



Unit 04-06, 10/F,  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Sheung Wan, Hong Kong

27 May 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE  
HELD ON THE RECORD DATE**

**INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Group to the Shareholders dated 27 May 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Reference is made to the Announcement. The Company proposed to raise gross proceeds of up to approximately HK\$53.8 million (assuming full subscription under the Rights Issue) by way of issuing up to 448,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) by way of Rights Issue at the Subscription Price of HK\$0.120 per Rights Share on the basis of five (5) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date.

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the total number of issued Shares or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the date of this Circular, the Rights Issue must be made conditional on approval by the Shareholders at the EGM, and any controlling shareholders of the Company and their respective associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective

associates shall abstain from voting in favour of the proposed Rights Issue. The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

As at the Latest Practicable Date, the Company has no controlling Shareholder. Accordingly, Mr. Lee, being an executive Director and a substantial Shareholder is interested in 13,879,000 Shares, representing approximately 15.49% of the total issued share capital of the Company. Mr. Lee and his associate(s) shall abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, save for Mr. Lee, none of the associates of Mr. Lee or the Directors or chief executives of the Company had any interest in the Shares. Accordingly, save for Mr. Lee, no other Shareholder will be required to abstain from voting on the proposed resolutions to approve the Rights Issue, the Placing and the transactions contemplated thereunder at the EGM.

#### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Choi Tak Fai, Ms. Lau Mei Suet and Mr. Tsang Ho Yin, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated respectively thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser appointed by the Company. In this connection, the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated respectively thereunder are fair and reasonable.

#### **OUR INDEPENDENCE**

We, Silverbricks Securities Company Limited (“**Silverbricks**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Silverbricks is a licensed corporation licensed under the Securities and Futures Ordinance (“**SFO**”) to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities.

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Silverbricks and the Company or any other parties that could be reasonably be regarded as hindrance to Silverbricks’s independence as set out 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 transaction.

We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We confirmed that there is no existence of or change in any circumstances that would affect our independence.

Accordingly, we consider that we have performed all reasonable steps as required under Rule 17.92 of the GEM Listing Rules and are eligible to give independent advice in respect of the Rights Issue and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

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 will notify the shareholders of any material change of information in the circular up to the date of EGM.

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 outstanding borrowing notes details of approximately HK\$40.0 million; (iii) details in expanding its car rental business and online-game business; and (iv) annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”), 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.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion regarding the Rights Issue, we have considered the following principal factors and reasons:

### **1. Background information of the Group**

The Group is principally engaged in the provision of corporate finance advisory services in Hong Kong, including but not limited to general corporate finance advisory, placing and underwriting as well as initial public offerings related projects. The Group successfully obtained the licenses to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in March 2022 and started generating revenue therefrom since the second quarter of 2023. To a lesser extent, the Group has recently diversified and expanded its principal business by developing car rental and online-game businesses. Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2022 (“**FY2022**”) and 31 December 2023 (“**FY2023**”) as extracted from the 2022 Annual Report and 2023 Annual Report.

**(a) Financial Performance of the Group**

|                   | For the year ended |           |
|-------------------|--------------------|-----------|
|                   | 31 December        |           |
|                   | 2023               | 2022      |
|                   | HK\$'000           | HK\$'000  |
|                   | (audited)          | (audited) |
| Revenue           | 16,733             | 16,764    |
| Loss for the year | (3,862)            | (7,384)   |

**(b) Financial Position of the Group**

|                           | As at 31 December |           |
|---------------------------|-------------------|-----------|
|                           | 2023              | 2022      |
|                           | HK\$'000          | HK\$'000  |
|                           | (audited)         | (audited) |
| Cash and cash equivalents | 11,460            | 13,508    |
| Total assets              | 29,089            | 23,611    |
| Total liabilities         | 18,182            | 8,102     |
| — Note payables           | 16,000            | —         |
| Net assets                | 24,579            | 24,055    |

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

As disclosed in the 2023 Annual Report, revenue of the Group decreased by approximately 0.18% from approximately HK\$16.76 million for FY2022 to approximately HK\$16.73 million for FY2023. Such decrease was derived from expanding businesses in car rental market, while the original businesses of corporate financial advisory services took a low-margin strategy. As a result of a slight decrease in revenue, the loss for the Group decreased from approximately HK\$7.38 million for FY2022 to approximately HK\$3.86 million for FY2023.

In FY2023, the Group recorded cash and cash equivalents, total assets, total liabilities and net assets of approximately HK\$11.46 million, HK\$29.09 million, HK\$18.18 million and HK\$24.58 million, respectively. The current ratio was approximately 1.60 times in FY2023 as compared to approximately 6.34 times in FY2022, as there includes the note payables of HK\$16 million. The gearing ratio was approximately 42.52% in FY2023 as compared to approximately 25.20% in FY2022.

## **2. Reasons for and benefits of the Rights Issue and use of proceeds**

As disclosed in the Letter from the Board, 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\$1.0 million) is expected to be approximately HK\$52.8 million.

The Company intend to apply from the Rights Issue the net proceeds as follows:

- (a) approximately HK\$30.0 million (being approximately 56.8% of the net proceeds) is intended to be used for repayment of the outstanding borrowing notes of the Group, which amounted to HK\$40.0 million as at the Latest Practicable Date. These outstanding borrowing notes are unsecured and unguaranteed payable to Independent Third Parties and carry a simple interest rate ranging between 5% and 8% per annum;
- (b) approximately HK\$13.0 million (being approximately 24.6% of the net proceeds) is intended to be used for the acquisition of at least three luxury motor vehicle(s) to support its Car Rental Business;
- (c) approximately HK\$7.0 million (being approximately 13.3% of the net proceeds) is intended to be used for the expansion of the Group's online-game business by securing additional online-game licenses, building an in-house team for the online-game business and strengthening the promotion and marketing activities in respect of the licensed online games; and
- (d) approximately HK\$2.8 million (being approximately 5.3% of the net proceeds) is intended to be used for general working capital of the Group, including but not limited to salary expenses, and other office and corporate expenses for ongoing businesses of corporate finance and asset management.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses. To the best estimation of the Directors, the net proceeds from the Rights Issue will be fully utilised by the end of 2024.

### ***Corporate Finance and Asset Management Businesses***

The Group is principally engaged in the provision of financial services, which included corporate finance advisory, securities advisory and asset management services. The Group is licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.

Over the past few years, both Hong Kong and PRC have faced consecutive lockdowns and cross-border restrictions due to the COVID-19 pandemic. These measures have had a significant impact on the Group's business operations and the

financial situation of its clients in the PRC. Although the PRC economy has shown signs of recovery since December 2022, the pace of recovery has been uneven, and some of the Group's clients are still struggling to return to pre-pandemic levels. Consequently, the Group has experienced delays and temporary postponements in its pipeline projects and marketing activities.

### **Corporate finance advisory business**

Additionally, the IPO market in Hong Kong remained sluggish in 2023, with a decrease in the number of newly listed companies on both the Main Board and GEM of the Stock Exchange. This decline in IPO activities have intensified competition among corporate finance advisory service providers to secure clients. Despite these macroeconomic challenges, the Group maintains cautious optimism about the prospects of the Hong Kong financial industry. With the gradual recovery of the Hong Kong and PRC economies, the Group's established industry network, and recent listing reforms present business opportunities for the Group to improve its financial performance in the corporate finance sector in 2024.

