The following is the letter of advice from the Independent Financial Adviser, Messis Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

MESSIS 大有融資

1 September 2025

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD AT THE CLOSE OF BUSINESS ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We, Messis Capital Limited, refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 1 September 2025 issued to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

As disclosed in the "Letter from the Board", the Board proposes to effect (i) the Share Consolidation whereby whereby every ten (10) issued and unissued Existing Shares of par value of HK$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK$0.10 each; (ii) the Capital Reduction; (iii) the Share Subdivision; (iv) the Share Premium Reduction; and (v) the transfer of all the credits arising from the Capital Reduction and the Share Premium Reduction to the contributed surplus account of the Company.

Upon Capital Reorganisation becoming effective, the Board proposes to conduct the Rights Issue at the Subscription Price of HK$3.24 per Rights Share on the basis of four (4) Rights Shares for every one (1) Adjusted Share held on the Record Date to raise up to approximately HK$148.47 million (before expenses) by issuing up to 45,822,744 Rights Shares.

As the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of the relevant announcement, the Rights Issue is conditional upon the Shareholders' approval at the SGM, and any controlling shareholders of the Company and their 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) in relation to the Rights Issue at the SGM.

As at the date of this announcement, the Company has no Controlling Shareholder as defined under the Listing Rules and none of the Directors and the chief executive of the Company and their respective associates holds any Share. Accordingly, no other Shareholder is required to abstain from voting at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders (i) as to whether the terms of the Rights Issue and the Placing Agreement are on normal commercial term, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole; and (ii) how to vote.

OUR INDEPENDENCE

As of the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not been appointed as an independent financial adviser for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Company's annual result announcement for the financial year ended 31 March 2025 ("FYE2025"); (ii) the Company's annual report for the financial year ended 31 March 2024 ("FYE2024"); (iii) the relevant announcement; and (iv) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all material respects as of the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the management and the representations of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Rights Issue and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as of the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background information

The Group mainly operates in Hong Kong and Taiwan and is principally engaged in designing and distribution of consumer electronic products including notebook products.

Audited	**FYE**		
HK$000	**2023**	**2024**	**2025**
Revenue	89,321	148,422	99,313

Other income, gain and loss	11,464	65,007	2,483
Administrative expenses	(42,038)	(50,295)	(46,787)
Finance costs	(6,958)	(9,458)	(9,961)
Profit/ (Loss) for the year from discontinued operations	(423,695)	594,842	--
Profit / (Loss) for the year	(515,614)	591,772	(64,270)
Total assets	283,288	182,410	179,494
Total liabilities	1,077,958	(269,937)	(244,187)
Net liabilities	(794,670)	(87,527)	(64,693)

Revenue decreased by approximately 33% from approximately HK$148.4 million for FYE2024 to approximately HK$99.3 million for FYE2025. The change in revenue was mainly due to economic downturn worldwide and people reduces personal consumptions in markets. It is noted that no revenue was derived from Europe and others compared to HK$43.0 million in previous year. Revenue increased by approximately 66% from approximately HK$89.3 million for FYE2023 to approximately HK$148.4 million for FYE2024. It is noted that revenue generated from Asia and Europe all increased in the year.

Other income decreased by approximately 96.2% from approximately HK$65.0 million for FYE2024 to approximately HK$2.5 million for FYE2025. The change in other income was mainly due to the decrease in gain on deconsolidation of subsidiaries and gain on termination of lease. Other income increased by approximately 467.1% from approximately HK$11.5 million for FYE2023 to approximately HK$65.0 million for FYE2024. The change was mainly due to the gain on deconsolidation of subsidiaries of approximately HK$77.7 million. On 10 January 2024, a winding up petition was filed with The High Court of the Hong Kong (the "Court") against Nexstgo Compant Limited, an indirect wholly-owned subsidiary of the Company. Nexstgo was ordered to be wound up by the Court and an official receiver be appointed as the provisional liquidator of Nexstgo. Accordingly, the Group had deconsolidated Nexstgo as the Group's control over Nexstgo had been lost. On 29 May 2024, a winding up petition was filed with the Court against AVITA TECHNOLOGIES INTERNATIONAL CO LTD, a direct partial-owned subsidiary of the Company. AVITA TECH was ordered to be wound up by the Court and an official receiver be appointed as the provisional liquidator of AVITA TECH. Accordingly, the Group had deconsolidated AVITA TECH as the Group's control over AVITA TECH had been lost.

Administrative expenses decreased by 7.0% from approximately HK$50.3 million for FYE2024 to approximately HK$46.8 million for FYE2025. It is noted that employee benefit expenses (including directors' emoluments) decreased 47.4% during the year. Administrative expenses increased by approximately 19.6% from approximately HK$42.0 million for FYE2023 to approximately HK$50.3 million for FYE2024.

