9 October 2023

To: The Independent Board Committee and The Independent Shareholders

Dear Sirs and Madams,

CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE FOR CAPITALISATION OF
THE SHAREHOLDER LOAN

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the Agreement and the transaction contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 9 October 2023 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

As set out in the Board Letter, On 6 September 2023 (after the Stock Exchange trading hours), the Company and the Subscriber entered into the Agreement pursuant to which the Parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, 30,701,754 Subscription Shares at the Issue Price of HK$0.57 per Subscription Share. The aggregate Issue Price of all the Subscription Shares of HK$17.50 million payable by the Subscriber shall be settled by way of capitalisation of the Shareholder's Loan at Completion.

As at the Latest Practicable Date, the Subscriber and Junyi Investments, a company solely owned by the Subscriber, collectively holds 45,553,255 Shares, representing approximately 52.64% of the issued share capital of the Company. The Subscriber is therefore a connected person of the Company. Accordingly, the Capitalisation constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company shall, at the EGM, seek approval of the Independent Shareholders for the Agreement, the Specific Mandate and the transactions contemplated thereunder. The Subscriber and Junyi Investments, together with their respective associates, who are interested in the Capitalisation, shall abstain from voting at the EGM.

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The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Agreement. We, Messis Capital Limited, has been appointed as an independent financial adviser, to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to give independent advices in respect of the Capitalisation.

BASIS OF OUR OPINION

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

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

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

PRINCIPAL FACTORS AND REASON CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Information of the Group

The Company is an investment holding company. The Group are principally engaged in (i) property development and investment in the PRC; and (ii) operation of supermarket retail.

Financial results for the six months ended 30 June 2023

Set out below is a summary of the consolidated statement of profit and loss of the Group for the six months ended 30 June 2023 and 2022, respectively, and the consolidated statement of financial position of the Group as at 30 June 2023 and 31 December 2022, respectively, which were extracted from interim report of the Group for the six months ended 30 June 2023 (the "**2023 Interim Report**"):

	For the six months ended 30 June	
	2023	**2022**
	HK$'000	*HK$'000*
Revenue	90,483	78,032
– Sales from operation of supermarket retail in the PRC	47,113	38,532
– Rental income and related management service income	43,370	39,500
Gross Profit	41,908	38,258
Administrative and other operating expenses	(43,659)	(40,890)
Profit from operations	4,968	678
Finance costs	(12,994)	(14,400)
Loss for the period attributable to the Shareholders	(8,655)	(13,267)

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The Group recorded the total revenue of approximately HK$90.5 million for the six months ended 30 June 2023, representing an increase of approximately 16.0% comparing with the total revenue of approximately HK$78.0 million for the six months ended 30 June 2022, which was primarily due to the increase in the sales from operation of supermarket retail in the PRC.

The Group's profit from operations increased from approximately HK$0.68 million for the six months ended 30 June 2022 to approximately HK$5.0 million for the six months ended 30 June 2023.

The Group's loss for the period attributable to the Shareholders decreased from approximately HK$13.3 million to approximately HK$8.7 million, which was primarily due to (i) the increase in the profit from operations; and (ii) the decrease in the finance costs.

	As at 30 June 2023 *HK$'000*	**As at 31 December 2022** *HK$'000*
Cash and bank balances	8,102	8,608
Total assets	1,945,145	1,965,280
Total liabilities	1,437,519	1,442,068
Net assets attributable to the Shareholders	529,022	544,188

The total liabilities of the Group decreased from approximately HK$1,442.0 million as at 31 December 2022 to approximately HK$1,437.5 million as at 30 June 2023. The gearing ratio calculated as the net debts to the sum of capital and net debts was approximately 69% both as at 31 December 2022 and as at 30 June 2023. The Group's net assets attributable to the Shareholders decreased from approximately HK$544.2 million as at 31 December 2022 to approximately HK$529.0 million as at 30 June 2023.