Amid the slowdown of the corporate finance market in Hong Kong, the Group has successfully sourced four financial advisory transactions in Singapore in 2023 and identified one potential project in relation to proposed initial public offering in the PRC and secured a number of other financial advisory engagements in 2024. As at the Latest Practicable Date, the Group had 13 ongoing corporate finance projects, which mainly involve the provision of corporate financial advisory services (i) for companies listed on the Stock Exchange; and in relation to (ii) the acquisition of shareholding interest in company listed on the Stock Exchange; (iii) notifiable transaction; (iv) fundraising exercise for private limited company; and (v) proposed initial public offering in the international market.

For the year ended 31 December 2023, the Group recognised revenue of approximately HK\$16.2 million from its corporate finance business, out of which approximately HK\$5.1 million was generated from the Group's 13 on-going pipeline projects as at the Latest Practicable Date, whilst the remaining HK\$11.1 million represents revenue generated from other corporate finance projects completed in 2023. To the best estimation of the Directors, the Group's 13 on-going corporate finance projects as at the Latest Practicable Date are expected to further generate revenue in the amount of approximately HK\$11.8 million for the year ending 31 December 2024.

Leveraging its pre-existing business network and showcasing its track record of successful transactions and client testimonials, the Group aims to position itself as a trusted advisor for companies and businesses looking for comprehensive financial guidance, particularly financial advisory services and IPO-sponsor services. The Group will proactively reach out to international companies and businesses, offering tailored financial advisory services to meet their specific needs. This includes providing assistance and guidance throughout the IPO process, acting as an IPO-sponsor, and

facilitating access to capital markets. By positioning itself as a reliable partner and offering value-added services, the Group aims to attract a steady stream of clients seeking to go public or expand their financial capabilities.

#### **Asset management business**

The Group successfully obtained the licenses to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in March 2022 and started generating revenue therefrom since the second quarter of 2023. As at the Latest Practicable Date, the Group has made significant progress in expanding its business operations through the establishment of open-ended fund companies (“OFC(s)”) and limited partnership funds (“LPF(s)”), as well as the provision of security research reports.

Under the First OFC, two sub-funds have been established. (1) The First Sub-fund focuses on debt market trading, specifically bonds issued by listed companies in Hong Kong. It has three investors with assets under management of HK\$15 million. The Second Sub-fund engages in equity secondary market trading and expects to commence fundraising activities in the second half of 2024 subject to market conditions. (2) The Second OFC aims to invest in listed securities of mining companies, offering fixed and stable returns. The Group is currently identifying potential investors, and fundraising activities are expected to begin in the second half of 2024 subject to market conditions. Meanwhile, the Group has obtained a SFC license of carrying out type 4 (advising on securities) to provide security research reports, generating revenue of approximately HK\$480,000 in 2023 from five clients.

Additionally, the Group has been or will be engaged as the investment manager of three LPFs under the New Capital Investment Entrant Scheme. (1) The First LPF targets attractive risk-adjusted returns through investments in securities listed in Hong Kong and the United States. Applications under the New Capital Investment Entrant Scheme are expected to be approved by the second half of 2024. (2) The Second LPF, focused on the 3D billboard industry, aims to generate an 11% annual rate of return. It plans to establish in June 2024 and begin fundraising activities thereafter. (3) The Third LPF targets investments in renewable energy products to achieve an 11% annual rate of return. It also plans to establish in June 2024 and commence fundraising activities afterward.

In summary, the Group’s business expansion includes OFCs for debt market trading and equity secondary market trading, an OFC for investing in a gold mine project, the provision of security research reports; and the establishment of LPFs for investments in securities, the 3D billboard industry, and renewable energy. These initiatives aim to diversify the Group’s income streams and attract investors seeking various investment opportunities.



Taking into consideration (i) the expected increase in demand for the Group's corporate finance advisory services attributable to the gradual recovery of the Hong Kong and PRC economy and financial markets; (ii) the recent reforms to the Hong Kong listing regime launched by the Stock Exchange; and (iii) the kick-start of the Group's asset management business, especially the collective investment schemes newly established by the Group under the New Capital Investment Entrant Scheme, the Group plans to continue focusing on developing its corporate finance and asset management businesses by strengthening its marketing and client pitching activities and expanding its workforce in the near future. As at the Latest Practicable Date, the Group has a total of 13 staff specialised in its corporate finance and asset management businesses, respectively. The Group has no intention to terminate/scale down/dispose its corporate finance and asset management businesses. In light of the above, we have interviewed the Management, the Group's ongoing operations and managing cash flow are urge to use the proceed to employ human resources for strengthening the Group's corporate finance and asset management business.

### ***Car Rental Business***

The Group commenced its car rental business (the "**Car Rental Business**") in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**GBA**") at the end of 2023. The Group generated approximately HK\$53,000 and HK\$1.2 million from its Car Rental Business for the year ended 31 December 2023 and the period from 1 January 2024 up to 30 April 2024. As at the Latest Practicable Date, the Group has a fleet of six motor vehicles, comprising luxury and up-scale cars under renowned brands such as Bentley and Rolls Royce. Most of the motor vehicles acquired by the Group have been successfully leased out as at the Latest Practicable Date. The Group's car rental business primarily focuses on offering car rentals catering to the needs and preferences of different customers. As at the Latest Practicable Date, the Group offers car rental on a daily, weekly or monthly basis up to a maximum period of six (6) months.

Currently, the Group mainly secures car rental business by referral from its network of car dealers and agencies. The Group generally determines the pricing of its car rental services based on various factors, including the type of vehicle, rental duration, prevailing market demand and seasonality. Besides, the Group may charge its customers for mileage rates and late return fees.

The Group places emphasis on compliance with relevant regulations and licensing requirements for carrying out its car rental business and strives to provide customers with a seamless and convenient rental experience. The Group's fleet of motor vehicles is covered by comprehensive car insurance and undergoes regular maintenance and annual inspection to ensure optimal performance and customer satisfaction.

In light of the GBA development plan of the PRC government, especially the launch of the “Northbound Travel for Macau Vehicles” policy (澳車北上) and the “Northbound Travel for Hong Kong Vehicles” policy (港車北上), it is expected that there will be an increase in demand for cross-border transportation and car rental services in the GBA. In order to seize more business opportunities and expand its market share in the car rental industry, the Group will focus on enhancing its existing fleet of motor vehicles by actively searching for and acquiring suitable motor vehicles. The Group aims to strengthen its competitiveness and attract a wider customer base by offering a diverse range of motor vehicles which cater to different customers’ requirements and preferences in the GBA.

Additionally, the Group will continuously monitor market trends and customer feedback to identify emerging demands and adapt its offerings accordingly. By staying attuned to evolving customer preferences, the Group will be able to proactively adjust its car rental services, ensuring they remain competitive and in line with the expectations of customers in the GBA. Through these strategic initiatives, the Group aims to solidify its presence in the car rental market of the GBA, capitalising on the favourable conditions provided by the PRC government’s development plan.