Finance costs increased by approximately 5.3% from approximately HK$9.5 million for FYE2024 to approximately HK$10.0 million for FYE2025. The change in finance costs was mainly attributed to the increase in interest expense on bank and other borrowings and loans from shareholders. Finance costs increased by approximately 35.9% from approximately HK$7.0 million for FYE2023 to approximately HK$9.5 million for FYE2024. The change in finance costs was mainly attributed to the increase in interest expense on bank and other borrowings.

On 31 August 2022, the Board has ceased the operation of the production line in Dongguan. A winding up petition was filed with the Court on 28 June 2023 against Alco Electronics Limited ("AEL"), a direct wholly-owned subsidiary of the Company. On 28 June 2023, AEL was ordered to be wound up by the Court and an official receiver be appointed as the provisional liquidator of AEL. Accordingly, the Group had deconsolidated AEL as the Group's control over AEL had been lost. The Group recorded profit from discontinued operations of approximately HK$594.8 million for FYE2024 and loss for year from discontinued operation of approximately HK$423.7 million for FYE2023. In the absence of such one-off gain and the decrease in revenue for FYE2025, the Group recorded loss of approximately HK$64.3 million for FYE2025 compared to profit of approximately HK$591.8 million for FYE2024.

The Company recorded net current liabilities of approximately HK$142.7 million and current liabilities of approximately HK$231.1 million as of FYE2025, of which provision of financial guarantee was approximately HK$108.5 million, bank and other borrowings were approximately HK$47.5 million, loans from shareholders were approximately HK$38.1 million and trade payable of approximately HK$7.3 million. The Company further recorded non-current liabilities of approximately HK$13.1 million as of FYE2025, of which bank and other borrowings were approximately HK$12.0 million.

On 20 November 2024, the Company successfully placed new shares at the placing price of HK$3.49 per placing share. The net proceeds from the placing of approximately HK$65.2 million were fully utilized for the purposes of repayment of bank and other borrowing, settlement of external debts and general working capital of the Group.

As of FYE2025, the Company had bank balance and cash of approximately HK$10.1 million and after deduction of bank and other borrowings of approximately HK$47.5 million, provision of financial guarantee was approximately HK$108.5 million and loans from shareholders were approximately HK$38.1 million, it had net borrowing of approximately HK$184.0 million.

Disclaimer of opinion for FYE2023, FYE2024 and FYE2025

In the annual results announcement for FYE2025, the auditors explained that they could not express an opinion on the Company's consolidated financial statements as there was insufficient appropriate audit evidence to satisfy themselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements as the Group incurred loss from continuing operations of approximately HK$64.3 million and net current liabilities of approximately HK$142.7 million. The Group has defaulted in repayment of bank borrowings of approximately HK$47.5 million, which became immediately repayable. The current liabilities also included a provision of financial guarantee of approximately HK$108.5 million for former subsidiaries for borrowings and related interest payables. As of FYE2025 the Company's bank balances and cash amounted to approximately HK$10.1 million only.

We note that the Board considers that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following information:

(i) Restructure of bank and other borrowings

The bank and other borrowings of approximately HK$47.5 million repayable on demand or within one year was defaulted in repayment as of FYE 2025.

The Group is negotiating with the banks for debt restructuring. The management is of the view that the Group will be able to obtain consent from the banks to extend the repayment of borrowings and continue to provide the banking facility to improve the liquidity position of the Group, considering the valuation of the office premise of the Group amounting to approximately HK$130.0 million with reference to valuation performed by independent qualified professional valuers and market data information from bank, and other properties held by Mr. Leung Wai Sing, Wilson, the deceased ex-chairman of the Group, pledged to the banks.

(ii) Future treatment of the loans from shareholders

As of FYE2025, the Group recorded loans from past and existing shareholders of approximately HK$38.1 million mainly from Wilson. As the estate of Wilson is frozen pending the appointment of the estate administrator, the extension agreements related to loans from Wilson could not be arranged. As the loans are repayable within one year, the Company will discuss the extension of the loans with the estate administrator once appointed.

(iii) Restructure of trade payables

As of FYE2025, trade payables amounted to approximately HK$7.3 million. The Group will negotiate with creditors to further extend the repayment.

(iv) Cash inflow from operations

The Group is taking measures to streamline the product mix and production mode, to tighten cost controls over various costs and expenses and adopting a more flexible procurement policy to control the purchase costs with the aim to attain gross profit and positive operating cash flow.

Based on the sales orders on hand for the notebook products up to June 2025, the Board expects an increase in sales in the coming months comparing to the corresponding period last year. The directors of the Company will continue with its effort in sales and marketing to promote the Group's notebook products in existing market and explore opportunities in other countries.

We also note that should the Group fail to achieve the above mentioned measures, the liquidity issues will persist and it may be unable to operate on a going concern and adjustments may have to be made to the carrying values of the Group's assets and liabilities in the financial statements.

