

30 April 2024

*To the Independent Board Committee and the Independent Shareholders of  
SingAsia Holdings Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
TWO (2) RIGHTS SHARES FOR EVERY  
ONE (1) EXISTING SHARE HELD ON THE RECORD DATE**

**A. INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) fairness and reasonableness of the terms of the proposed Rights Issue; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions at the EGM, details of which are set out in the “Letter from the Board” in the circular (the “**Circular**”) issued by the Company to the Shareholders dated 30 April 2024 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Announcement, in relation to, among other things, the Rights Issue. On 30 January 2024, the Company proposed to raise gross proceeds of up to approximately HK\$14.4 million (assuming full subscription under the Rights Issue) by way of issuing up to 144,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) at the Subscription Price of HK\$0.10 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders (if any).

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50%, the Rights Issue is conditional upon the Independent Shareholders’ approval at the EGM, and any controlling Shareholder(s) and their respective associates, or where there is no controlling Shareholder, 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 EGM.

As at Latest Practicable Date, the Company has no controlling Shareholder (as defined under the GEM Listing Rules) and there is no Director being beneficially interested in any Share. Accordingly, no Shareholder is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chou Chiu Ho, Mr. Chai Ming Hui and Mr. Lin Jian Feng has been established to make recommendations to the Independent Shareholders as to whether the Rights Issue is, or is not, on normal commercial terms, fair and reasonable, is in the interest of the Company and the Shareholders as a whole and whether to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Rights Issue are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned and such appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years.

Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

## **B. BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

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

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

We consider that we have reviewed all currently available information and documents, among others: (i) the Placing Agreement; (ii) the Announcement; (iii) annual report of the Company for the year ended 31 July 2023 (the “**Annual Report 2023**”); (iv) the first quarterly report of the Company for three months ended 31 October 2023; (v) the interim report of the Company for the six months ended 31 January 2024 (the “**Interim Report 2024**”); and (vi) the Supplemental Placing Agreement, which are made available to us and 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. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with 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 purposes, without our prior written consent.

### **C. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue and the transactions contemplated thereunder, we have considered the principal factors and reasons set out below:

#### **1. Information on the Group**

The Group is a Singapore-based workforce solutions provider which provides manpower outsourcing services, manpower recruitment services and manpower training services.

#### **2. Historical financial performance of the Group**

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 July 2023, as extracted from the Annual Report 2023 of the Company respectively:

	<b>For the year ended 31 July</b>	
	<b>2023</b>	<b>2022</b>
	(audited)	(audited)
	S\$	S\$
Revenue	18,523,764	9,786,667
Profit/(Loss) for the year	565,028	(1,717,492)

	<b>As at 31 July</b>	
	<b>2023</b>	<b>2022</b>
	(audited)	(audited)
	S\$	S\$
Cash and cash equivalents	1,559,209	271,146
Total assets	7,473,724	6,614,110
Total liabilities	3,690,918	3,340,899
Net assets	3,782,806	3,273,211

***Audited consolidated results for the two years ended 31 July 2023***

As disclosed in the Annual Report 2023, the Group is principally engaged in provision of manpower outsourcing and recruitment services in Singapore. During the year ended 31 July 2023 (“FY2023”), the Group’s revenue increased by approximately S\$8.7 million or approximately 89.3%, from approximately S\$9.8 million for the year ended 31 July 2022 (“FY2022”) to approximately S\$18.5 million in FY2023. The increase in revenue largely attributed to an increase in revenue generated from manpower outsourcing services as the Singapore economy made significant progress towards normalisation during the year ended 31 July 2023.

The profit of the Group in FY2023 was approximately S\$565,000 compared to a loss of approximately S\$1.7 million in FY2022, the turnaround mainly due to the increase in revenue, the higher government grants received and the gain on disposal of subsidiaries.

As at 31 July 2023, the Group recorded cash and cash equivalents, total assets, total liabilities and net assets of approximately S\$1.6 million, S\$7.5 million, S\$3.7 million and HK\$3.8 million, respectively. The increase in net assets as at 31 July 2023 was mainly due to the increase in cash and cash equivalents. The Group’s gearing ratio, calculated as percentage of net debt to the total equity of the Company, was approximately 53.7% as at 31 July 2023 as compared to approximately 93.5% as at 31 July 2022.

### ***Prospects of the Group***

As disclosed in the Annual Report 2023, the Group will continue to deepen its relationships with existing customers and seek new business opportunities with new customers. The Group will continue to implement new business strategies to remain competitive in the market, manage its expenditure and undertake a series of measures to increase its resilience and protect the interest of all the stakeholders. The Group will also proactively seek opportunities to expand its market share and implement new business strategies to remain competitive in the market to enhance value to its shareholders.

### **3. Background of and reasons for the Rights Issue and the use of proceeds**

#### ***Reasons for the Rights Issue and use of proceeds***

As set out in the “Letter from the Board”, the Group is a Singapore-based workforce solutions provider which provides manpower outsourcing services, manpower recruitment services and manpower training services. The Group’s workforce solutions meet customers’ needs for a reliable and efficient workforce in the hotel and resort, retail, food and beverage (the “**F&B**”) and other sectors across Singapore. These sectors are always in demand for flexible workforce support to reduce cost and respond to seasonal and fluctuating market conditions.

As disclosed in the Annual Report 2023, revenue of the Group grew from approximately S\$9.8 million in FY2022 to approximately S\$18.5 million in FY2023, representing a significant increase of approximately 89.3%. The increase in revenue largely attributed to an increase in revenue generated from manpower outsourcing services as the Singapore economy made significant progress towards normalisation during the year ended 31 July 2023.

