying Shareholders, have their own discretion to decide whether to participate or not.

Based on the above, we are of the view that the implementation of the Rights Issue, is rationally connected to the interests of the Company and the Shareholders as a whole, despite of the potential dilution impact to Qualifying Shareholders who have the priority to choose whether or not to participate in the Rights Issue.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour on the resolutions at the EGM in relation to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Cheung Lin Hung

Wallace Cheung
Managing Director

Mr. Wallace Cheung is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 15 years of experience in corporate finance industry.