2. Reasons for the Rights Issue and the use of proceeds

As disclosed in the "Letter from the Board", the Group intends to apply the net proceeds from the proposed Rights Issue of approximately HK$143.94 million as follows:

(i) approximately HK$60.0 million for repayment of bank and other borrowings owed by the Group (for the unsecured bank borrowing, the Company would apply approximately HK$5.0 million for repayment once the rights issue is completed. For the other secured bank borrowing, the Group had certain properties which pledged as collateral. The management of the Company is in discussion with the bank to use the proceeds from disposal of certain properties as partial repayment as well as the proceed from the Rights Issue to settle the secured bank loan and other borrowings. Considering the timing of the Rights Issue and the time needed for completion of disposal of properties and securing the settlement terms with banks, the above proceeds are expected to be fully utilized by March 2026);

(ii) approximately HK$65.5 million for repayment of creditors and other liabilities (the creditors and other liabilities include the amount due to subcontractors/suppliers/service providers and other sundry creditors of the Group and have passed due, the Group has entered into settlement plans with certain creditors and the above proceed is expected to be fully utilized by March 2026);

(iii) approximately HK$7.0 million for development of new business segment — digital product leasing business, including the establishment of physical stores and service centers in the Asia-Pacific region (primarily targeting Malaysia and Indonesia), as well as the development of a service center network with local service providers to enhance after-sales services in these regions (of which approximately HK$3.5 million for opening physical stores and service centers in Malaysia and Indonesia, approximately HK$1.0 million for finished products logistics and approximately HK$2.5 million for hiring local staff, service network fees and other operational costs); and

(iv) approximately HK$11.4 million for the general working capital of the Group (the general working capital refers to daily operation expenses including salaries for approximately HK$3 million, sales commission for approximately

HK$1.2 million, shipping cost for approximately HK$1 million, professional fee for approximately HK$1 million, other admin cost for approximately HK$1.5 million and cash reserves, the above proceed is expected to be fully utilized by Jun 2026).

Having considered the recent financial performances of the Group and in particular, its bank balance and cash and net borrowing position, the past due bank and other borrowings and other liabilities, we concur with the Board's view that it is prudent and in the interest of the Company and the Shareholders as a whole to raise funds to meet the Group's financial obligations namely, repayment of borrowings, settlement of other liabilities and requirement of general working capital. We also consider it appropriate for the Group to apply net proceeds to settle unsecured bank borrowing upon completion of the Rights Issue and to settle secured bank borrowings later by March 2026 described above as it generally takes more time to negotiate commercial terms with the banks to dispose of pledged properties and settle the related bank borrowings.

As disclosed, the auditors could not express an opinion on the Company's consolidated financial statements as there was insufficient appropriate audit evidence to satisfy themselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements given its loss making position and liquidity issues. As of FYE2025, the Group recorded net liabilities of approximately HK$64.7 million, net current liabilities of HK$142.7 million against bank balances and cash of approximately HK$10.1 million. The completion of the Rights Issue will allow the Group to raise net proceeds of approximately HK$143.94 million and together with bank balances shall cover its net current liabilities assuming no unforeseen adverse events arise. Further, the Group has devised plans to address the liquidity issues such as the restructure of bank and other borrowings, future treatment of the loans from shareholders, restructure of trade payables and cash inflow from operations as explained earlier. In view of the above, we concur with the view of the management of the Company that it would be probable to address the disclaimer of opinion on the going concern basis of accounting for the preparation of its consolidated financial statements for the financial year ending 31 March 2026 assuming the Group could achieve the above plans and no unforeseen adverse events arise.

We note that the Company has considered other fundraising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new Shares and open offer. Debt financing or bank loans would result in additional interest burden to and higher gearing ratio of the Group. Placing of new Shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders. As for open offer, although it is similar to a rights issue in offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market and accordingly, Shareholders must either participate in the offer or lose the benefit of any discount at which the new shares are offered.

The Rights Issue will allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro rata shareholding interests in the Company or trade the relevant nil-paid Rights Shares in the market thus reducing impact from dilution of their shareholdings. Having considered the above, we concur with the Board's view that fund raising by way of the Rights Issue which will offer Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company is appropriate and is fair and beneficial to the Company and its shareholders as a whole.

3. Major terms of the Rights Issue

Issue statistics

Basis of the Rights Issue	Four (4) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	HK$3.24 per Rights Share

Net price per Rights Shares (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	Approximately HK$3.141 per Rights Share (on the basis that all the Rights Shares will be taken up)
Number of Shares in issue as of the date of the Latest Practicable Date	114,556,865 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	11,455,686 Adjusted Shares (assuming there is no change in number of Shares in issue up to the effective date of the Capital Reorganisation)
Number of Rights Shares (Shares to be issued pursuant to the Rights Issue)	Up to 45,822,744 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record date other than the Capital Reorganisation becoming effective)
Total number of Adjusted Shares in issue upon completion of the Rights Issue	Up to 57,278,430 Adjusted Shares (assuming no change in the number of Shares in issue on or before the Record Date other than from the Capital Reorganisation becoming effective)
Gross proceeds from the Rights Issue	Approximately HK$148.47 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date other than from the Capital Reorganisation becoming effective and all Rights Shares will be taken up)

Subscription Price

The Subscription Price is HK$3.24 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

As disclosed in the "Letter from the Board", the Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue and the amount of funds the Company intends to raise under the Rights Issue.