As the impact of COVID-19 epidemic gradually recedes and benefited by the reopening of borders in various countries, Singapore’s tourism industry has started to thrive. According to the information available from public domain, the number of international visitor arrivals in Singapore recorded from January 2023 to November 2023 was approximately 12.3 million, which is nearly double the figure for the entire year of 2022 (approximately 6.3 million). The Company expects the tourism sector in Singapore to continue its growth momentum in the year ahead, on the back of increasing flight connectivity and capacity, and China’s gradual reopening. The Company believes the recovery of the tourism industry will simultaneously drive the hotel and resort, retail, F&B and other sectors in Singapore, thereby generating increased demand for manpower. Pursuant to the news we found on the website of the Singapore Tourism Board, a statutory board under the Ministry of Trade and Industry of Singapore, published in 2023 (source: <https://www.stb.gov.sg/content/stb/en/media-centre/media-releases/Singapore-tourism-sector-recovers-strongly-in-2022-visitor->

numbers-expected-to-double-in-2023.html), we noted that the total tourism workforce as of September 2022 was approximately 78% of that in 2019. Besides, we obtained the workforce data in Singapore in 2023 from the report named “Labour Force in Singapore 2023” published by the Ministry of Manpower of Singapore (source: <https://stats.mom.gov.sg/iMASPdfLibrary/mrsd2023LabourForce.pdf>), we found there were approximately 18% of employed residents aged 25 and above worked in industry of transportation and storage, retail trade, food and beverage services and accommodation in Singapore in 2023 while having an increase in the total number of employed labour force from 2022 to 2023, which indicates there are certain needs of labour in those industries in Singapore. We have also discussed with the management of the Company that the above mentioned sectors are relevant to the manpower outsourcing services and hence we concur with the view of the Board that the demand of such services would increase due to the growing market demand in Singapore.

In light of the significant growth in the Group’s revenue and the number of visitor arrivals in Singapore as mentioned above, the Company is of the view that this is an opportune time for the Group to scale up to seize market demand and, accordingly, generate profits. For this purpose, the Company plans to enhance the Group’s enterprise resource planning system and other IT infrastructure to more efficiently align with customers’ needs. The management considers that an improvement in the Group’s IT infrastructure would enable it to build up a more comprehensive database on the attributes and backgrounds of its staff and contractors, which, in turn would facilitate the Group in matching the appropriate candidates or deployed staff with the right employers or customers. Additionally, the Company intends to recruit or hire more staff and/or freelance contractors so as to expand the labour force available for deployment, thereby capturing the growing market demand for manpower in the hotel and resort, retail, F&B and other sectors in Singapore.

Furthermore, the Company also plans to utilise part of the net proceeds from the Rights Issue to explore new business opportunities by way of establishing the Group’s market presence and operations in Hong Kong. According to the information available from public domain, between 2018 and 2022, the labour force in Hong Kong has shown a consistent downward trend, contracting by a total of 219,000 individuals or 6%. As Hong Kong gradually returns to normalcy following the COVID-19 epidemic, this decline in the labour force has inevitably led to a significant shortage of manpower. In addition, the total number of job vacancies in the private sector has surged and nearly doubled within two years, reaching 77,800 in March 2023. Consequently, the vacancy rate has reached a nine-year high of 2.8%.

The Company believes that the reopening of borders in Hong Kong last year, coupled with the government’s successive implementation of policies to stimulate the tourism industry, will further increase the local private sector’s demand for manpower, particularly the hotel and resort, retail and F&B sectors. According to Census and

Statistics Department in Hong Kong (the “C&S”) (source: <https://www.censtatd.gov.hk/>), there were over 34 million of visitors arrived in Hong Kong in 2023, an increase of approximately 55% compared to that in 2022. The growth in visitor arrivals has further increased the spending in retail by 16.2% when comparing the year-on-year value index between 2022 and 2023. Pursuant to the latest provisional value index of restaurant receipts and accommodation services disclosed by C&S, we found there was a year-on-year increase of approximately 7.5% and approximately 45.1% respectively in the fourth quarter of 2023. Therefore, the Company considers this to be an opportunity to expand its business and capture the local market in Hong Kong. In view of this, the Company plans to establish an operation centre and employ certain staff in Hong Kong to support the Group’s expansion plans, including providing manpower outsourcing services and manpower recruitment services to meet the local demand. Once the Group has established its workforce in Hong Kong, it would arrange vocational trainings for the staff to equip them with relevant knowledge and skills in serving different labour intensive industries in Hong Kong, with a particular focus on the hotel and resort, retail and F&B sectors. Leveraging the existing business model of the Group which proved to be highly successful in Singapore, the management believes that the Group’s ability and consistent track record in deploying quality workers on an as-needed basis would facilitate business enterprises in Hong Kong to be readily supported by a reliable workforce, while sparing them from the significant time and expenses which may otherwise be required for the recruitment, training and retention of their own staff.

Accordingly, the Company requires substantial financial and operational resources to expand and raise the scale for operations. The net proceeds from the Rights Issue will not only provide the necessary funding to facilitate the development and expansion of the Group’s business but also strengthen the financial positions of the Group. Assuming there will be no change in the number of Shares in issue on or before the Record Date and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the estimated expenses of approximately HK\$0.8 million) is expected to be approximately HK\$13.6 million, which will be used as follows during the forthcoming 12 months:

- (i) approximately HK\$4.1 million, being approximately 30% of the net proceeds, for enhancement of the enterprise resource planning system and other IT infrastructure of the Group;
- (ii) approximately HK\$4.1 million, being approximately 30% of the net proceeds, for recruiting or hiring additional staff and/or freelance contractors for the Group’s business in Singapore;



- (iii) approximately HK\$2.7 million, being approximately 20% of the net proceeds, for establishing the Group's market presence and operations in Hong Kong; and
- (iv) approximately HK\$2.7 million, being approximately 20% of the net proceeds, for general working capital of the Group.

The Rights Issue will proceed irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be allocated and utilised in accordance with the same proportion to the above uses.

#### ***Fund raising alternatives***

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing, or an open offer.

In respect of debt financing, the Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. Debt financing will also result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner.

As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company.

As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, we are of the view and concur with the view of the Directors that raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Based on the above, we are of the view of the Board that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, based on publicly available market information, we noted the Board understands that where the Unsubscribed Rights Shares and ES Unsold Rights Shares are to be fully-underwritten, the underwriting commission charged by underwriters is generally much higher than the commission charged for placing on a best effort basis. To improve the cost effectiveness of the Rights Issue and having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, we also concur with the view of the Board that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholder(s), if any, should note that their shareholdings will be diluted.