#### ***Online-Game Business***

The Group commenced its online game business in October 2023. Leveraging its distribution network relationships and game marketing and promotional capabilities, the Group has obtained the exclusive, transferrable and sub-licensable rights to publish, operate, promote, reproduce and distribute in overseas market certain online games licensed from third-party PRC online-game developers. As at the Latest Practicable Date, the Group has entered into licensing agreements with various PRC online-game developers for four online games. The Group’s online game business commenced generating revenue from January 2024 and has generated total revenue of approximately HK\$7.7 million up to 30 April 2024.

The table below sets forth details of the development status, authorised territory(ies), mobile platform(s) and actual/expected release date of the respective online games licensed by the Group:

|                              | Online Game 1   | Online Game 2  | Online Game 3  | Online Game 4  |
|------------------------------|---|--|--|--|
| Development status           | Development and testing stage, which is subject to final adjustments and optimisation | Completed the development stage, entered the public testing stage and released on mobile platforms | Completed the development stage, entered the public testing stage and released on mobile platforms | Development stage  |
| Authorised territory(ies)    | Europe, America, East Asia  | Japan  | Hong Kong, the Macau Special Administrative Region and Taiwan                                      | Worldwide in exclusion of the PRC, Japan, Hong Kong, the Macau Special Administrative Region, Taiwan and the Republic of Korea |
| Mobile platform(s)           | Apple App Store and Google Play Store   | Apple App Store and Google Play Store  | Apple App Store and Google Play Store  | Apple App Store and Google Play Store  |
| Actual/expected release date | Fourth quarter of 2024  | 4 April 2024   | 26 March 2024  | Fourth quarter of 2024   |

Going forward, the Group plans to further expand its online-game business by (i) securing additional online-game licenses; (ii) building an in-house team specialised in the operation of the licensed games by recruiting personnel with the relevant skills, knowledge and experience in the relevant industry; and (iii) strengthening the promotion and marketing activities in respect of the licensed online games.

#### ***Funding Needs of the Group***

The Board considers that the Group has an imminent funding needs for its business expansion taking into consideration the followings:

- as illustrated above, the Group aims to strengthen its corporate finance and asset management businesses, capitalize on the recovering Hong Kong and PRC economies, and leverage recent reforms in the Hong Kong listing regimes. As a licensed corporation under the SFO, compliance with minimum paid-up share capital and liquid capital requirements is also mandatory basing on its existing business operation scale requires at approximately HK\$10.0 million and HK\$3.72 million, respectively. We have concurred with the Directors that the Group's ongoing operations and managing cash flow

are urge to use the proceed to employ human resources for strengthening the Group's corporate finance and asset management business. Additionally, they plan to expand their car rental business by acquiring more luxury vehicles and enhance their online-game business by obtaining additional licenses, establishing an in-house team, and intensifying promotional activities. These strategies will increase the Group's working capital requirements. Considering the current operations, recurrent needs, and available cash resources, the management believes it is necessary to raise funds for expansion;

- as at the Latest Practicable Date, the Group had outstanding borrowing notes, which are unsecured and unguaranteed, payable to Independent Third Parties in an aggregate principal amount of approximately HK\$40.0 million (the "**Aggregated Borrowing Amount**"). These outstanding borrowing notes carry a simple interest rate ranging between 5% and 8% per annum and would fall due by the third quarter of 2024. We have reviewed the terms from the outstanding borrowing notes between the Company and the Independent Third Parties based on the references from the fixed deposit interest rates of banks. And we have examined the actual purpose of the Aggregated Borrowing Amount as using to (1) purchase six motor vehicles for approximately RMB14.5 million (approximately HK\$15.95 million, at RMB1 ≈ HK\$1.10), (2) deposits of obtaining the license rights of four online games for approximately HK\$8.53 million, and (3) the remaining approximately HK\$15.52 million used for working capital, which the Aggregated Borrowing Amount, as well as the net proceeds from the fund raising of placing under general mandate, have been used, leaving only HK\$11.46 million in cash and cash equivalents as at 31 December 2023 as stated of the 2023 Annual Report, which is obviously not enough to repay the Aggregated Borrowing Amount meanwhile as soon as the Company required to repay the borrowing notes before falling due of the third quarter in 2024. As the Group currently plans to apply approximately HK\$30.0 million, representing approximately 56.8% of the net proceeds from the Rights Issue for the repayment of part of these outstanding borrowing notes, thereby lowering the Group's gearing ratio and strengthening the liquidity and cashflow position of the Group; and

The table below sets forth the nature, principal amount, outstanding amount, interest rate and maturity date of the outstanding borrowing notes of the Group as at the Latest Practicable Date:

| No.           | Nature         | Principal amount<br><i>HK\$' million</i> | Outstanding amount as at the Latest Practicable Date<br><i>HK\$' million</i> | Interest rate per annum | Maturity date    | Amount of net proceeds from the Rights Issue to be applied for repayment of the outstanding borrowing note<br><i>HK\$' million</i> |
|---------------|----------------|--|--|-------------------------|------------------|--|
| 1.            | Borrowing note | 10.0                                     | 5.0  | 5.0%                    | 2 September 2024 | 5.0  |
| 2.            | Borrowing note | 6.0                                      | 6.0  | 5.0%                    | 5 October 2024   | 6.0  |
| 3.            | Borrowing note | 3.0                                      | 3.0  | 8.0%                    | 11 July 2024     | 3.0  |
| 4.            | Borrowing note | 6.0                                      | 6.0  | 8.0%                    | 11 July 2024     | 6.0  |
| 5.            | Borrowing note | 9.0                                      | 9.0  | 5.0%                    | 22 August 2024   | 9.0  |
| 6.            | Borrowing note | <u>11.0</u>                              | <u>11.0</u>  | 5.0%                    | 22 August 2024   | <u>1.0</u>   |
| <b>Total:</b> |                | <u>45.0</u>                              | <u>40.0</u>  |                         |                  | <u>30.0</u>  |

Subject to the extension of the existing borrowing notes, it is estimated that the Group would save interest payment in the amount of approximately HK\$1.8 million per annum for applying the net proceeds from the Rights Issue for the repayment of the borrowing notes in the manner as set forth above.

- the Group has enquired licensed banks in Hong Kong for obtaining banking facilities from those banks for funding its business expansion. Based on the preliminary discussion with the licensed banks, the banking facilities would be required to be secured by the Group's assets. Taking into consideration the existing carrying amount of the property, plant and equipment of the Group, the Directors consider that the Group may not have sufficient assets for fulfilling the security requirements for taking out banking facilities. Besides, according to publicly available information, the one-month Hong Kong inter-bank offered rate ("HIBOR") increased significantly from approximately 3.0% as at 28 February 2023 to approximately 4.5% as at 29 February 2024. There is no assurance that the lending rate in Hong Kong would drop in the near future. Uncertain interest rate movement in the future may expose the Group to increasing borrowing costs which may adversely affect its financial performance and liquidity. Therefore, the management of the Company considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue instead of debt financing. Having considered that the banking facilities application was rejected by the bank since the Group does not have sufficient assets for collaterals, the Group is not able to acquire bank facilities to fulfill its funding needs.