	For the six months ended 30 June 2023 *HK$'000*	**For the six months ended 30 June 2022** *HK$'000*
Net cash from/(used in) operating activities	118,779	31,417

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	As at 30 June 2023	As at 30 June 2022
	HK$'000	*HK$'000*
Cash and cash equivalents	8,102	15,094

The Group's net cash from operating activities increased from approximately HK$31.4 million for the six months ended 30 June 2022 to approximately HK$118.8 million for the six months ended 30 June 2023. However. the cash and cash equivalents as at 30 June 2022 and 2023 of approximately HK$15.1 million and HK$8.1 million respectively are not enough to repay approximately HK$17.5 million of the Shareholder's Loan.

For the financial year ended 31 December 2022

Set out below is a summary of the consolidated financial information of the Group for the year ended 31 December 2021 and 2022, respectively which were extracted from the annual reports of the Group for the financial year ended 31 December 2022 (the "**2022 Annual Report**"):

	For the year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Revenue	180,190	197,817
– Sales from operation of supermarket retail in the PRC	120,872	136,449
– Rental income	32,527	32,508
– Related management service income	26,791	28,860
Gross Profit	81,807	93,756
Administrative and other operating expenses	(89,358)	(76,558)
Allowance on properties under development	(70,851)	–
Loss from operations	(91,192)	(37,720)
Finance costs	(33,863)	(31,682)
Loss for the year attributable to the Shareholders	(76,228)	(64,419)

The Group recorded the total revenue of approximately HK$180.2 million for the year ended 31 December 2022, representing a decrease of approximately 8.9% as comparing with the revenue recorded for the year ended 31 December 2021, which was mainly due to the decrease in the sales generated from operation of supermarket retail in the PRC.

The Group's loss for the year attributable to the Shareholders increased from approximately HK$64.4 million to HK$76.3 million, which was primarily due to the

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increase in the loss from operations, resulting from (i) the higher administrative and other operating expenses; (ii) the increase in allowance on impairment loss properties under development; and (iii) the increase in finance costs.

	As at 31 December 2022 *HK$'000*	2021 *HK$'000*
Cash and bank balances	8,608	6,035
Total assets	1,965,280	2,285,650
Total liabilities	1,442,068	1,552,077
Net assets attributable to the Shareholders	544,188	706,423

The total assets of the Group decreased from approximately HK$2,285.7 million as at 31 December 2021 to approximately HK$1,965.3 as at 31 December 2022, with the cash and bank balances of approximately HK$6.0 million as at 31 December 2021 and approximately HK$8.6million as at 31 December 2022 respectively.

The total liabilities of the Group decreased from approximately HK$1,552.0 million as at 31 December 2021 to approximately HK$1,442 million as at 31 December 2022, which was mainly due to decrease in the non-current liabilities.

The net assets attributable to the Shareholders of the Group decreased from approximately HK$706.4 million as at 31 December 2021 to approximately HK$544.2 million as at 31 December 2022, which was attributable to the higher decrease in the total assets than that in the total liabilities from 31 December 2021 to 31 December 2022.

	For the year ended 31 December 2022 *HK$'000*	**For the year ended 31 December 2021** *HK$'000*
Net cash from/(used in) operating activities	175,742	(263,083)
	As at 31 December 2022 *HK$'000*	**As at 31 December 2021** *HK$'000*
Cash and cash equivalents	8,608	6,035

The Group's net cash from operating activities was recorded as outflows of approximately HK$263.1 million for the year ended 31 December 2021 and inflows of approximately HK$175.7 million for the year ended 31 December 2022. Although the

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cashflows generated from the Group increased from the year ended 31 December 2021 to the year ended 31 December 2022, the cash and cash equivalents as at 31 December 2021 and 2022 were approximately HK$6.0 million and HK$8.6 million respectively, which are not enough to repay approximately HK$17.5 million of the Shareholder's Loan.