#### 4. Principal terms of the Rights Issue

The Board proposes to raise gross proceeds of up to approximately HK\$14.4 million (assuming full subscription under the Rights Issue) by way of issuing up to 144,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) at the Subscription Price of HK\$0.10 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders (if any). Further details of the Rights Issue are set out below:

<b>Basis of the Rights Issue</b>	:	two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
<b>Maximum number of Rights Shares to be issued</b>	:	144,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
<b>Subscription Price</b>	:	HK\$0.10 per Rights Share
<b>Net subscription price per Rights Share (i.e. Subscription Price less Rights Issue expenses)</b>	:	Approximately HK\$0.09 per Rights Share
<b>Maximum gross proceeds to be raised from the Rights Issue before expenses</b>	:	Approximately HK\$14.4 million

<b>Maximum net proceeds to be raised from the Rights Issue after expenses</b>	: Approximately HK\$13.6 million
<b>Number of Shares in issue as at the Latest Practicable Date</b>	: 72,000,000 Shares
<b>Number of Shares in issue upon completion of the Rights Issue (assuming the Rights Issue is fully subscribed)</b>	: 216,000,000 Shares (assuming no change in the number of Shares in issue on or before the Record Date)
<b>Aggregate nominal value of the Rights Shares</b>	: HK\$7.2 million (assuming no change in the number of Shares in issue on or before the Record Date)

Assuming there is no change to the total issued share capital of the Company on or before the Record Date, 144,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 200% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 66.67% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon completion of the Rights Issue (assuming the Rights Issue is fully subscribed).

As at the Latest Practicable Date, the Company has no outstanding derivatives, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

#### ***The Subscription Price***

The Subscription Price is HK\$0.10 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 the nil-paid Rights Share(s) applies for the Rights Share(s).

The Subscription Price represents:

- (i) a discount of approximately 25.37% to the closing price of HK\$0.134 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 11.50% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the Last Trading Day;

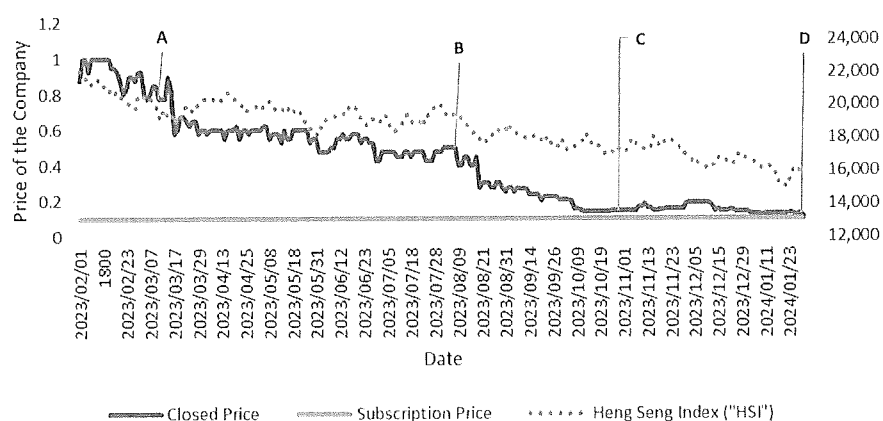
- (iii) a discount of approximately 18.70% to the average closing price of approximately HK\$0.123 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 20.63% to the average closing price of approximately HK\$0.126 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 3.85% to the theoretical ex-rights price of approximately HK\$0.104 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 14.17% of the theoretical diluted price of approximately HK\$0.109 per Share to the benchmarked price of approximately HK\$0.127 per Share (as defined under Rule 10.44A of the GEM Listing Rules), taking into account the higher of the closing price of HK\$0.113 per Share on the Last Trading Day and the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day of HK\$0.127 per Share);
- (vii) a discount of approximately 67.32% to the net asset value of the Company of approximately HK\$0.306 per Share based on the latest published audited net asset value attributable to owners of the Company of approximately S\$3.78 million (equivalent to approximately HK\$22.0 million) as at 31 July 2023 as set out in the Annual Report 2023 and the total number of issued Shares of 72,000,000 Shares as at the Latest Practicable Date; and
- (viii) a discount of approximately 59.68% to the unaudited net asset value of the Company of approximately HK\$0.248 per Share based on the unaudited net asset value attributable to owners of the Company of approximately S\$3.07 million (equivalent to approximately HK\$17.9 million) as at 31 January 2024 as set out in the Interim Report 2024 of the Company for the six months ended 31 January 2024 and the total number of issued Shares of 72,000,000 Shares as at the Latest Practicable Date.

### *Comparison with historical closing prices of the Shares*

As stated in the “Letter from the Board”, the Subscription Price was determined with reference to, among other things, the recent market prices of the Shares, the current market conditions and the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE USE OF PROCEEDS” in the Circular.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the closing prices of the Shares and the trading liquidity of the Shares for the period from 1 February 2023, being the 12-month period prior to the date of the Announcement, up to and including the Last Trading Day (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the daily closing price per Share (the “**Closing Price**”) versus the Subscription Price of HK\$0.10 per Rights Share during the Review Period:

**Graph A: Closing Price during the Review Period**



Published announcements of the Company:

- A. announcement of interim results for the six months ended 31 January 2023, published on 13 March 2023
- B. proposed share consolidation, published on 8 August 2023
- C. announcement of annual results for the year ended 31 July 2023, published 27 October 2023
- D. the Announcement

As shown in the chart above, during the Review Period, the average Closing Price was approximately HK\$0.421 (the “**Average Closing Price**”). The highest Closing Price was HK\$1.00 (the “**Highest Closing Price**”) recorded on 2 February 2023, 3 February 2023 and from 7 February 2023 to 15 February 2023 and the lowest Closing Price was HK\$0.113 (the “**Lowest Closing Price**”) recorded on 30 January 2024.