After reviewing (i) terms been written on the outstandings borrowing notes, i.e. the nature, principal amounts, outstanding amount, interest rate and maturity date, (ii) the quotations emails and proposals of merchandise suitable motor vehicles from three different suppliers, (iii) 4 contracts signed with 3 different third-party PRC online-game developers for expanding the online-game businesses provided by the Company, and (iv) working capital forecast in the coming 12 months and having considered that (i) there are only HK\$11.46 million in cash and cash equivalents as at 31 December 2023 stated from the 2023 Annual Report; (ii) the falling due date of the third quarter in 2024 for the repayment of outstanding borrowing notes; (iii) the state of the Hong Kong and PRC economies that the business conditions and financial position remain challenging due to the impact of the COVID-19 pandemic that leads to difficulties in surviving the Hong Kong financial market; (iv) the expansion to car rental business and online-game business are able to diversify the source of income and offer the potential as a considerable revenue for the Company; (v) strengthen its corporate finance and asset management businesses in order to comply with regulations of the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong); and (vi) the limitation in acquiring banking facilities due to asset security concerns and the uncertain interest rates, we are in the view that the Company has the imminence in repaying the outstanding borrowing notes and in expanding business of car-rental and online games. We concur with the Directors that the Group's ongoing operations and managing cash flow is a very critical aspect during a period of recovery and expansion, and the Rights Issue provides a good opportunity for the Group to strengthen its capital structure without incurring debt financing cost, improve the financial position, and provide additional financial resources for the Group's daily operation. We are of the view that the intended use of proceeds is fair and reasonable.

#### ***Other fund-raising alternatives***

As disclosed in the Letter from the Board, 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, the Directors consider 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.

After taking into account the benefits and potential cost of each of the alternatives such as asset pledge requirement, interest rate and the opportunities offering to the Shareholders, we are of the view and concur with the view of the Directors that (i) debt financing may not be achievable on favourable terms in a timely manner as debt financing requires securities pledge or relatively higher interest rate which will result in additional interest burden, the higher gearing ratio of the Group, and extra repayment obligations if considering debt financing while there are already some borrowing notes are in the urge to repay; (ii) placing of new Shares would only be available to certain places who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders; and (iii) open offer does not allow qualifying shareholders to trade rights entitlements freely in the open market. We are of the view and concur with the view of the Directors that the Rights Issue is more cost effective, efficient and beneficial to the Company and the Shareholders as a whole as compared to raising fund by other means.

Based on the above, the Board (excluding the members of the Independent Board Committee whose opinion will be rendered after considering the advice from the Independent Financial Adviser) considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers 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.

### **3. Principal terms of the Rights Issue**

Set out below is a summary of the principal terms of the Rights Issue, further details of which are set out in the Letter from the Board:

|                           |   |
|---------------------------|---|
| Basis of the Rights Issue | five (5) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date |
|---------------------------|---|

|   |   |  |
|---|---|--|
| Maximum number of Rights Shares to be issued  | : | 448,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)   |
| Subscription Price  | : | HK\$0.120 per Rights Share   |
| Net subscription price per Rights Share (i.e. Subscription Price less Rights Issue expenses)                  | : | Approximately HK\$0.118 per Rights Share   |
| Maximum gross proceeds to be raised from the Rights Issue before expenses                                     | : | Approximately HK\$53.8 million   |
| Maximum net proceeds to be raised from the Rights Issue after expenses  | : | Approximately HK\$52.8 million   |
| Number of Shares in issue as at the Latest Practicable Date   | : | 89,600,000 Shares  |
| Number of Shares in issue upon completion of the Rights Issue (assuming the Rights Issue is fully subscribed) | : | 537,600,000 Shares (assuming no change in the number of Shares in issue on or before the Record Date)  |
| Aggregate nominal value of the Rights Shares  | : | HK\$44.8 million (assuming no change in the number of Shares in issue on or before the Record Date)  |
| Number of Rights Shares undertaken to be taken up   | : | Mr. Lee has undertaken to take up an aggregate of 69,395,000 Rights Shares under his assured entitlement (representing approximately 15.49% of the total Rights Shares proposed to be provisionally allotted by the Company) pursuant to the Irrevocable Undertaking |

Assuming there is no change to the total issued capital of the Company on or before the Record Date, 448,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 500% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 83.33% 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.

***Assessment on the principal terms of the Rights Issue***

***The Subscription Price***

The Subscription Price of HK\$0.120 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 65.22% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 20.53% to the closing price of HK\$0.151 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 25.00% to the average closing price of approximately HK\$0.160 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 23.08% to the average closing price of approximately HK\$0.156 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 4.00% to the theoretical ex-rights price of approximately HK\$0.125 per Share based on the closing price of HK\$0.151 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 20.25% of the theoretical diluted price of approximately HK\$0.126 per Share to the benchmarked price of approximately HK\$0.158 per Share (as defined under Rule 10.44A of the GEM Listing Rules), taking into account the higher of the closing price of HK\$0.151 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\$0.158 per Share);

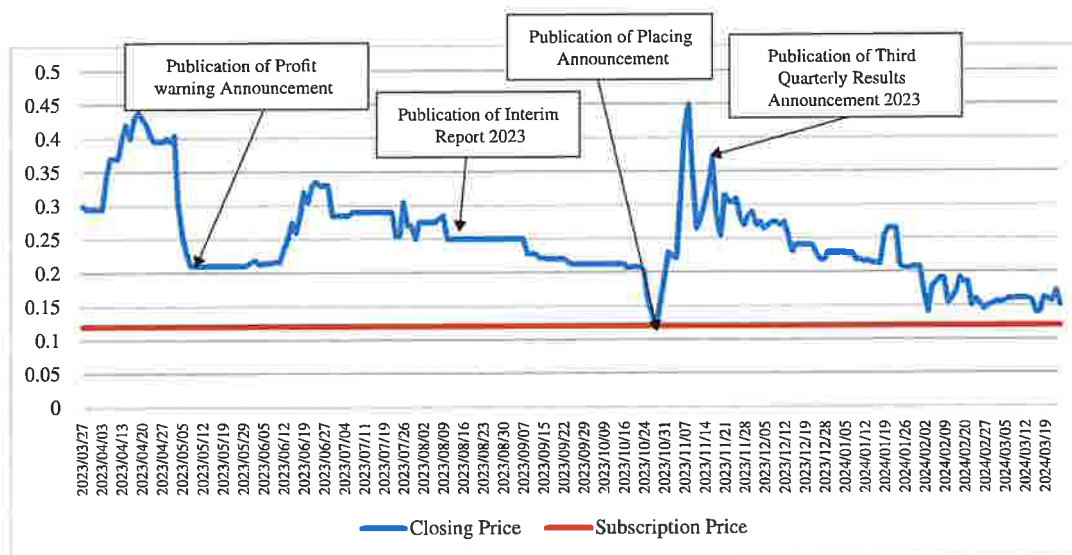
- (vii) a discount of approximately 52.0% to the net asset value of the Company of approximately HK\$0.25 per Share based on the latest published unaudited net asset value attributable to owners of the Company of approximately HK\$22.77 million as at 30 June 2023 as set out in the interim report of the Company for the six months ended 30 June 2023 and the total number of issued Shares of 89,600,000 Shares as at the Latest Practicable Date; and
- (viii) a discount of approximately 55.6% to the net asset value of the Company of approximately HK\$0.27 per Share based on the latest published audited net asset value attributable to owners of the Company of approximately HK\$24.58 million as at 31 December 2023 as set out in the annual report of the Company for the year ended 31 December 2023 and the total number of issued Shares of 89,600,000 Shares as at the Latest Practicable Date.