2. Principal terms of the Capitalisation under the Agreement

The principal terms of the Capitalisation under the Agreement are as follows:

Date

6 September 2023 (after the Stock Exchange trading hours)

Parties

(i) the Company; and

(ii) the Subscriber

Number of Subscription Shares

30,701,754 Subscription Shares, represent (i) approximately 35.48% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 26.19% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and up until the Completion. The Subscription Shares shall be issued and allotted under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Issue Price

The Issue Price is HK$0.57 per Share. The Issue Price represents:

(i) a discount of approximately 5.0 % to the closing price of HK$0.60 per Share as quoted on the Stock Exchange as at 6 September 2023, being the Last Trading Day; and

(ii) a discount of approximately 7.0 % to the average closing price of approximately HK$0.61 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The aggregate nominal value of the Subscription Shares (with a par value of HK$0.20 each) is approximately HK$6.14 million.

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The aggregate consideration for the issue and allotment of the Subscription Shares of HK$17.50 million will be settled by way of set off against the Shareholder's Loan at Completion.

The Issue Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares and the business prospects of the Group. The Issue Price represented 7.0% discount of the average closing price of approximately HK$0.61 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of HK$0.60 per Share. The 7% discount would encourage the Subscriber to settle the Shareholders' Loan by Capitalisation. The Directors (including the independent non-executive Directors who have expressed their views separately after considering the advice from the Independent Financial Adviser and excluding Mr. Han who has abstained from voting due to his interest in the Capitalisation) consider that the Issue Price and the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares when issued and alloted, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of issue and allotment of the Subscription Shares including all dividends declared or payable or distribution made or proposed on or after the Completion Date.

Conditions

Completion is conditional upon satisfaction of the following conditions:

(i) the listing of and permission to deal in the Subscription Shares being granted by the listing committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and

(ii) the passing by the Independent Shareholders of the Company (other than Mr. Han and his associates who are prohibited from voting under the Listing Rules), as required under the Listing Rules of all necessary resolution at the EGM approving the Agreement, including but not limited to the Specific Mandate and the allotment and issue of the Subscription Shares and other transactions contemplated hereunder.

In the event that the above conditions are not fulfilled on or before 30 November 2023 (or such later date as may be agreed between the parties), then the Agreement shall terminate with immediate effect (other than the surviving provisions and without prejudice to the rights and/or obligations of any Party in respect of any antecedent breach), and the Parties shall be released and discharged from their respective obligations under the Agreement.

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3. Information of the Subscriber

As at the Latest Practicable Date, the Subscriber and Junyi Investments, a company solely owned by the Subscriber, collectively holds 45,553,255 Shares, representing approximately 52.64% of the issued share capital of the Company. The Subscriber is a controlling shareholder of the Company. The Subscriber is also an executive Director and Chairman of the Board.

4. Reasons for the Capitalisation and Use of Proceeds

As at the Latest Practicable Date, the Company is indebted to the Subscriber in an aggregate principal amount of HK$17.58 million under the Shareholder's Loans. The gross proceeds from the Capitalisation shall be approximately HK$17.50 million, which shall be utilised for setting off against the Shareholder Loans at Completion.

The Capitalisation shall reduce the debts of the Company and improve the Company's financial position and gearing ratio. According to the Company's latest published interim report for the six months ended 30 June 2023, it recorded the net debts to the sum of capital and net debts ratio of 69%. The proposed Capitalisation of the Shareholder's Loan enables the Group to settle its existing liabilities and to avoid cash outflows towards the Subscriber, which shall improve the Group's financial position by reducing its gearing level and broadening the capital base. It also demonstrates the support and confidence by the Subscriber towards the Company as its controlling shareholder and Chairman of the Board.

Apart, the management of the Company also considers that, being a property developer, it has to maintain sufficient level of liquidity in order to capture future project development and investment.