A. Comparison of the Subscription Price

The Subscription Price represents:

(i) a discount of approximately 19% to the adjusted closing price of HK$4.0 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK$0.40 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

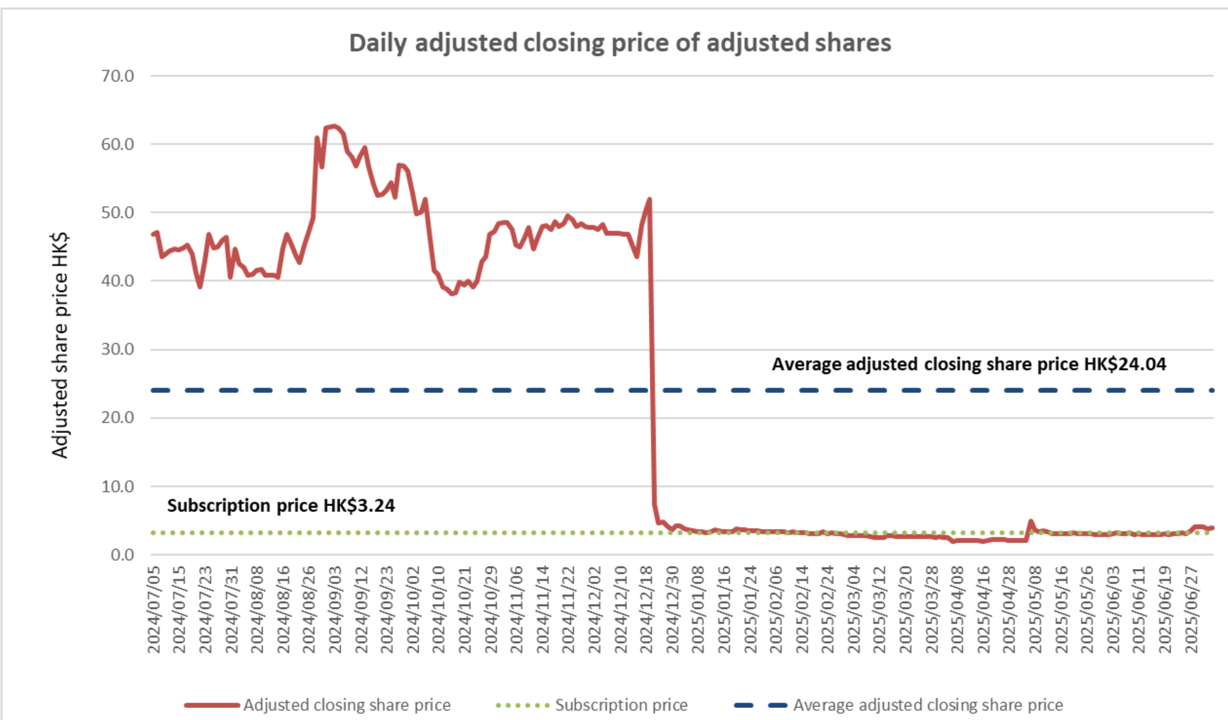
(ii) a discount of approximately 19% to the adjusted average closing price of HK$4.0 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK$0.40 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 12.79 % to the adjusted average closing price of HK$3.72 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK$0.372 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and

(iv) theoretical dilution effect as defined under Rule 7.27B of the Listing Rules of approximately 15.52%, represented by the theoretical diluted price of HK$3.396 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the benchmarked price of approximately HK$4.02 per Adjusted share as defined under Rule 7.27B of the Listing Rules (after taking into account the effect of the Capital Reorganisation).

B. Adjusted historical price of the Adjusted Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily adjusted closing prices and trading volume of the Adjusted Shares covering a period of approximately 12 months upto and including the Last Trading Day (the "Review Period") and compared such with the Subscription Price. We consider that Review Period is reasonably long enough to illustrate the historical trend and level of movement of the adjusted closing prices of the Adjusted Shares and is fair to reflect the market assessment on the financial performance of the Group before and after the release of the latest annual results for FYE2025 and the general market sentiment.



Source: www.hkex.com.hk

As shown in the chart above, during the Review Period, the average adjusted share price was approximately HK$24.04 per Adjusted Share (the "Average Adjusted Share Price"). The daily adjusted closing price ranged from HK$1.92 per Adjusted Share (the "Lowest Adjusted Share Price") to HK$62.6 per Adjusted Share (the "Highest Adjusted Share Price"). The Subscription Price of HK$3.24 represents (i) a premium of approximately 68.75% to the Lowest Adjusted Share Price; (ii) a discount of approximately 94.82% to the Highest Adjusted Share Price; and (iii) a discount of approximately 86.52% to the Average Adjusted Share Price for the Review Period.