We noticed that there has been fluctuation in the price of the Shares recently. As disclosed in the letter from the Board, We understand with the Board that the Subscription Price was determined by (i) the prevailing market price and trading performance of the Shares which includes the daily closing price with daily trading volume of the Shares during the six months prior to the Last Trading Day illustrating it is lack of liquidity and demand for the Shares; (ii) the performance of the business and financial position have been recorded in a total of two year loss attributable to the Shareholders; (iii) the down-trending Hang Seng Index that indicated the bearish of Hong Kong stock market conditions. We have confirmed with the Board that (i) it is not aware of any reasons in the recent fluctuation of Shares price; (ii) could not have reasonably foreseen and/or taken into account the recent fluctuation in the price of the Shares when determining the Subscription Price; (iii) there will be a substantial delay for the Rights Issue in re-negotiating the Subscription Price with the Placing Agent; and (iv) it is not justifiable to consider the Subscription Price regarding to the latest Shares price performance. We have also made analysis on the comparison with the historical closing prices of the Shares for one year term which within the period between 27 March 2023 to Last Trading Date, the Subscription Price is within the daily closing prices in the period. We have concurred with the Directors that it is not justifiable to adjust the Subscription Price and have considered the above that the Subscription Price is fair and reasonable for the Company.

*Comparison with historical closing prices of the Shares*

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 27 March 2023 up to and including the Last Trading Day (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. 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 adjusted daily closing price per the Share (“Closing Price”) versus the Subscription Price of HK\$0.120 per Rights Share during the Review Period:



Source: website of the Stock Exchange

As shown in the chart above, during the Review Period, the average closing price was approximately HK\$0.248 per Share (the “Average Closing Price”). The daily closing price ranged from HK\$0.117 per Share recorded on 27 October 2023 (the “Lowest Closing Price”) to HK\$0.450 per Share recorded on 8 November 2023 (the “Highest Closing Price”). We note that Shares were traded above the Subscription Price in the whole Review Period. The Subscription Price of HK\$0.120 represents (i) a premium of approximately 2.56% to the Lowest Closing Price; (ii) a discount of approximately 73.33% to the Highest Closing Price; and (iii) a discount of approximately 51.63% to the Average Closing Price. As discussed in the section headed “Comparison with recent rights issues transactions” below, we note that it is a common practice (14 out of 15 Comparables, excluding the outlier) to set the subscription price at a discount to the prevailing trading prices of the relevant shares in order to increase the attractiveness and encourage shareholders to participate in the right issues.

There was an uptrend at the start of the Review Period with a sudden drop at the beginning of May 2023, then the closing price became steady around HK\$0.2. It rose till hitting HK\$0.33 and generally declined in the period between the end of June 2023 to HK\$0.203 on 24 October 2023 and it dropped drastically to the Lowest Closing Price. The closing price surged to the Highest Closing Price after hitting the Lowest Closing Price that is HK\$0.117 at the end of October 2023. It reached the Highest Closing Price around the middle week of November 2023, the closing price of the Shares then gradually decreased till the Last Trading Day.

Save for the possible market reactions on the announcements as set out in the above chart made by the Company, the reasons for the sudden rise since 27 October 2023 (“**Uptrend Period**”) and the substantial fall in Share price since 8 November 2023 (“**Downtrend Period**”) was unknown to us since:

- (i) the Management were not aware of any reason for such rise and fall in Share price during the Uptrend Period and the Downtrend Period; and
- (ii) we have reviewed all the announcements disclosed during the Uptrend Period and the Downtrend Period, and we were not aware of any information which led to abrupt increase or decrease of the Share prices during the Uptrend Period and the Downtrend Period.

*Historical trading liquidity of the Shares*

| Month                             | Total volume of<br>Shares traded<br><i>Shares</i> | Number of<br>trading days<br><i>days</i> | Approximate<br>average daily<br>trading volume<br>of the Shares<br><i>Shares</i> | Percentage of<br>average daily<br>trading volume<br>to total number<br>of issued shares<br>as at the end of<br>the month/<br>period<br><i>(Note 1)</i> |
|-----------------------------------|---|--|--|--|
| <b>2023</b>                       |   |  |  |  |
| March (from 25 March<br>2023)     | 10,000  | 5  | 2,000  | 0.0031%  |
| April                             | 10,598,000  | 17                                       | 623,412  | 0.9741%  |
| May                               | 7,952,000   | 21                                       | 378,667  | 0.5917%  |
| June                              | 53,591,000  | 21                                       | 2,551,952  | 3.3229%  |
| July                              | 18,300,000  | 20                                       | 915,000  | 1.1914%  |
| August                            | 4,780,000   | 23                                       | 207,826  | 0.2706%  |
| September                         | 4,369,000   | 19                                       | 229,947  | 0.2994%  |
| October                           | 1,280,000   | 20                                       | 64,000   | 0.0833%  |
| November                          | 39,987,000  | 22                                       | 1,817,591  | 2.0286%  |
| December                          | 4,487,000   | 19                                       | 236,158  | 0.2636%  |
| <b>2024</b>                       |   |  |  |  |
| January                           | 7,288,000   | 22                                       | 331,273  | 0.3697%  |
| February                          | 6,125,000   | 19                                       | 322,368  | 0.3598%  |
| March (up to Last<br>Trading Day) | 5,429,000   | 16                                       | 339,313  | 0.3787%  |
| <b>Average</b>                    |   |  |  | <b>0.7798%</b>   |

*Source: website of the Stock Exchange*

*Note:*

1. Based on the number of total issued Shares as at each month end as disclosed in the monthly returns of the Company.

As shown in the table above, the average daily trading volume of the Shares in each month ranged from 2,000 Shares in March 2023 (from 25 March 2023) to 2,551,952 Shares in March 2024 (up to Last Trading Day) during the Review Period, representing 0.0031% to approximately 3.32% of the total number of issued shares as at the end of the month/period, respectively. We noted that the approximate average daily trading volume of Shares was particularly high in June 2022 right before the completion of placing of new shares under general mandate of the Group which have reached 3.32% of average daily trading volume to total number of Shares in issue, we should consider the result after the placing new shares under general mandate. The trading liquidity of the Shares was generally thin during the Review Period and save for June 2023, July 2023 and December 2023, the average daily trading volume during the Review Period was below 1% (i.e. 0.7798%) of (i) the total number of issued Shares held by the public; and (ii) the total number of issued Shares, as at the Latest Practicable Date.

Given such relatively thin liquidity of the Shares during the Review Period, it 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. We consider that the prices, liquidity and general price trend of the Shares during the Review Period should have reflected market evaluation on the recent business performance of the Group.

In view of the above, we consider that it is fair and reasonable for the Company to determine the Subscription Price with reference to (i) the market price of the Shares prior to and including the Last Trading Day; (ii) the prevailing volatile market conditions under the uncertainty in Hong Kong and PRC economy, the expansion of business operations and activities discussed in the earlier section headed “Reasons for and benefits of the Rights Issue and use of proceeds”; and (iii) the fund-raising size intended by the Company after taking into consideration in strengthening the liquidity and cashflow position of the Group.