The Company has explored other fund-raising methods including placing of new shares and rights issue. Given the current market conditions, there is no certainty that the Company shall be able to raise sufficient funds using such fund-raising methods at the Issue Price to settle the Shareholder's Loan. Even if such fund-raising methods have eventually been materialized, they would also incur significant costs including commissions payable to the placing agents and/or underwriters. The borrowings from other financial institutions or third parties to repay the Shareholder's Loan is not feasible as such loans would be interest bearing (versus the Shareholder's Loan which is non-interest bearing) and would cause extra outlay of the Company and also further worsen the gearing ratio of the Company. In view of these, the Company considers that the issue and allotment of the Subscription Shares to the Subscriber would be a desirable means for the Company to lower its debt amount and to improve its financial position in view of the current market situation and the circumstances of the Company. Regarding the Issue Price, it represents only a slight discount of 5.0% to the closing price of the Shares as at the date of entering into the Agreement and 7.0% to the average closing price of approximately HK$0.61 per Share for the last five consecutive trading days up to and including the date of the Agreement.

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On balancing the above factors, the Board is of the view that the Capitalisation and issue of the Subscription Shares are in the interest of the Company and its Shareholders as a whole.

Our view

We have noted that the Group recorded net loss for the year since year 2019, and as at 30 June 2023, the Group's cash and bank balances was approximately HK$8.1 million. Given approximately HK$17.5 million of the Shareholder's Loan is repayable on demand according to the 2022 Annual Report, the Group's cash position of approximately HK$8.1 million will be reduced, which make it difficult to maintain the Group's ordinary business operation, given the administrative and other operating expenses was approximately HK$43.7 million for the six months ended 30 June 2023.

We also noted from the 2023 Interim Report that the Group has acquired property, plant and equipment of approximately HK$57.8 million for the six months ended 30 June 2023, showing the Group is focusing on developing and exploring the property development and investment segment, which will also demand enough cash and bank balances.

As mentioned above, the Group's gearing ratio calculated as the net debts to the sum of capital and net debts was both approximately 69% as at 31 December 2022 and as at 30 June 2023, which were both over 65%, in a relative high gearing level. According to the 2023 Interim Report, the Group's borrowings was approximately HK$730.3 million and HK$707.9 million as at 31 December 2022 and 30 June 2023, respectively, which was the main contributor for the total liabilities of the Group. If additional debt financing was conducted, the gearing ratio of the Group will increase further. Further, as set out under the section "Information of the Group" above, the cash and cash equivalents of the Group as at 30 June 2023 was not enough to repay the Shareholder's Loan. The Capitalisation of the Shareholder's Loan will offset the borrowings due to the director of approximately HK$17.50 million and improve the financial leverage structure without causing any cash outflows. Such Capitalisation also demonstrated the controlling shareholders' faith and confidence in the Group's business operation and prospects.

Having considered that (i) the Group is focusing on the developing and exploring its property development and investment business; (ii) the Shareholder's Loan is repayable on demand; (iii) the Group's cash position will be reduced if being used to settle the Shareholder's Loan; (iv) the Group's financial leverage structure will be enhanced after the completion of the Capitalisation; and (v) such Capitalisation demonstrated the controlling shareholders' faith and confidence in the Group's business operation and prospects, we concur with the Directors' view that the Agreement can help ease the debt burden on the Group without causing any cash outflow and is in the best interests of the Company and the Shareholders as a whole.