We noted that (i) the Closing Price has general downward trend, recorded from HK\$1.00 on 2 February 2023 to HK\$0.113 on 30 January 2024; and (ii) the closing price of the HSI has general downward trend, recorded from 22,072 on 1 February 2023 to 15,703 on 30 January 2024. As such, the movement of the Closing Price was in line with the HSI. As discussed with the management of the Group, they were not aware of any reason for such movement in the Closing Price as mentioned above. We have also reviewed the announcements disclosed during the Review Period and we are not aware of any information which caused the substantial change in the Closing Price.

We noted that the Shares were traded above the Subscription Price. The Subscription Price of HK\$0.10 represents (i) a discount of approximately 90.00% to the Highest Closing Price; (ii) a discount of approximately 11.50% to the Lowest Closing Price; and (iii) a discount of approximately 76.25% to the Average Closing Price. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price offered at discounts to the Highest Closing Price, the Lowest Closing Price and the Average Closing Price.

### Historical trading liquidity of the Shares

("Table A")	Total trading volume (Note 1)	Number of trading days	Average daily volume (Note 2)	Approximately % of average daily trading volume to total number of issued Shares (Note 3)	Approximately % of average daily trading volume to total number of issued Shares held by public Shareholders (Note 4)
<b>2023</b>					
February	884,000	20	44,200	0.0025%	0.0028%
March	2,534,400	23	110,191	0.0061%	0.0070%
April	304,800	17	17,929	0.0010%	0.0011%
May	476,800	21	22,705	0.0013%	0.0014%
June	744,600	21	35,457	0.0020%	0.0023%
July	209,800	20	10,490	0.0006%	0.0007%
August	1,437,580	23	62,503	0.0035%	0.0040%
September	166,000	19	8,737	0.0121%	0.0139%
October	160,200	20	8,010	0.0111%	0.0127%
November	632,600	22	28,755	0.0399%	0.0457%
December	980,600	19	51,611	0.0717%	0.0821%
<b>2024</b>					
January	924,200	21	44,010	0.0611%	0.0700%

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

- (1) Total trading volume for the month/period is sourced from the website of the Stock Exchange.
- (2) Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which excludes any trading day on which trading in the Shares on the Stock Exchange was suspended for the whole trading day.
- (3) The calculation is based on the average daily trading volume for the month/period by the total number of Shares in issue at the end of each respective month/period.
- (4) The calculation is based on the total number of the Shares in public hands (i.e., after excluding the controlling shareholder(s) or single largest shareholder) at the end of each respective month/period according to the public information on the Stock Exchange.

As shown in the “Table A”, the average daily trading volume, the average daily trading volume of the Shares for the respective month/period during the Review Period ranged from 8,010 Shares in October 2023 to 110,191 Shares in March 2023, representing approximately 0.0111% to approximately 0.0061% of the total number of issued Shares at the end of their respective month/period, or approximately 0.0127% to approximately 0.0070% of the total number of issued Shares held by public Shareholders at the end of their respective month/period.

Given that (i) the generally thin liquidity of the Shares during the Review Period, which would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market without exerting a significant impact on the Share price; (ii) the general downtrend of the Closing Price from 2 February 2023 to the Last Trading Day; and (iii) HSI was on a decreasing trend during the Review Period, we are of the view that it is reasonable for the Subscription Price to be set at a discount to the Average Closing Price of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.



### *Comparison to other rights issue*

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue approximately 12 months prior to the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. We consider that the Comparison Period is appropriate, fair and representative because (i) the comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the rights issue exercise in the recent market conditions; and (ii) sufficient number of comparables were identified during the Comparison Period. Based on our research, we have identified an exhaustive list of 62 rights issue comparables (the “**Comparables**”) during the Comparison Period.

We noted that the business activities of the Comparables may not be directly comparable to the business activities carried out by the Group. We noted that the terms of the rights issue announced by the Comparables may not be directly comparable to the terms of the Rights Issue announced by the Group due to the differences in business activities and performances. Although the Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, theoretical ex-rights price, net asset value, maximum dilution on the shareholding and theoretical dilution effect; (iii) a 12-month period for the selection of the Comparables has resulted in the generation of a reasonable sample size; and (iv) the Comparables were included without any artificial selection or filtering on our part. Since there are a sufficient number of Comparables under the selection criteria mentioned above, we are of the view that they represented a true and fair view and representative samples of the recent market trends for rights issue and are sufficient for assessing the fairness and reasonableness of the Rights Issue.