#### *Comparison with recent rights issue transactions*

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue exercises, had issued relevant circulars by the companies listed on the Stock Exchange within approximately 6 months prior to the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. Based on our research, we have identified an exhaustive list of a total of 15 rights issue comparables (the “**Comparables**”) during the Comparison Period.

We consider the Comparison Period of approximately 6 months is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the Announcement under the prevailing market conditions; and (ii) we are able to identify sufficient and reasonable samples size for selection of Comparables within the Comparison Period. We note 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. We note that the business activities of the Comparables may not be directly comparable to the business activities carried out by the Group. We consider that despite the terms of the rights issue depend on various factors, including the dilution effect to shareholding, less than HK\$500 million having considered the estimated size of gross proceeds from the Rights Issue, discounts to share price, etc., they are often influenced by the recent market trends for rights issue.

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 having considered (i) all of the Comparables and the Group are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issues and we are not aware of any established evidence showing any correlation between scale of the rights issue, its underlying principal terms, the comparison of subscription price to closing price, theoretical ex-rights price, the consolidated net asset value per share and theoretical dilution effect; (iii) including transactions conducted by the Comparables with different funding needs that are less than HK\$500 million as estimated size of gross proceeds and business represents a more comprehensive overall market sentiment in our comparable analysis; (iv) a 6-month period for the selection of the Comparables has generated a reasonable and meaningful number of samples size of 15 Hong Kong listed issuers to reflect the market practice regarding recent rights issue with a wider range of premium and discount of the relevant subscription prices; (v) the exclusion of rights issue transactions of A-Shares and H-Shares; (vi) regardless on whether it is fully underwritten or non-underwritten basis; and (vii) the Comparables were included without any artificial selection or filtering on our part so the Comparables represent a general, true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers, we consider that the Comparables are fair and representative samples.

Based on the above, we are of the view that our comparable analysis based on the above criteria is meaningful for us to form our view regarding the fairness and reasonableness of the Subscription Price. To the best of our knowledge and as far as we are aware of, the Comparables represent an exhaustive list of all relevant companies fitting our search criterion mentioned above, and we consider that such Comparables can provide a reference on the recent rights issues given the sufficient number of transactions in such period resulting in a reasonable sample size.

It should be noted that all the subject companies constituting the Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the rights issues may also be different from that of the Company.

Table A

| Prospectus date | Date of announcement | Company                                       | Stock code | Basis of entitlement | Gross Proceeds<br>(HK\$ million) | Premium/<br>(Discount) of<br>subscription<br>price over the<br>closing price per<br>share on the<br>last trading day<br>(Discount) of<br>subscription<br>price over the<br>closing price per<br>share on the<br>last trading day<br>for the five (5)<br>consecutive<br>trading days up<br>to and including<br>the Last<br>Trading Day | Premium/<br>(Discount) of<br>subscription<br>price over the<br>closing price per<br>share on the<br>last trading day<br>for the ten (10)<br>consecutive<br>trading days up<br>to and including<br>the Last<br>Trading Day | Discount of the<br>subscription<br>price over the<br>theoretical price<br>per share based<br>on the closing<br>price on the<br>last trading day<br>prior to<br>announcement<br>in relation to<br>the respective<br>rights issue | Theoretical<br>dilution effect<br>(Note 3) | Maximum<br>dilution of<br>shareholding | Excess<br>Non-underwritten<br>Application<br>basis | Fully<br>Underwritten/<br>Non-underwritten<br>basis | Placing<br>Commission |
|-----------------|----------------------|---|------------|----------------------|----------------------------------|---|---|---|--|--|--|---|-----------------------|
| 9-Oct-23        | 15-Sep-23            | Royal Century Resources Holdings Limited      | 8125       | 5 for 1              | 36.1                             | (19.30%)  | (17.90%)  | N/A/(Note 2)  | (16.10%)                                   | 83.30%                                 | No   | Non-underwritten basis                              | 1.00%                 |
| 9-Nov-23        | 15-Aug-23            | Wisdomcome Group Holdings Limited             | 8079       | 3 for 1              | 70                               | (22.40%)  | (18.20%)  | N/A/(Note 2)  | (6.30%)                                    | 75.00%                                 | Yes  | Fully Underwritten                                  | N/A                   |
| 30-Nov-23       | 19-Jun-23            | E-House (China) Enterprise Holdings Limited   | 2048       | 12 for 10            | 483                              | (20.09%)  | (20.10%)  | (10.56%)  | (11.00%)                                   | 54.50%                                 | No   | Fully Underwritten                                  | N/A                   |
| 30-Nov-23       | 3-Oct-23             | Universe Printshop Holdings Limited           | 8448       | 3 for 2              | 34.43                            | (14.81%)  | (19.01%)  | (8.00%)   | (11.06%)                                   | 60.00%                                 | No   | Fully Underwritten                                  | 1.50%                 |
| 1-Dec-23        | 17-Oct-23            | GoFinTech Innovation Limited                  | 290        | 3 for 1              | 474.47                           | (9.09%)   | (9.09%)   | (2.44%)   | (9.97%)                                    | 75.00%                                 | No   | Non-underwritten basis                              | 1.00%                 |
| 11-Dec-23       | 17-Nov-23            | Da Yu Financial Holdings Limited              | 1073       | 1 for 1              | 170.9                            | 11.11%  | 11.11%  | 4.90%   | 0.00%                                      | 50.00%                                 | Yes  | Non-underwritten basis                              | N/A                   |
| 22-Dec-23       | 24-Nov-23            | Lapco Holdings Limited                        | 8472       | 3 for 1              | 43.2                             | (30.23%)  | (19.35%)  | N/A/(Note 2)  | (22.67%)                                   | 75.00%                                 | No   | Non-underwritten basis                              | 2.50%                 |
| 22-Dec-23       | 1-Dec-23             | China Financial Leasing Group Limited         | 2312       | 1 for 1              | 20.8                             | (32.60%)  | (32.40%)  | (19.58%)  | (16.80%)                                   | 50.00%                                 | Yes  | Fully Underwritten                                  | N/A                   |
| 28-Dec-23       | 5-Dec-23             | Finsoft Financial Investment Holdings Limited | 8018       | 3 for 1              | 27.98                            | (28.16%)  | (26.00%)  | (8.92%)   | (21.12%)                                   | 75.00%                                 | No   | Non-underwritten basis                              | 3.50%                 |
| 5-Jan-24        | 28-Nov-23            | IRO Technology Company Limited                | 2708       | 3 for 1              | 254.4                            | (25.17%)  | (25.68%)  | (7.56%)   | (19.26%)                                   | 75.00%                                 | Yes  | Fully Underwritten                                  | N/A                   |
| 12-Jan-24       | 14-Dec-23            | Major Holdings Limited                        | 1389       | 2 for 3              | 30.2                             | (53.03%)  | (53.10%)  | (50.90%)  | (21.24%)                                   | 40.00%                                 | No   | Fully Underwritten                                  | 3.00%                 |
| 24-Jan-24       | 28-Dec-23            | Sun Kong Holdings Limited                     | 8631       | 2 for 1              | 24                               | (34.78%)  | (34.78%)  | (15.49%)  | (23.49%)                                   | 66.70%                                 | No   | Non-underwritten basis                              | 1.00%                 |
| 25-Jan-24       | 20-Nov-23            | Cool Link (Holdings) Limited                  | 8491       | 3 for 1              | 100.2                            | (28.70%)  | (28.70%)  | 9.46%   | (22.11%)                                   | 75.29%                                 | No   | Non-underwritten basis                              | 1.50%                 |
| 29-Feb-24       | 12-Jan-24            | Tongda Hong Tai Holdings Limited              | 2363       | 2 for 1              | 79                               | (1.69%)   | 0.00%   | N/A/(Note 2)  | (1.69%)                                    | 66.70%                                 | No   | Non-underwritten basis                              | 2.00%                 |
| 15-Mar-24       | 10-Jan-24            | Teamway International Group Holdings Limited  | 1239       | 1 for 1              | 15.78                            | (32.77%)  | (32.77%)  | (19.00%)  | (16.39%)                                   | 50.00%                                 | No   | Non-underwritten basis                              | 0.50%                 |
|                 |                      |   |            | Average              | 124.30                           | (22.83%)  | (21.91%)  | (10.16%)  | (14.61%)                                   | 64.77%                                 |  |   | 1.73%                 |
|                 |                      |   |            | Min:                 | 15.78                            | (53.10%)  | (51.77%)  | (50.90%)  | (23.49%)                                   | 40.00%                                 |  |   | 0.50%                 |
|                 |                      |   |            | Max:                 | 483                              | 11.11%  | 11.11%  | 9.46%   | 0.00%                                      | 83.30%                                 |  |   | 3.50%                 |
|                 |                      |   |            | Median:              | 43.2                             | (25.17%)  | (20.10%)  | (8.46%)   | (16.39%)                                   | 66.70%                                 |  |   | 1.50%                 |
|                 |                      | The Company                                   |            | 5 for 1              | 53.8                             | (20.53%)  | (23.00%)  | (4.00%)   | (20.25%)                                   | 83.30%                                 | No   | Non-underwritten basis                              | 0.70%                 |