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Alternative repayment methods considered

According to the 2023 Interim Report, we noted that as one of the principal business is property development and investment in the PRC, as at 30 June 2023, the investment properties of the Company was approximately HK$833 million; the financial assets at fair value through profit or loss of the Company was approximately HK$27 million; the properties under development and held for sale of the Company was approximately HK$456 million; and prepayments, deposits and other receivables of the Company was approximately HK$451 million. We have discussed with the Management and noted that the Management do not consider sale/realisation of these assets for repayment of approximately HK$17.50 million of the Shareholder's Loan based on following reasons:

(i) as disclosed in the 2023 Interim Report, the investment properties in Guangzhou with the carrying amount of approximately HK$765.04 million are being pledged to secure bank borrowings and such properties have been leased to tenants under operating leases for generating rental income and management service income for the Group. The Management considers income generated from the investment properties is one of principal businesses, so the sale of these assets for repayment of the Shareholder's Loan would affect the profitability of the Group and continuation of its principal business. In addition, it may involve a significant discount if the investment properties are sold at the current market situation within a short period of time;

(ii) since the investment properties in Luoyang with the carrying amount of approximately HK$68.08 million is still in construction and are being pledged to secure the bank borrowings, the Management are of the view that the such properties in Luoyang are unlikely to be sold in short period of time with reasonable price for repayment of the Shareholder's Loan;

(iii) the abovementioned financial assets refer to the Taiwan Stock holding by the Company. After considering the trading volume of such Taiwan Stock, the management considers that it may involve significant discount if such financial assets are considered to be sold in open market within a short period of time;

(iv) the properties under development and held for sale represents the Company's properties in Zhuhai with the carry amount of approximately HK$456 million, which are being pledged to secure bank borrowings. As disclosed in the 2023 Interim Report, such development for the properties in Zhuhai is under construction, the Management are of the view that the such properties in Zhuhai are unlikely to be sold in short period of time with reasonable price for repayment of the Shareholder's Loan. In addition, the realisation of these assets would affect growth of the business in the long run; and

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(v) as disclosed in the 2023 Interim Report, the majority of the prepayments of approximately HK$376.88 million have been prepaid by the Group to the construction of properties in Luoyang and Zhuhai; the deposits of approximately HK$20.99 million are paid by the Group for the due diligence exercise on the exploration of project investment opportunity in the near future; and the receivables due from another firm is less likely to be recovered in short term.

Based on the paragraphs (i) to (iv) above, we have reviewed the respective financial reports of the Group and discussed about the possible repayment methods with the Management. In addition, we have reviewed historical trading volume of the Taiwan Stock and the recent property market situations in Guangzhou and Zhuhai. We concur with the Company's view that sale/realization of above assets are not appropriate methods for repayment of approximately HK$17.50 million of the Shareholder's Loan, and such methods may not be fair and reasonable and in the interests of the Shareholders as a whole.

Alternative fund-raising methods considered

We have discussed with the Management and noted that, given that the cash and bank balances as at 30 June 2023 is insufficient to settle the Shareholder's Loan and the Group needs to keep sufficient working capital for the ordinary business operation, the Company had explored other fund-raising alternatives available to the Group for the repayment of the Shareholder's Loan, such as debt financing, rights issue, open offer and placing of shares.

As discussed with the Directors, we understood that the Group has considered additional debt financing from other banks or financial institutions, however, given the current restrictive environment of the property development and investment market in the PRC, the banks or financial institutions that the Group had communicated were not willing to provide the bank loans with the interests and terms that meet the Group's expectation. We also noted from the 2023 Interim Report that the Group's borrowings was approximately HK$730.3 million and HK$707.9 million as at 31 December 2022 and 30 June 2023, respectively, which was the main contributor for the total liabilities of the Group. If additional debt financing was conducted, the gearing ratio of the Group will increase further. Further, under the current interest rate hike macroeconomics environment, the new loans will request higher interest rates from the borrowers, and thus making the Group causing much more interest payments to the new loans, and resulting in higher repayment pressure to the Group. Therefore, we concur with the Directors' view that debt financing and its respective finance cost would generally be undesirable to the Group, especially under the current interest rate hike macroeconomics environment.