**Table B: Details of the Comparables**

Date of announcement	Listed company	Stock code	Stock entitlement	Premium/ (discount) (Last Trading Day) (%)	Premium/ (discount) – theoretical ex-rights (%)	Premium/ (discount) – net asset value (%)	Maximum dilution on the shareholding (%)	Theoretical dilution effect (Note 1) (%)	Excess Application/placing (%)	Placing commission (Note 2) (%)	Underwriting arrangement (Note 3) (%)	Underwriting fee (Note 3) (%)
18/1/2024	CGIAM Future Energy Limited	145	1 for 2	(12.5)	(8.7)	(5.4)	33.3	4.2	Placing	5.0	Non-underwritten	N/A
18/1/2024	China Oriented International Holdings Limited	1871	1 for 2	(18.4)	(13.0)	(63.3)	33.3	6.1	Placing	3.0	Non-underwritten	N/A
12/1/2024	Tongda Hong Tai Holdings Limited	2363	2 for 1	(1.7)	-	Net liabilities	66.7	1.7	Placing	2.0	Non-underwritten	N/A
10/1/2024	Teamway International Group Holdings Limited	1239	1 for 1	(32.8)	(19.6)	Net liabilities	50.0	16.4	Placing	0.5	Non-underwritten	N/A
28/12/2023	Huasheng International Holding Limited	1323	1 for 2	(12.2)	(8.7)	(47.7)	33.3	3.8	Placing	3.0	Non-underwritten	N/A
28/12/2023	Sun Kong Holdings Limited	8631	2 for 1	(34.8)	(15.5)	(70.9)	66.7	23.5	Placing	1.0	Non-underwritten	N/A
28/12/2023	Elite Holdings Limited	223	1 for 5	3.5	2.9	335.0	16.7	0.0	Excess application	N/A	Underwritten on a best effort basis	2.5
14/12/2023	Major Holdings Limited	1389	2 for 3	(53.1)	(40.4)	(57.0)	40.0	21.2	Placing	3.0	Fully-underwritten	0.0
8/12/2023	Imperium Financial Group Limited	8029	1 for 2	(11.1)	(7.7)	Net liabilities	33.3	3.7	Placing	2.0	Non-underwritten	N/A
5/12/2023	Finsoff Financial Investment Holdings Limited	8018	3 for 1	(28.2)	(8.9)	(83.1)	75.0	21.1	Placing	3.5	Non-underwritten	N/A
1/12/2023	China Financial Leasing Group Limited	2312	1 for 1	(35.6)	(19.5)	(64.0)	50.0	16.3	Excess application	N/A	Fully-underwritten	1.0
28/11/2023	IBO Technology Company Limited	2708	3 for 1	(25.2)	(7.6)	(87.5)	75.0	19.3%	Excess application	N/A	Underwritten on a best effort basis	2.0
24/11/2023	Lapco Holdings Limited	8472	3 for 1	(30.2)	(9.8)	(84.9)	75.0	22.7	Placing	2.5	Non-underwritten	N/A
21/11/2023	Gameone Holdings Limited	8282	1 for 2	6.8	4.5	(11.3)	33.3	0.0	Excess application	N/A	Fully-underwritten	3.0
20/11/2023	Coel Link (Holdings) Limited	8491	3 for 1	(28.7)	(9.2)	(56.5)	75.0	21.5	Placing	1.5	Non-underwritten	N/A
17/11/2023	Huabang Technology Holdings Limited	3638	1 for 2	(24.1)	(17.4)	(49.2)	33.3	8.0	Placing	2.0	Non-underwritten	N/A
17/11/2023	Da Yu Financial Holdings Limited	1073	1 for 1	11.1	4.9	(63.4)	50.0	0.0	Excess application	N/A	Non-underwritten	N/A
6/11/2023	Zhejiang Expressway Co., Ltd.	576	3.8 for 10	(32.1)	(23.3)	(68.7)	27.5	8.8	Excess application	N/A	Fully-underwritten	1.7
3/11/2023	Rego Interactive Co., Ltd	2422	1 for 2	(49.4)	(16.5)	(38.8)	33.3	16.5	Placing	0.5	Non-underwritten	N/A
17/10/2023	GoFinTech Innovation Limited	290	3 for 1	(9.1)	(2.4)	(46.7)	75.0	10.0	Placing	1.0	Non-underwritten	N/A
3/10/2023	Universe Primispor Holdings Limited	8448	3 for 2	(14.8)	(8.0)	Net liabilities	60.0	11.1	Excess application	N/A	Fully-underwritten	0.0
15/9/2023	Royal Century Resources Holdings Limited	8125	5 for 1	(19.3)	(3.8)	(85.0)	83.3	16.1	Placing	1.0	Non-underwritten	N/A
11/9/2023	Asian Citrus Holdings Limited	73	1 for 2	(34.0)	(25.5)	(45.3)	33.3	11.3	Excess application	N/A	Underwritten on a best effort basis	2.5
6/9/2023	Orient Securities International Holdings Limited	8001	1 for 2	(50.8)	(40.4)	(93.7)	33.3	17.5	Placing	0.5	Non-underwritten	N/A
3/9/2023	Rare Earth Magnesium Technology Group Holdings Limited	601	1 for 2	(39.9)	(23.8)	(97.1)	33.3	13.5	Excess application	N/A	Fully-underwritten	7.1

Date of announcement	Listed company	Stock code	Basis of entitlement	Premium/ (discount) (Last Trading Day) (%)	Premium/ (discount) – theoretical ex-rights (%)	Premium/ (discount) – net asset value (%)	Maximum dilution on the shareholding (%)	Theoretical dilution effect (Note 1) (%)	Excess Application/placing (%)	Placing commission (Note 2) (%)	Underwriting arrangement (Note 3)	Underwriting fee (Note 3) (%)
15/8/2023	Wisdomcome Group Holdings Limited	8079	3 for 1	(22.4)	(6.3)	(86.4)	75.0	16.8	Excess application	N/A	Fully-underwritten	7.1
11/8/2023	Almania Limited	8186	3 for 1	(26.7)	(8.3)	22.2	75.0	22.6	Placing	1.0	Non-underwritten	N/A
28/7/2023	Artigo Holdings Limited	3313	2 for 1	(29.4)	(11.2)	(95.5)	66.7	19.6	Placing	1.0	Non-underwritten	N/A
26/7/2023	China Best Group Holding Limited	370	2 for 5	(37.3)	(31.0)	(71.0)	28.6	11.1	Placing	A fixed fee of HK\$100,000 and 1% of HK\$100,000 or 2.5%, whichever is higher	Non-underwritten	N/A
24/7/2023	Piatt Nera International Limited	1949	1 for 2	(58.0)	(47.9)	(54.1)	33.3	19.3	Placing	3.0	Non-underwritten	N/A
14/7/2023	Tasy Concept Holding Limited	8096	5 for 2	4.7	1.5	566.7	71.4	2.6	Placing	A fixed fee of HK\$100,000 or 2.5%, whichever is higher	Non-underwritten	N/A
6/7/2023	Classified Group (Holdings) Limited	8232	3 for 2	(15.0)	(6.6)	(49.1)	60.0	8.8	Placing	Fixed Fully-underwritten commission fee of HK\$38,000	Fully-underwritten	0.0
19/6/2023	F-House (China) Enterprise Holdings Limited	2048	12 for 10	(20.7)	(16.6)	Net liabilities	54.5	11.0	Placing	0.6	Fully-underwritten	0.0
16/6/2023	Future World Holdings Limited	572	1 for 1	(27.7)	(16.1)	(91.7)	50.0	13.9	Excess application	N/A	Fully-underwritten	2.5
11/6/2023	China Zhesang Bank Co., Ltd.	2016	3 for 10	(15.2)	(12.1)	(94.3)	23.1	3.5	Excess application	N/A	Fully-underwritten	1.0
8/6/2023	Hi-Level Technology Holdings Limited	8113	1 for 1	(55.5)	(21.6)	188.0	50.0	17.7	Placing	1.0	Non-underwritten	N/A
7/6/2023	GBA Holdings Limited	261	4 for 5	(25.0)	(16.7)	(90.3)	44.4	11.1	Placing	3.5	Underwritten on a best effort basis	4.0
7/6/2023	Tesson Holdings Limited	1201	3 for 4	(11.5)	(9.1)	(72.2)	42.9	2.7	Excess application	N/A	Non-underwritten	N/A
5/6/2023	Solomon Worldwide Holdings Limited	8133	1 for 2	(20.8)	(15.8)	66.7	33.3	7.3	Excess application	N/A	Underwritten on a best effort basis	1.5
30/5/2023	Min Fu International Holding Limited	8511	1 for 2	(8.3)	(5.7)	12.4	33.3	3.3	Placing	4.0	Non-underwritten	N/A
29/5/2023	Hao Bai International (Cayman) Limited	8431	1 for 2	(5.7)	(3.9)	37.0	33.3	3.8	Placing	1.6	Non-underwritten	N/A
25/5/2023	China Investment Development Limited	204	1 for 1	(41.2)	(26.1)	(83.1)	50.0	20.4	Placing	1.0	Non-underwritten	N/A
25/5/2023	Jima Group Limited	8187	2 for 1	15.6	4.7	Net liabilities	66.7	0.0	Excess application	N/A	Fully-underwritten	Fixed commission fee of HK\$100,000