*Notes:*

1. E-House (China) Enterprise Holdings Limited had consolidated net deficits per share according to its audited/unaudited consolidated financial statements as at 31 December 2022 and therefore the premium/(discount) of the subscription price to the consolidated NAV per share are not applicable.
2. This information is not disclosed in the relevant circular.
3. Theoretical dilution effect of an offer is calculated according to Rule 10.44A of the GEM Listing Rules and refers to the discount of the “theoretical dilution price” to the “benchmarked price” of shares. “Theoretical diluted price” refers to the sum of (i) the issuer’s total market capitalization (by reference to the “benchmarked price” and the number of issued shares immediately before the issue) and (ii) the total funds raised and to be raised from the issue, divided by the total number of shares as enlarged by the issue. While the “benchmarked price” means the higher of: (i) the closing price on the date of the agreement involving the issue; and (ii) the average closing price in the 5 trading days immediately prior to the earlier of: (1) the date of announcement of the issue; (2) the date of the agreement involving the issue; and (3) the date on which the issue price is fixed.
4. The subject company recorded net liabilities attributable to equity holders of the subject company based on its latest published financial information prior to the date of announcement in relation to the relevant rights issue transaction.

Based on the Table A, 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 premium of approximately 11.11% to a discount of approximately 53.10% (the “**Comparable LTD Range**”), with an average and median of discounts of approximately 22.83% and 25.17% respectively. The discount of approximately 20.53% of the Company’s Subscription Price of HK\$0.120 per Share to the closing price of HK\$0.151 per Share on the Last Trading Day, which is within the Comparable LTD Range, close to and slightly lower than the average and the median discount of Comparable LTD Range;
- (ii) the subscription prices to the closing price for the five consecutive trading days up to and including the Last Trading Day prior to the Announcement of the Comparables ranged from a premium of approximately 11.11% to a discount of approximately 53.10% (the “**Comparable 5-days Average to LTD Range**”), with an average and median of discounts of approximately 21.91% and 20.10% respectively. The discount of approximately 25.00% of the Company’s Subscription Price of HK\$0.120 per Share to the closing price of HK\$0.158 per Share on the Last Trading Day, which is within the Comparable 5-days Average to LTD Range, close to and slightly higher than the average and the median discount of Comparable 5-days Average to LTD Range;
- (iii) the subscription prices to the closing price for the ten consecutive trading days up to and including the Last Trading Day prior to the Announcement of the Comparables ranged from a premium of approximately 4.90% to a



discount of approximately 51.77% (the “**Comparable 10-days Average to LTD Range**”), with an average and median of discounts of approximately 26.26% and 25.95% respectively. The discount of approximately 23.08% of the Company’s Subscription Price of HK\$0.120 per Share to the closing price of HK\$0.156 per Share on the Last Trading Day, which is within the Comparable 10-days Average to LTD Range, close to and slightly lower than the average and the median discount of Comparable 10-days Average to LTD Range;

- (iv) the theoretical ex-rights price per Share based on the closing price per Share on the last trading day prior to the Announcement in relation to the respective ranged from a premium of approximately 9.46% to a discount of approximately 50.90% (the “**Comparable TERP Range**”), with an average and median of discounts of approximately 10.16% and 8.46% respectively. The discount of the Subscription Price to the theoretical ex-rights price per Share on the Last Trading Day of approximately 4.00% is within the Comparable TERP Range and with a lower discount than the average and the median of Comparable TERP Range;
- (v) the consolidated net asset value per share of the Rights Issue Comparables ranged from a discount of approximately 46.67% to 87.49% (the “**Comparable NAV Range**”), with average and median of discounts of approximately 72.56% and 78.87% respectively. The Subscription Price represents a discount of approximately 55.60% to the net asset value of the Company of approximately HK\$0.120 per Share calculated based on the audited consolidated net asset value of the Company of approximately HK\$24.58 million as at 31 December 2023 and the number of Shares in issue as at the Last Trading Day (i.e. 89,600,000 Shares), which is within the Comparable NAV Range and with a lower discount comparing the average and median of the Comparable NAV Range; and
- (vi) the theoretical dilution effect of the Comparables ranged from approximately 0% to approximately 23.49% (the “**Comparable Dilution Range**”), with an average discount of approximately 14.61% and the median discount of approximately 16.39%. Due to the facts that (a) the theoretical dilution effect represented at the discount of approximately 20.25% by the Rights Issue; (b) the net proceeds from the Rights Issue would improve the Group’s financial condition; 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 although the theoretical dilution effect is higher than the average and median, it is within the Comparable Dilution Range which represented by the Rights Issue is acceptable so far as Independent Shareholders are concerned.

Taking into consideration that, (i) the Subscription Price of the Rights Issue has a discount of 51.67% to the Average Closing Price during the Review Period; (ii) the trading liquidity of the Shares were very thin during the Review Period and the

Subscription Price at a discount to the Average Closing Price may enhance the attractiveness of the Shares among the thin trading liquidity; (iii) the comparisons for Subscription Price and the dilution effect are all within the ranges to be compare with the Comparables; (iv) a review period of 6 months prior to the Announcement to be exhaustive for a representation of proposed rights issue in the recent market; and (v) the Independent Shareholders may subscribe the Rights Share with the Subscription Price close to the price of HK\$0.345 on the Latest Practicable Date under the thin trading liquidity, we are of the view that the setting of the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and the Independent Shareholders are advised to subscribe for the entitlements.