As discussed with the Directors, we understood that the Group has also considered the option of rights issue, open offer and placing of shares as other fund-raising alternatives. It is noted from the Management that they have contacted three financial institutions, which are licensed by the SFC to carry out type 1 (dealing in securities) and/or type 6 (advising on corporate finance) regulated activities, such as equity fund raisings and other capital market activities, regarding the feasibility of equity fund raising exercise other than the

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debt capitalisation. We have reviewed the email records between the Group and these financial institutions and noted that they showed little interest in the Group's invitation taking into account the Group's historical financial performance and current market situation. Further, considering entering into the rights issue, open offer and placing of shares will occur transaction cost and professional parties' engagement fees, the Management considers that the Capitalisation would be a better financing method based on the Group's current financial position and the historical financial performance.

5. Fairness and Reasonableness of the Capitalisation Price

In order to further assess the fairness and reasonableness of terms of the Agreement, we have considered the following factors:

The Issue Price

The aggregate consideration for the issue and allotment of the Subscription Shares of HK$17.50 million will be settled by way of set off against the entire Shareholder's Loan at Completion. The Issue Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to 7.0% discount of the average closing price of approximately HK$0.61 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of HK$0.60 per Share. We are in the view that (i) the discount of the Issue Price to the average closing price for the last five consecutive trading days up to and including the Last Trading Day will encourage the Subscriber to settle the Shareholder's Loan by Capitalisation; and (ii) given the current continuing interest rate hike environment, to some extent such discount will compensate the Subscriber without directly recovering cash from the Shareholder's Loan for other further lending to other parties in order to obtain interest income.

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Historical trading liquidity of the Shares

Save as above, we have also performed a review on the average daily trading volume per month of the Shares during the twelve-month period from 7 September 2022, up to and including 6 September 2023, being the date of the Agreement (the "**Review Period**"), which is commonly used for analysis purpose to illustrate the liquidity of the Shares and is considered sufficient and appropriate for our assessment of the historical trading liquidity of the Shares.

Month/Period	**Number of Trading Days** *(days)*	**Average daily trading volume of Shares** *(Shares)*	**Number of issues Shares as at the end of the period/ month** *(Shares)*	**Average daily trading volume during the period as a percentage of the total number of Shares** *(%)*
2022				
7 September to 30 September	17	239,655	86,543,290	0.2769%
October	20	1,800	86,543,290	0.0021%
November	22	9,091	86,543,290	0.0105%
December	20	5,838	86,543,290	0.0067%
2023				
January	18	2,333	86,543,290	0.0027%
February	12	167	86,543,290	0.0002%
March	23	37,505	86,543,290	0.0433%
April	17	8,235	86,543,290	0.0095%
May	21	495	86,543,290	0.0006%
June	21	69,030	86,543,290	0.0798%
July	20	1,356,200	86,543,290	1.5671%
August	23	71,754	86,543,290	0.0829%
1 September to 6 September	3	114,000	86,543,290	0.1317%
Average daily trading volume for the Review Period		152,109		0.1758%

Source: the website of Stock Exchange

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As illustrated in the table above, the average daily trading volume of Shares during the Review Period ranged from approximately 167 Shares in February 2023 to approximately 1,356,200 Shares in July 2023, representing approximately 0.0002% to approximately 1.5671% of the total number of issued Shares as at end of the respective period/month. The average daily trading volume of the Shares for the Review Period was 152,109 Shares, representing approximately 0.1758% of the total number of issued Shares as at the date of the Agreement.

The trading liquidity of the Shares had been thin during the Review Period, where the percentage of the average daily trading volume as a percentage of the then total number of issued Shares were generally below 0.3%. We are of the view that such low and relatively thin trading liquidity may hinder independent placing agent(s) or underwriter(s) to participate when the Company try to pursue fund-raising exercise by way of rights issue, open offer and placing of shares, and further, the Company may need to apply a much higher discount of the prevailing market price of the Shares in order to attract investors to participate in such fund-raising exercise.