Date of announcement	Listed company	Stock code	Basis of entitlement	Premium/ (discount)/ (Last Trading Day)	Premium/ (discount) – theoretical ex-rights	Premium/ (discount) – net asset value	Maximum dilution on the shareholding	Theoretical dilution effect Excess (Note 1)	Application/placing	Placing commission (Note 2)	Underwriting arrangement (Note 3)	Underwriting fee (Note 3)
				(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
17/5/2023	CROSSSTEC Group Holdings Limited	3893	1 for 2	(9.1)	(6.3)	Net liabilities	33.3	3.0	Excess application	N/A	Non-underwritten	N/A
12/5/2023	China Raifeng Renewable Energy Holdings Limited	527	5 for 2	(28.0)	(10.0)	(54.2)	71.4	20.0	Placing	^ fixed fee of HK\$70,000 and 1.5%	Non-underwritten	N/A
5/5/2023	Tongda Hong Tai Holdings Limited	2363	2 for 1	(16.7)	(6.6)	Net liabilities	66.7	11.1	Placing	2.5	Non-underwritten	N/A
5/5/2023	China Medical & HealthCare Group Limited	383	1 for 2	(15.4)	(11.1)	(59.1)	33.3	5.7	Excess application	N/A	Fully-underwritten	2.5
28/4/2023	PT International Development Corporation Limited	372	1 for 2	(89.2)	(60.0)	(87.3)	33.3	23.1	Placing	0.3	Fully-underwritten	0.5
14/4/2023	Xinyi Energy Holdings Limited	3868	1 for 10	(9.9)	(9.1)	38.6	9.1	0.8	Excess application	N/A	Non-underwritten	N/A
13/4/2023	Finet Group Limited	8317	1 for 2	(52.4)	(42.2)	96.1	33.3	18.0	Placing	Fixed	Fully-underwritten	0.0
13/4/2023	Phinestone Capital Limited	804	1 for 2	(40.8)	(31.5)	(64.2)	33.3	13.6	Placing	1.5	Non-underwritten	N/A
11/4/2023	China Wanjian Holdings Limited	1854	1 for 5	(41.9)	(37.6)	350.0	16.7	7.0	Excess application	N/A	Fully-underwritten	7.1
6/4/2023	Kingland Group Holdings Limited	1751	1 for 2	(70.4)	(61.3)	262.8	33.3	23.5	Placing	3.5	Non-underwritten	N/A
6/4/2023	Lak Hing Entertainment Group Holdings Limited	8052	1 for 1	(5.9)	(3.0)	Net liabilities	50.0	2.9	Placing	3.0	Fully-underwritten	3.0
28/3/2023	Haitong International Securities Group Limited	665	3 for 10	-	-	(79.2)	23.1	0.1	Excess application	N/A	Non-underwritten	N/A
27/3/2023	Sundamarin International Holdings Limited	428	3 for 2	(16.7)	(7.4)	(22.4)	60.0	10.0	Placing	2.0	Fully-underwritten	1.0
6/3/2023	CBK Holdings Limited	8428	5 for 1	(15.9)	(2.9)	(79.1)	85.3	13.2	Placing	3.5	Non-underwritten	N/A
3/3/2023	Diwang Industrial Holdings Limited	1950	3 for 2	1.5	0.6	(37.4)	60.0	6.8	Placing	0.5	Non-underwritten	N/A
24/2/2023	Bossini International Holdings Limited	592	1 for 2	(21.3)	(3.2)	236.0	33.3	8.5	Excess application	N/A	Underwritten on a best effort basis	A fixed fee of HK\$1,000,000 or 1.5%, whichever is higher
17/2/2023	State Innovation Holdings Limited	8275	3 for 2	(26.5)	(12.5)	(53.5)	60.0	16.0	Placing	2.5	Non-underwritten	N/A
10/2/2023	WINDMILL Group Limited	1850	2 for 1	(1.5)	-	(54.1)	66.7	2.8	Placing	1.0	Non-underwritten	N/A
10/2/2023	Link Real Estate Investment Trust	823	1 for 5	(29.6)	(26.0)	(45.3)	16.7	5.0	Excess application	N/A	Fully-underwritten	1.5