We notice that the Highest Adjusted Share Price was recorded on one day of the Review Period and since then the share price has in general trended downward with a few rebounds. In particular, the closing price of the Adjusted Shares decreased notably with volume near the end of December 2024. The Board is not aware of any reasons for the decrease in closing price of the Adjusted Shares. It is noted that the Company completed a placing of an aggregate of 19,090,000 new Shares near the end of November 2024, issued interim results announcement for six months ended 30 September 2024 near the end of November 2024 reporting revenue of approximately HK$49.69 million (compared to HK$85.69 million for the previous period) and net loss of HK$24.31 million (compared to net profit of HK$572.35 million for the previous period) and issued an announcement of resignation of independent non-executive Directors of the Company in November 2024 followed by announcement of resignation of the joint company secretary of the Company in near the end of December 2024. The closing price of Adjusted Share had been trading around the region of between approximately HK$2 to HK$5 per Adjusted Share since the end of December 2024. Despite the Subscription Price represents a discount to the Average Adjusted Share Price, the Subscription Price set within the most recent price trading region is reasonable as this reflected the market prices of Shares traded and the market sentiment on the prospects of the Company at the time. During the Review Period, there are a total of 246 trading days and the Adjusted Shares have been traded below the Average Adjusted Share Price for 130 trading days, representing approximately 52.85% of the time during the Review Period.

As explained below, it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness of the rights issue and encourage shareholders to participate in it.

C. Historical trading volume of the Adjusted Shares

The following table sets out the trading volume of the Adjusted Shares during the Review Period:

Month	**No. of Shares**	**No. of Adjusted Shares**	**No. of trading days**	**Average daily trading volume of Adjusted Shares**	**Percentage of average daily trading volume to the total number of Adjusted Shares in issue**	**Percentage of average daily trading volume to the total number of Adjusted Shares held by Public Shareholders**
					(Note 2)	**(Note 3)**
2024						
July	13,883,392	1,388,339	19	73,070	0.64%	0.64%
August	6,983,960	698,396	22	31,745	0.28%	0.28%
September	5,379,338	537,934	19	28,312	0.25%	0.25%
October	8,845,360	884,536	21	42,121	0.37%	0.37%
November	19,589,700	1,958,970	21	93,284	0.81%	0.81%
December	199,865,378	19,986,538	20	999,327	8.72%	8.72%

2025						
January	34,027,050	3,402,705	19	179,090	1.56%	1.56%
February	16,722,732	1,672,273	20	83,614	0.73%	0.73%
March	10,916,800	1,091,680	21	51,985	0.45%	0.45%
April	4,926,760	492,676	19	25,930	0.23%	0.23%
May	87,188,460	8,718,846	20	435,942	3.81%	3.81%
June	15,410,000	1,541,000	21	73,381	0.64%	0.64%
July (up to and including the Last Trading Day)	16,004,000	1,600,400	4	400,100	3.49%	3.49%

Source: *www.hkex.com.hk*

Note:

1. There are 114,556,865 Existing Shares in issue as of the date of this Circular while there will be 11,455,686 Adjusted Shares upon completion of the Capital Reorganisation

2. Based on the average daily trading volume of Adjusted Shares divided by a total of 11,455,686 Adjusted Shares issued by the Company as of the Last Trading Day

3. Based on the average daily trading volume of Adjusted Shares divided by the number of 11,455,686 Adjusted Shares held by the Public Shareholders as at the Last Trading Day on the basis that the Company has no Controlling Shareholder as defined under the Listing Rules and none of the Directors and the chief executive of the Company and their respective associates hold any Share as disclosed in the annual report for FYE2024.

During the Review Period, the trading liquidity of the Adjusted Shares remains generally thin with the average daily trading volume ranging from approximately 0.23% to 8.72% of the total number of Adjusted Shares in issue. As such, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing adjusted closing prices of the Adjusted Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

D. Comparison with recent rights issue exercises

To assess the fairness and reasonableness of the terms of the Rights Issue, we have analyzed the subscription prices of other recent rights issue exercises. Based on the criteria of (i) rights issues conducted by listed companies on the Stock Exchange; and (ii) rights issues that had issued relevant prospectuses during the three months prior to the Last Trading Day (the "Comparison Review Period"), we have identified an exhaustive list of 17 comparable rights issues (the "Comparables"). We consider that the Comparison Review Period is sufficient as it is intended to identify the most recent rights issue transactions conducted by companies listed on the Stock Exchange under the market conditions and sentiment close enough to that of the Rights Issue thus allowing reasonable comparison of their commercial terms.

It is noted that the business and prospect of the Company as well as its market capitalization and gross proceeds from the Rights Issue are different to those of the Comparables. The market capitalization of the Company on the Last Trading Day and gross proceeds of the Rights Issue fall within the range of that of the Comparables. The Comparables intend to apply the proceeds from their respective rights issue transactions to a combination of business operation, debt repayment and working capital while the Company intends for debt repayment and working capital. We consider the terms of the Comparables were determined under similar market conditions and sentiment and hence, the Comparables provide a general reference on the key terms for rights issue transactions and therefore we consider that the Comparables are indicative in assessing the fairness and reasonableness of the terms of the Rights Issue (including the Subscription Price).