Having considered that (i) the Capitalisation will allow the Company to settle the Shareholder's Loan without causing any cash outflows and thus improve the financial leverage of the Group; (ii) the Subscriber is willing to accept the settlement by way of Capitalisation, which also demonstrates to the investors that the controlling shareholders of the Group have faith and confidence in the Group's financial performance and prospects; and (iii) the thin trading and low liquidity of the Shares may render the Company to apply a much higher discount of the prevailing market price of the Shares for other fund-raising exercise in order to encourage the investors to participate into such fund-raising exercise, we are of the view that the Issue Price represented as the discount of the 7.0% discount of the average closing price of approximately HK$0.61 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of HK$0.60 per Share are on normal commercial terms, fair and reasonable.

Market comparable analysis

To further assess the fairness and reasonableness of the Issue Price, we have conducted independent research, using our best endeavours, of recent debt/loan capitalisation involving issuance of shares to both connected persons and independent third parties under both specific mandate and general mandate initially announced by companies listed on the Stock Exchange (the "**Comparables**"). The selection criteria of the Comparables were based on the followings: (i) the debt/loan capitalisation or settlement transactions were conducted during the period from 7 September 2021 to 6 September 2023, covering two years prior to the date of the Agreement; (ii) the companies are listed on the Stock Exchange; (iii) companies are not subject to prolonged suspension of trading over three months; and (iv) the issue prices of such transactions represent nil or discounts to their respective market closing price to the last trading day or announcement date and last five consecutive average closing price, which we considered similar and comparable to the Capitalisation. Based on the selection criteria, we have identified a total of 12

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Comparables, which to the best of knowledge, effort and endeavour, comprising an exhaustive list of comparables.

Since (i) the Group had recorded the loss for the year since the year 2019; (ii) the Group's cash and bank balances was approximately HK$8.1 million as at 30 June 2023; (iii) the Shareholder's Loan of approximately HK$17.58 million is repayable on demand; (iv) the Group's gearing ratio calculated as the net debts to the sum of capital and net debts was approximately 69% as at 30 June 2023, which was relatively high gearing level; (v) the Group's borrowings were approximately HK$707.9 million as at 30 June 2023; and (iv) the Group had no other alternative of financing methods to improve its financial position, the Group initiated the discussions with the Subscriber to settle the Shareholder's Loan by way of debt capitalization. We note that the issue price of the debt capitalisation with certain discount was one of condition to commence the discussions between the Company and the Subscriber. Therefore, we do not consider that the issue prices of transactions with premium to their respective market closing price to the last trading day or announcement date and/or last five consecutive average closing price provide meaningful comparison to the Issue Price of the Capitalisation, and such transactions with premium to their respective market closing price to the last trading day or announcement date and/or last five consecutive average closing price are not considered to be included in the Comparables.

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We set out our findings in the table below:

Date of announcement	Company name (Stock Code)	Discount of subscription price to the closing price on the last trading day/the date of corresponding agreement *Approximately (%)*	Discount of subscription price to the average closing price per share for the last five consecutive trading days preceding/up to and including the last trading day/the date of the corresponding agreement *Approximately (%)*
01/08/2023	Zhongzheng International Company Limited (943)	0.00	0.00
12/06/2023	China Parenting Network Holdings Limited (1736)	(17.86)	(17.86)
21/03/2023	Golden Ponder Holdings Limited (1783)	(14.89)	(17.86)
20/01/2023	Da Sen Holdings Group Limited (1580)	(11.76)	(12.54)
18/01/2023	Gome Retail Holdings Limited (493)	(7.26)	(7.85)
02/01/2023	Gome Retail Holdings Limited (493)	(7.00)	(18.16)
29/08/2022	Echo International Holdings Group Limited (8218)	(3.23)	(4.58)
22/08/2022	China Environmental Technology and Bioenergy Holdings Limited (1237)	(2.78)	0.00
25/03/2022	Echo International Holdings Group Limited (8218)	0.00	(1.07)
30/12/2021	Cornerstone Technologies Holdings Limited (8391)	(24.40)	(22.10)
29/12/2021	CA Cultural Technology Group Limited (1566)	(19.00)	(14.01)
10/09/2021	Crown International Corporation Limited (727)	(9.84)	(14.73)
	Minimum discount	0.00	0.00
	Maximum discount	(24.40)	(22.10)
	Average discount	(9.84)	(10.90)
	The Company	(5.00)	(7.00)