*Absence of excess application arrangement*

As mentioned in the Letter from the Board, Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. Based on our analysis on the Rights Issue Comparables, we noted that 11 out of 15 Rights Issue Comparables, did not offer excess application as part of the rights issue. On this basis, we considered the absence of excess application to be not uncommon market practice. Furthermore, the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, for Qualifying Shareholders who accept their respective entitlements under the Rights Issue in full, they would be able to maintain their respective existing shareholdings in the Company after completion of the Rights Issue. As such, we considered that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

*Placing commission*

As set out in the Letter from the Board, the terms of the Placing Agreement, including the rate of placing commission, were determined after arm's length negotiation between the Company and the Placing Agent with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. For further details of the principal terms of the Placing Agreement, please refer to section headed "Placing Agreement" in the Letter from the Board. The Placing Agent to the Company will receive a 0.70% of the amount, which is equal to the placing price multiplied by the number of Placing Shares that have been successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement. According to the Comparables as set out in Table A, the placing commission of the Comparables ranged from 0.50% to 3.50%, with the average and median of 1.75% and 1.50%, respectively. As the placing commission is in between the range of the Comparables, we consider that the placing commission of 0.70% borne by the Company in the Rights Issue is in line with market practice and given the relatively lower placing commission will lead to lower costs to the Group. Based on the above, we are of the view that the placing commission is in the interests of the Company and Independent Shareholders as a whole.

#### 4. Dilution effect of the Rights Issue on the shareholding of the Company

As at the Latest Practicable Date, the Company has 89,600,000 existing Shares in issue. The table below sets out the shareholding structures of the Company (a) as at the Latest Practicable Date; (b) immediately upon completion of the Rights Issue assuming full acceptance of the rights shares by existing shareholders; (c) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Lee who will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and all the remaining Unsubscribed Rights Shares and ES Unsold Rights Shares having been placed by the Placing Agent and (d) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Lee who will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and none of the Unsubscribed Rights Shares and ES Unsold Rights Shares are placed by the Placing Agent.

| Name of Shareholders                     | As at the Latest Practicable Date |              | Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by existing Shareholders |              | Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Lee who will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and all the remaining Unsubscribed Rights Shares and ES Unsold Rights Shares having been placed by the Placing Agent |              | Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Lee who will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and none of the Unsubscribed Rights Shares and ES Unsold Rights Shares are placed by the Placing Agent |                           |
|--|-----------------------------------|--------------|--|--------------|--|--------------|--|---------------------------|
|  | Number of Shares                  | %            | Number of Shares   | %            | Number of Shares   | %            | Number of Shares   | %                         |
| Mr. Lee                                  | 13,879,000                        | 15.49        | 83,274,000   | 15.49        | 83,274,000   | 15.49        | 32,297,545   | 29.90 <sup>(Note 2)</sup> |
| Public Shareholders                      |                                   |              |  |              |  |              |  |                           |
| — Independent Places <sup>(Note 1)</sup> | —                                 | —            | —  | —            | 378,605,000  | 67.61        | —  | —                         |
| — Other public Shareholders              | <u>75,721,000</u>                 | <u>84.51</u> | <u>454,326,000</u>   | <u>84.51</u> | <u>75,721,000</u>  | <u>16.90</u> | <u>75,721,000</u>  | <u>70.10</u>              |
|  | <u>89,600,000</u>                 | <u>100.0</u> | <u>537,600,000</u>   | <u>100.0</u> | <u>537,600,000</u>   | <u>100.0</u> | <u>108,018,545</u>   | <u>100.0</u>              |

Notes:

- As it is not expected that any of the individual Places will become a substantial Shareholder immediately after completion of the Placing, the Unsubscribed Rights Shares and ES Unsold Rights Shares will form part of the public float of the Company.

2. The total number of Rights Shares to be subscribed by Mr. Lee will be scaled down to the extent that he and his associates will not trigger a general offer obligation under the Takeovers Code as a result of the Rights Issue.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

All Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Qualifying Shareholders who do not accept the Rights Issue entitlements can, subject to the then prevailing market conditions, consider selling their nil-paid Rights Shares in the market. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders 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 66.7%.

In all cases of rights issue, the dilution on the shareholding of those qualifying shareholders who do not take up in full their provisional allotments under the rights issue is inevitable. In fact, the dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercise since the higher offering ratio of new shares to existing shares is, the greater the dilution on the shareholding would be.

Having considered that (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and public Shareholders' interests in the Company will be not diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) shareholding dilution is inherent in rights issue in general; (iii) the imminent need of financial resources for the Company; and (iv) the positive impact on the financial position of the Group as a result of the Rights Issue as detailed in paragraph headed "Possible Financial Effect of the Rights Issue" below, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is justifiable.

## **5. Possible Financial Effect of the Rights Issue**

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

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 of the Group attributable to owners of the Company was approximately HK\$24.58 million as at 31 December 2023; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately HK\$77.75 million. As such, the Rights Issue is expected to have a positive impact on the financial position of the Group.

## ***Liquidity***

According to the 2023 Annual Report, as at 31 December 2023, the cash and cash equivalents of the Group was approximately HK\$11.46 million and the Group had current assets of approximately HK\$29.90 million, current liabilities of approximately HK\$18.18 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 December 2022 was approximately 1.60 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 HK\$64.26 million. The current ratio of the Group will be increased from approximately 1.60 times to 4.50 times approximately. As such, the current ratio and the liquidity of the Group will be improved upon the completion of the Rights Issue.

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

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 December 2024 or any future date; or (ii) the net assets per Share of the Company as at 31 December 2024 or any future date.

## **OPINION AND RECOMMENDATION**

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

- (i) the proceeds from the Rights Issue for repayments of borrowings of the group, and the expansion to its car rental business and online-game business while the Directors expect to strengthen its general working capital structure without incurring debt financing cost, improve the financial position, and provide additional financial resources for capturing suitable business expansion and investment opportunities as they arise under section headed “Reasons for and benefits of 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 a more cost effective, efficient and beneficial mean to the Company and the Shareholders as a whole as compared to raising fund by other means as stated under the paragraph headed “Alternative financing methods” above in this letter;

- (iii) the Subscription Price represented a discount of approximately 20.53%, 25% and 23.08% to the closing price on the Last Trading Day, the five (5) consecutive trading days up to and including the Last Trading Day, and the ten (10) consecutive trading days up to and including the Last Trading Day, respectively;
- (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;
- (v) the placing commission charged by the Placing Agent is fair and reasonable as discussed in section headed “Comparison to other rights issue” of this letter and in the interests of the Company and the Shareholders as a whole; and
- (vi) 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  
**Silverbricks Securities Company Limited**

  
**Yau Tung Shing**  
*Co-head of Corporate Finance*

*Note:* Mr. Yau Tung Shing is licensed individual under the SFO, authorized to conduct Type 6 (advising on corporate finance) regulated activities in accordance with the SFO. He is considered responsible officer of Silverbricks Securities Company Limited. Mr. Yau Tung Shing possesses over 7 years of experience in the corporate finance industry.