Date of announcement	Listed company	Stock code	Basis of entitlement	Premium/ (discount) (Last Trading Day) (%)	Premium/ (discount) – theoretical ex-rights (%)	Premium/ (discount) – net asset value (%)	Maximum dilution on the shareholding (%)	Theoretical dilution effect (Note 1) (%)	Excess Application/placing (%)	Placing commission (Note 2) (%)	Underwriting arrangement (Note 3)	Underwriting fee (Note 3) (%)
	Maximum			15.6	4.9	566.7	83.3	23.5		5.0		7.1
	Minimum			(70.4)	(61.3)	(97.1)	9.1	-		0.3		0.0
	Average			(22.9)	(14.4)	(7.8)	47.4	11.0		2.0		2.2
	Maximum			-	-	96.1	-	-		-		-
(excluding outliers)	Minimum			-	-	(97.1)	-	-		-		-
(note 5)	Average			-	-	(50.0)	-	-		-		-
30/1/2024	The Company	8293	2 for 1	(11.5)	(3.9)	(67.3)	66.7	14.2	Placing	A fixed fee of HK\$100,000 or 1.5%, whichever is higher	Non-underwritten	N/A

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

*Notes:*

1. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the GEM Listing Rules.
2. Pursuant to Rule 7.21(1) of the Listing Rule or Rule 10.31(1) of the GEM Listing Rule.
3. In order to calculate the average, minimum and maximum percentage of the underwriting/placing commission of the Comparables, we have excluded the minimum underwriting/placing commissions and absolute underwriting/placing commissions.
4. The discount of its subscription price to its net asset value per share was calculated based on its subscription price of HK\$2.23 per H share, latest annual report of approximately RMB165,930 million as at 31 December 2022 and number of issued H-share of 4,554.0 million. A conversion rate of RMB1 to HK\$1.08 was used for indicative purpose.
5. Elife Holdings Limited (stock code: 223), Tasty Concepts Holding Limited (stock code: 8096), Hi-Level Technology Holdings Limited (stock code: 8113), China Wantian Holdings Limited (stock code: 1854), Kingland Group Holdings Limited (stock code: 1751) and Bossini International Holdings Limited (stock code: 592) (collectively, the “**Outliners**”) are considered as outliners in terms of their subscription prices to their net assets.

Based on the “Table B”, we noted from the above table that almost all of the Comparables had set the subscription price of their rights issue at a discount to the prevailing market price of the relevant shares before the relevant announcements in respect of the rights issue were made except seven Comparables, Haitong International Securities Group Limited (stock code: 665), with its subscription price same as the closing price on the last trading day and nil discount of the subscription price to its theoretical ex-right share, and the followings Elife Holdings Limited (stock code: 223), Gameone Holdings Limited (stock code: 8282), Da Yu Financial Holdings Limited (stock code: 1073), Tasty Concepts Holding Limited (stock code: 8096), Jimu Group Limited (stock code: 8187) and Diwang Industrial Holdings Limited (stock code: 1950), with premium of its subscription price to the closing on the last trading day and its theoretical ex-right share. Therefore, we consider it is a normal market practice for listed companies to set the subscription price of rights issue at a discount to the prevailing market price of the relevant shares so as to encourage the shareholders’ participation but it is not uncommon to set subscription price with nil discount or premium to prevailing price.

Based on the “Table B”, we noted that (i) the subscription prices to the closing price on the last trading day prior to the announcement of the Comparables ranged from a discount of approximately 70.4% to a premium of approximately 15.6%, with an average discount of approximately 22.9%. The discount of the Subscription Price to the closing price per Share as at the Last Trading Day of approximately 11.5% is within the range; (ii) the subscription prices to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the Comparables ranged from a discount of approximately 61.3% to a premium of approximately 4.9%, with an average discount of approximately 14.4%. The discount of the Subscription Price to the theoretical ex-rights price per Share on the Last Trading Day of approximately 3.9% is within the range; (iii) nine Comparables recorded net liabilities and the premium of the Outliners to their net assets over 100%. Excluding those recorded net liabilities and the Outliners, the subscription prices to the net asset value per share based on the closing price per share on the last trading day prior to announcement in relation to the Comparables ranged from a discount of approximately 97.1% to a premium of approximately 96.1%, with an average discount of approximately 50.0%. The discount of the Subscription Price to the net asset value per Share on the Last Trading Day of approximately 67.3% is within the range; (iv) the theoretical dilution effect of the Comparables ranged from nil to approximately 23.5%, with an average dilution effect of approximately 11.0%. Due to the fact that (a) the theoretical dilution effect represented by the Rights Issue of approximately 14.2% falls within the range of the Comparables; (b) the net proceeds from the Rights Issue would help expand and diversify the Group’s business; and (c) the Subscription Price favors the Qualifying Shareholders to subscribe for the Rights Shares and maintain their respective pro-rata shareholding interests in the Company, we consider that the theoretical dilution effect represented by the Rights Issue is acceptable so far as the Independent Shareholders are concerned; and (v) the maximum dilution on the shareholding of the Comparables ranged from approximately 9.1% to approximately 83.3%, with an average of approximately 47.4%. The maximum dilution on the shareholding of the Rights Issue of approximately 66.7% falls within the range of the Comparables. Taking into consideration the maximum dilution on the shareholding of the Rights Issue falls within the range of the Comparables, we are of the view that the proposed offer basis is in the interest of the Company and the Shareholders as a whole and as far as the Independent Shareholders are concerned. Taking into account the above findings, we consider the Subscription Price is fair and reasonable.

### ***No excess application***

As mentioned in the Letter from the Board, there will be no excess application arrangements in relation to the Rights Issue. Amongst the Comparables, 40 out of 62 Comparables did not offer excess application for its shareholders. As such, we consider the absence of excess application in rights issue is not an uncommon market practice. Instead of excess application arrangement, the Company has arranged the Compensatory Arrangements and the Placing.

### ***Placing commission***

The Company and the Placing Agent entered into the Placing Agreement (as supplemented by the Supplemental Placing Agreement), pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure Placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares as part of the Compensatory Arrangements. For further details of the principal terms of the Placing Agreement, please refer to section headed “Placing Agreement” in the Circular. As set out in the “Letter from the Board”, the Company shall pay the Placing Agent a placing commission equivalent to, in Hong Kong dollars, (i) a fixed fee of HK\$100,000; or (ii) 1.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and ES Unsold Rights Shares which are successfully placed by the Placing Agent, whichever is higher.