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Based on the above table, we noted that:

(i) the discounts of the issue prices to the closing price per share on the last trading day or on the date of the corresponding agreement of the Comparables ranged from nil to approximately 24.40%, with an average of approximately 9.84%. The discount of the Issue Price to the closing price per Share on the date of the Last Trading Day of approximately 5% is within the range of the Comparables; and

(ii) the discounts of the issue prices to the average closing price per share for the last five consecutive trading days preceding or up to and including the last trading day or the date of the corresponding agreement of the Comparables ranged from nil to approximately 22.10%, with an average of approximately 10.9%. The discount of the Issue Price to the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day of approximately 7% is within the range of the Comparables.

In light of the results of the Comparables as set out above, we have further confirmed our view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned, and that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

6. Potential dilution effects of the Capitalisation

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after Completion are as follows:

	Shareholding as at the Latest Practicable Date		**Shareholding immediately upon Completion**	
	Shares	*%*	*Shares*	*%*
The Subscriber *(Note)*	45,553,255	52.64	76,255,009	65.00
Public Shareholders	40,990,035	47.36	40,990,035	35.00
Total	86,543,290	100.00	117,245,044	100.00

Note: The Subscriber is deemed to be interested in 37,733,255 Shares held by Junyi Investment, a company incorporated under the laws of the BVI and solely owned by him. The Subscriber is a beneficial owner of 7,820,000 Shares.

As shown in the above table, we noted that the public shareholders' shareholding in the Company would be diluted from approximately 47.36% as at the Latest Practicable Date to approximately 35% immediately after the completion of the Capitalisation. We also noted that as of 30 June 2023, the NAV per Share of the Company was approximately HK$6.82. Upon the

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completion of the Capitalisation, the NAV of the Company will be increased to approximately HK$607.5 million considering HK$17.5 million of the Shareholder's Loan was converted into the equity of the Company, where the NAV per Share decreased from HK$6.82 to HK$5.18, representing a decrease of approximately 24.0%. The price to book ratio increased due to the NAV per Share decreased. Having considered that (i) the Capitalisation will benefit the financial position and enhance the net assets position of the Group without causing cash outflows; (ii) the terms of the Agreement being fair and reasonable so far as the Independent Shareholders are concerned; (iii) the subscription of the Subscriber, who is a controlling shareholder, demonstrated the controlling shareholders' confidence and faith in the Group's business performance and prospects; (iv) the discount of the Issue Price to the closing price per Share is within the range of the Comparables, which is considered to be fair and reasonable; and (v) the reasons as mentioned under the section "Reasons for the Capitalisation and Use of Proceeds", we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable, and the Capitalisation would be in the interests of the Company and its Shareholders as a whole.

7. Financial effects of the Debt Capitalisation

The following analysis is for illustrative purpose only.

Net assets

Upon the completion of the Capitalisation, the Subscription Shares as recognised as the equity of the Company will offset the Shareholder's Loan, which in turn will enlarge the capital base and enhance the net assets position of the Company.

Liquidity and working capital

Upon the completion of the Capitalisation, approximately HK$17.50 million of the Shareholder's Loan was settled. With less liabilities, the liquidity of the Group will be improved, and the working capital position will also be benefited.

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RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that though the Capitalisation is not in the ordinary and usual course of business of the Company, the terms of the Capitalisation under the Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote for the resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate at the EGM.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Anderson

Anderson Wong	**Wong Kai Tat Dickson**
Managing Director	*Director*

Mr. Anderson Wong is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

Mr. Wong Kai Tat Dickson is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

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