The following table sets forth the details of the Comparables including business nature, market capitalisation, gross proceeds and key commercial terms such as premium or discount of subscription prices over or to closing prices and theoretical dilution effect of the rights issue transactions:

Date of prospectus	Company name (Stock code)	Principal business	Market capitalisation on the last trading day	Gross proceeds (full subscription)	Use of proceeds	Basis of entitlement	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day	Premium/(discount) of the subscription price over/to the average closing price for the five consecutive trading days including and up to the last trading day	Premium/(discount) of the subscription price over/to unaudited consolidated net asset value	Theoretical dilution effect	Fully underwritten	Excess application	Placing arrangement	
			HK$ million	HK$ million							Yes = Y No = N	Yes = Y No = N	**Commission**	**Fixed fees**
8 Apr 25	GRAPHEX GROUP LIMITED (6128)	Development and processing of graphene products	58.69	119.70	Business development, debt repayment, working capital	3 for 1	-32.00%	-28.27%	-87.88%	24.00%	N	N	1.5%	N
8 Apr 25	PACIFIC LEGEND GROUP LIMITED (8547)	Sale & rental of home furniture and accessories and hospitality services	31.75	13.7	Working capital	1 for 2	-13.79%	-13.79%	-53.99%	4.60%	N	N	1.3%	N
8 Apr 25	YUES INTERNATIONAL HOLDINGS GROUP LIMITED (1529)	Transportation, warehousing, in-plant logistics and customisation services	18.68	69.40	Business development, working capital	4 for 1	-7.14%	-20.25%	-88.68%	21.47%	N	N	1.0%	100,000
2 May 25	CHINA BAOLI TECHNOLOGIES HOLDINGS LIMITED (164)	Convergence media business, dry grinding and dry beneficiation business	40.20	171.50	Business development, debt repayment, working capital	4 for 1	6.67%	2.30%	na	0.00	N	Y	1.0%	N
6 May 25	ISP HOLDINGS LIMITED (2340)	Interiors and special projects business	84.97	12.87	Legal cost, working capital	1 for 2	-74.50%	-73.38%	-85.59%	24.85%	N	Y	N	N
14 May 25	VOLCANO SPRING INTERNATIONAL HOLDINGS LIMITED (1715)	Healthcare products and premium kitchen appliances	20.05	88.40	Debt repayment, working capital	3 for 1	47.06%	47.06%	-34.30%	0.00%	N	N	1.0%	N

21 May 25	C CHENG HOLDINGS LIMITED (1486)	Architectural services	87.92	14.40	Business development, working capital	1 for 2	-67.21%	-66.44%	-92.75%	22.40%	N	N	3.0%	N
22 May 25	GOOD FELLA HEALTHCARE HOLDINGS LTD (8143)	General hospital services in the PRC	32.13	29.20	Business development, debt repayment, working capital	1 for 1	-12.28%	-19.35%	233.33%	10.94%	N	N	1.0%	N
26 May 25	MELCO INTERNATIONAL DEVELOPMENT LIMITED (200)	Leisure, gaming and entertainment, and other investments	5,763.40	781.07	Debt repayment	1 for 2	-72.93%	-71.03%	3328.67%	24.31%	N	Y	N	N
'2 Jun 25	SEEC MEDIA GROUP LIMITED (205)	Advertising services and money lending business	94.23	40.50	Business development, debt repayment, working capital	1 for 2	-14.06%	-16.03%	-53.78%	6.87%	N	N	3.0%	100,000
'3 Jun 25	SHOUGANG CENTURY HOLDINGS LIMITED (103)	Steel cords for radial tyres; sawing wires and hose wires	951.77	160.00	Business development, working capital	3 for 20	12.30%	14.30%	-40.10%	0.00%	N	Y	N	N
'9 Jun 25	CHINA SCI-TECH INDUSTRIAL INVESTMENT GROUP LIMITED (339)	Investment and trading of listed and unlisted securities	35.42	10.08	Debt repayment, working capital	1 for 2	-43.10%	-47.40%	na	16.20%	N	N	1.5%	N
'23 Jun 25	YUZHOU GROUP HOLDINGS COMPANY LIMITED (1628)	Property development, investment, management and hotel operation	870.34	112.20	Business development, debt repayment, working capital	49 for 100	-73.68%	-72.99%	na	24.23%	N	Y	N	N
'23 Jun 25	XINMING CHINA HOLDINGS LIMITED (2699)	Property development, investment and leasing	24.42	93.80	Debt repayment, working capital	4 for 1	-13.80%	-18.80%	na	16.90%	N	N	3.0%	N
'25 Jun 25	GLOBAL STRATEGIC GROUP LIMITED (8007)	Natural gas supply, sales and leasing of equipment	14.59	51.10	Debt repayment, working capital	4 for 1	-12.50%	-14.10%	-84.70%	11.30%	N	Y	3.0%	N
'4 Jul 25	MEMESTRATEGY, INC. (2440)	Hardware and software for Internet of Thing	615.75	154.80	Business development, working capital	1 for 2	-49.70%	-50.00%	50.20%	16.60%	N	Y	N	N