According to the Comparables as set out in Table B, the placing commission of the Comparables ranged from approximately 0.3% to 5.0%, with average placing commission of approximately 2.0% respectively. We note that the Company shall pay the Placing Agent a placing commission equivalent to, in Hong Kong dollars, (i) a fixed fee of HK\$100,000; or (ii) 1.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and ES Unsold Rights Shares which are successfully placed by the Placing Agent, whichever is higher. Among the Comparables, we note that five Comparables involve fixed placing commissions and two of them involve fixed placing commissions of HK\$100,000. As such, we are of the view that the minimum placing commission of the Placing of HK\$100,000 is not uncommon. As the placing commission in the Placing Agreement is lower than the average placing commission of the Comparables and falls within the range of the Comparables, we are of the view that the placing commission is in the interests of the Company and Independent Shareholders as a whole.

The Company had not conducted any equity fundraising activities in the 12 months immediately preceding the Latest Practicable Date.



***Potential dilution effect on the interests of the Independent Shareholders***

All Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to their existing shareholding in the Company held on the Record Date. Those Qualifying Shareholders who take up their entitlements in full under the Rights Issue could maintain their shareholding interests in the Company after the Rights Issue.

With reference to the shareholding tables in the section headed “CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY” of the Letter from the Board, the shareholding interests of the existing public Shareholders would be diluted by a maximum of approximately 66.70% immediately after completion of the Rights Issue (assuming no new Shares are issued or repurchased on or before the Record Date).

With reference to the Letter of the Board, there will be a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 14.17% discount represented by the theoretical diluted price of approximately HK\$0.109 per Share to the benchmarked price of approximately HK\$0.127 per Share (as defined under Rule 10.44A of the GEM Listing Rules).

We are aware of the potential dilution effects as just mentioned. Nonetheless, we consider that the foregoing should be balanced by the following factors:

- Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue through their votes at the EGM;
- Qualifying Shareholders have their choice of whether to accept the Rights Issue or not;
- the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at discount to the prevailing market prices of the Shares;
- those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue;
- the Compensatory Arrangements will provide a compensatory mechanism for the No Action Shareholders; and
- the theoretical dilution effect falls within the range of those in the Comparables and it is in compliance with Rule 10.44A of the GEM Listing Rules.

In view of the above, we are of the view that the dilution impact of the Rights Issue is acceptable.

## **5. Financial effects of the Rights Issue**

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the audited consolidated net tangible assets, before any adjustments, of the Group attributable to owners of the Company was approximately S\$3.8 million as at 31 July 2023.

### ***Net tangible assets***

Assuming no other issue of Shares on or before the Record Date, upon completion of the Rights Issue (i) the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately S\$6.1 million as at 31 July 2023 upon the completion of the Rights Issue; and (ii) the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share would decrease from approximately S\$0.053 to approximately S\$0.028 as at 31 July 2023.

### ***Liquidity***

According to the Annual Report 2023, as at 31 July 2023, the cash and cash equivalents of the Group was approximately S\$1.6 million and the Group had current assets of approximately S\$4.7 million and current liabilities of approximately S\$3.7 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 31 July 2023 was approximately 1.3 times. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately S\$2.3 million.

Upon the completion of the Rights Issue, the current ratio of the Group would increase from approximately 1.3 times to approximately 1.9 times as at 31 July 2023. As such, the current ratio and the liquidity of the Group would be improved upon the completion of the Rights Issue.

### ***Gearing Ratio***

According to the Annual Report 2023, as at 31 July 2023, the gearing ratio of the Group (calculated as percentage of bank borrowings to the total equity attributable to owners of the Company) was approximately 53.7%. Upon the completion of the Rights Issue, the equity attributable to owners of Company would be enlarged by the expected net proceeds from the Rights Issue of approximately HK\$13.6 million.

The gearing ratio of the Group would be improved from approximately 53.7% to approximately -5.0%. As such the gearing ratio of the Group is expected to improve upon the completion of the Rights Issue.

The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share would decrease and the Rights Issue would improve (i) the liquidity position of the Group represented by current ratio; and (ii) the gearing ratio of the Group. Hence, we are of the view that the Rights Issue are in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Company as at 31 July 2023 or any future date; or (ii) the net tangible assets attributable to owners of the Company per Share as at 31 July 2023 or any future date.

### **C. RECOMMENDATION**

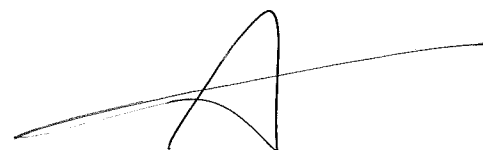
Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including:

- (i) the Company is in need of the net proceeds from the Rights Issue for enhancement of the enterprise resource planning system and other IT infrastructure of the Group; recruiting or hiring additional staff and/or freelance contractors for the Group's business in Singapore; and establishing the Group's market presence and operations in Hong Kong as stated under the paragraph headed "Reasons for the Rights Issue and use of proceeds" above in this letter;
- (ii) taking into account the benefits and cost of each of the alternatives, the Rights Issue represents an appropriate means for fund raising to strengthen its balance sheet without facing the increasing interest expense and minimise the cost of fund raising as stated under the paragraph headed "Fund raising alternatives" above in this letter;

- (iii) having considered (a) the Qualifying Shareholders may have difficulties in acquiring or selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Rights Issue without exerting impact on the market price of the Shares; (b) the general downtrend of the Closing Price from 2 February 2023 to the Last Trading Day; and (c) HSI was on a decreasing trend during the Review Period, we therefore are of the view that the Subscription Price at a discount to the Average Closing Price would encourage the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company as stated under the paragraph headed “Subscription Price” above in this letter;
- (iv) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier sections headed “Subscription Price” and “Comparison to other rights issue” in this letter; and
- (v) Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares,

we are of the view that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of  
**Vinco Financial Limited**



**Alister Chung**  
*Managing Director*

*Note:* Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in and completed various advisory transactions involving companies listed in Hong Kong in respect of the Takeovers Code for over 10 years.