'7 Jul 25	GREENHEART GROUP LIMITED (94)	Log harvesting, timber processing and timber products	74.20	33.70	Business development, working capital	1 for 2	-9.25%	-4.97%	-88.80%	3.00%	N	N	2.0%	150,000
	Alco Holdings Ltd (328)	Consumer electronic products including notebook products	**45.82**	**148.465**	Debt repayment, working capital	4 for 1	**-19.00%**	**-19.00%**	na	**15.52%**	**N**	**N**	1.5%	N
Maximum			**5,763.40**	**781.07**			**47.06%**	**47.06%**	**3328.67%**	**24.85%**			**3.0%**	**150,000**
Average			**518.74**	**115.08**			**-25.29%**	**-26.66%**	**223.20%**	**13.39%**			**1.9%**	**116,667**
Median			**58.69**	**69.40**			**-13.80%**	**-19.35%**	**-53.99%**	**16.60%**			**1.5%**	**100,000**
Minimum			**14.59**	**10.08**			**-74.50%**	**-73.38%**	**-92.75%**	**0.00%**			**1.0%**	**100,000**

Excluding the outliers

Maximum			**615.75**	**171.50**			**6.67%**	**2.30%**	**233,33%**	**24.00%**
Average			**101.22**	**68.25**			**-23.24%**	**-25.73%**	**-22.79%**	**13.00%**
Median			**40.20**	**40.50**			**-13.80%**	**-19.35%**	**-70.94%**	**16.20%**
Minimum			**18.68**	**10.08**			**-67.21%**	**-66.44%**	**-92.75%**	**0.00%**

Source: www.hkex.com.hk

Subscription price

The subscription price of the Comparables ranged from a premium of approximately 47.06% to a discount of approximately 74.50%, with an average discount of approximately 25.29% and median discount of approximately 13.80% over/to their respective closing prices per share on the last trading day. The discount of approximately 19.00% of the Company's Subscription Price to the closing price per Adjusted Share on the Last Trading Day falls within the range and shallower than the average discount but deeper than the median discount of that of the Comparables.

The subscription price of the Comparables ranged from a premium of approximately 47.06% to a discount of approximately 73.38%, with an average discount of approximately 26.66% and median discount of approximately 19.35% over/ to their respective average closing prices per share for the five consecutive trading days including and up to the last trading day. The discount of approximately 19.00% of the Company's Subscription Price to the theoretical average closing price per Adjusted Share for the five consecutive trading days including and up to the Last Trading Day falls within the range and shallower than the average discount and the median discount of that of the Comparables.

Exclusion of the outliers

Volcano Spring International Holdings Limited with subscription price at the highest premium of 47.06% over the closing price per share on the last trading day and 47.06% over the average closing price for the five consecutive trading days, representing premium of 286.08% and 276.52% respectively higher than the average discount of that of the Comparables.

ISP HOLDINGS LIMITED with subscription price at the lowest discount of 74.50% to the closing price per share on the last trading day and 73.38% to the average closing price for the five consecutive trading days, representing discount of 194.58% and 175.24% respectively deeper than the average discount of that of the Comparables.

Melco International Development Limited, Shougang Century Holdings Limited and Yuzhou Group Holdings Company Limited with much higher market capitalization from approximately HK$870.34 million to HK$5,763.40 million while Global Strategic Group Limited with much lower market capitalization of approximately HK$14.59 million are considered to be outliers when compared to the market capitalization of the Company on the Last Trading Day. After exclusion of the outliers, the spread between the remaining Comparables with the highest and lowest market capitalization reduces substantially to 32.97 times from 395.09 times and therefore the remaining Comparables are now more relevant for our comparison purpose.

Excluding the six Comparables above, the subscription price of the remaining Comparables has a narrower range from a premium of approximately 6.67% to a discount of approximately 67.21%, with a shallower average discount of approximately 23.24% and the same median discount of approximately 13.80% over/to their respective closing prices per share on the last trading day. Despite the narrower range, the discount of approximately 19.00% of the Company's Subscription Price to the closing price per Adjusted Share on the Last Trading Day still falls within the range, shallower than the average discount but deeper than the median discount of that of the remaining Comparables.

Excluding the six Comparables above, subscription price of the remaining Comparables has a narrower range from a premium of approximately 2.30% to a discount of approximately 66.44%, with a shallower average discount of approximately 25.73% and the same median discount of 19.35% over/ to their respective average closing prices per share for the five consecutive trading days including and up to the last trading day. Despite the narrower range, the discount of approximately 19.00% of the Company's Subscription Price to the average closing price per Adjusted

Share for the five consecutive trading days including and up to the Last Trading Day still falls within the range and shallower than the average discount and the median discount of that of the remaining Comparables.

We note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of the rights issue transactions and encourage participation of shareholders. There were 14 out of the 17 Comparables set their subscription prices at various degrees of discount to their respective closing prices on the last trading day and average closing price on the five consecutive trading days. In line with the above, the Subscription Price was also set at discount to the closing price on the Last Trading Day and average closing price on the five consecutive trading days. Nonetheless, non participating Shareholders who do not wish to proceed with the Rights Issue for reasons such as the degree of discount to closing prices per adjusted Share may trade their entitlements in the market thus reducing impact from dilution of their shareholdings.

Placing commission

We also note that it is not uncommon for issuer not to make arrangement for excess application for Qualifying Shareholders to apply for excess rights shares as 10 out of 17 of the Comparables have no such arrangement. The Company has entered into the Placing Agreement with the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees on a best effort basis. The Placing Agent shall be entitled to a commission equal to 1.5% of the amount that have been successfully placed by the Placing Agent.

It is noted that of the 12 Comparables with placing arrangement, 9 of which offered compensation to placing agents with placing commission only (of which 1 with maximum payable commission capped) while 2 offered the higher of placing commission and fixed fee and 1 offered minimum fixed fee and additional commission upon successful placing. The placing commissions of the Comparables fell between 1.0% and 3.0% and fixed fees between from HK$100,000 to HK$150,000. As such, the placing commission of 1.5% in relation to the Rights Issue falls within the range of that of the Comparables.

Having considered that (i) the general downward trend of the adjusted closing prices of the Adjusted Shares; (ii) the thin trading volume of the Adjusted Shares during the Review Period; (iii) the discount to closing prices offered by the Subscription Price is common market practice and it falls within the range of that of the Comparables; (iv) theoretical dilution effect of the Rights Issue is in compliance with the theoretical dilution limit as defined under the Listing Rules; (v) the discount to closing prices offered by the Subscription Price could enhance the attractiveness of the Rights Issue and encourage Qualifying Shareholders to participate in it, and (vi) the placing commission falls within range of that of the Comparables, we are of the view that the Subscription Price is on normal commercial term and is fair and reasonable so far as the Independent Shareholders are concerned.

Possible dilution effect on the shareholding interests of the existing Public Shareholders

The Rights Issue allows the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 15.52%.

As shown in the table above, the theoretical dilution effect of the Comparables ranged from approximately nil to 24.85%, with an average of 13.39%. The theoretical dilution effect of the Rights Issue of approximately 15.52% falls within range of the Comparables and is deeper than the average but shallower than the median theoretical dilution effect of the Comparables. In general, the theoretical dilution effect of the Rights Issue is in compliance with the theoretical dilution limit as defined under the Listing Rules.

Having considered (i) the theoretical dilution effect of the Rights Issue falls within range of those of the Comparables and in compliance with the theoretical dilution limit as defined under the Listing Rules; (ii) the proceeds from Rights Issue would be applied to debt repayment and working capital requirement of the Group; (iii) the Rights Issue would strengthen the financial position of the Group; (iv) all Qualifying Shareholders are offered an equal opportunity to maintain their shareholding interests in the Company and allowed to participate in the development of the Company; (v) the inherent dilutive nature of rights issues in general if the existing shareholders do not take up their entitlements thereunder in full; and (vi) Qualifying Shareholders who are not taking up their entitlements are given the flexibility to dispose of the nil-paid Rights Shares in open market, we consider that the potential dilution effect of the Rights Issue is justifiable.

4. Financial Impact of the Rights Issue

(a) Net liabilities position

Based on the unaudited pro forma financial information of the Group set out in Appendix II to this Circular, the unaudited consolidated net tangible liabilities of the Group attributable to equity holders of the Company as of FYE2025 was approximately HK$64.04 million. Upon completion of the Rights Issue, the Group will receive net proceeds of approximately HK$143.94 million and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company immediately after completion of the Rights Issue will be approximately HK$79.90 million.

(b) Liquidity

As part of the proceeds of approximately HK$14.40 million from the Rights Issue will be used as the general working capital of the Group, the working capital position of the Group would be improved upon completion of the Rights Issue.

(c) Total debt

As of FYE2025 the Company's total debt was approximately HK$206.6 million while net liability was approximately HK$64.69 million. As part of the proceeds of approximately HK$60.0 million from the Rights Issue will be used for repayment of bank and other borrowings, the total debt position will be improved.

After taking into consideration of the above, in particular, the improvement of net liabilities position, improvement in liquidity position and the reduction in total debt 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.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, including (i) the Group is in need of funding to settle its financial obligations; (ii) the Subscription Price set at a discount that would attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company; (iii) the Shareholders could avoid dilution effect to their shareholding interests in the Company if they choose to take up their full entitlement of the Rights Shares under the Rights Issue; (iv) Shareholders who do not wish to accept the Rights Shares provisionally allotted to them could dispose of their nil-paid Rights Shares in open market; and (v) the potential positive impacts on the financial condition of the Group upon completion of the Rights Issue, we concur with the Board's view that the Rights Issue and the Placing Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Rights Issue and the Placing Agreement at the SGM.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Angus Au-Yeung
Managing Director

Mr. Angus Au-Yeung is a licensed person registered with the Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulatory activity under the SFO and has over 20 years of experience in corporate finance industry.