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

MESSIS 大有融資

14 March 2025

Dear Sir/Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 14 March 2025 issued to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

As disclosed in the "Letter from the Board", the Board proposes to effect the Share Consolidation whereby every five (5) issued Existing Shares of par value of HK$0.20 each will be consolidated into one (1) Consolidated Share of par value of HK$1.00 each; the Capital Reduction whereby (a) the total number of Consolidated Share in the issued share capital of the Company will be rounded down to the nearest whole number by cancelling any fraction of a Consolidated Share in the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation, and (b) the par value of each issued Consolidated Share will be reduced from HK$1.00 to HK$0.01 by cancelling the paid-up capital of the Company to the extent of HK$0.99 on each issued Consolidated Share.

Upon Capital Reorganisation becoming effective, the Board proposes to conduct the Rights Issue at the Subscription Price of HK$0.53 per Rights Share on the basis of four (4) Rights Shares for every one (1) Adjusted Share held on the Record Date to raise up to approximately HK$73.27 million (before expenses) by issuing up to 138,240,000 Rights Shares (assuming there is no change in the total number of issued Shares up to and including the Record Date other than as a result of the Capital Reorganisation).

As the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of the relevant announcement, the Rights Issue is conditional upon the Shareholders' approval at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM. As of the date of this Circular, the Company does not have any controlling Shareholders as defined under the Listing Rules. Mr. Li Junheng ("Mr. Li"), an executive Director, the chairman of the Group and the chief executive of the Company, is beneficially interested in 14,390,000 Shares. Accordingly, Mr. Li and his respective associates are required to abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transaction contemplated thereunder at the EGM.

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

OUR INDEPENDENCE

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

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Company's interim report for the six months ended 31 October 2024 ("6M2024"), (ii) the Company's annual report for the financial year ended 30 April 2024 ("FYE2024"); (iii) the Company's annual report for the financial year ended 30 April 2023 ("FYE2023"); (iv) the relevant announcement; and (iv) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all material respects as of the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information

The Group is a registered fire service installation contractor engaged in installation, maintenance, repair or inspection of fire safety systems for more than 30 years in Hong Kong. The Group mainly provides (i) design, supply and installation of fire safety systems and other engineering and construction related aspects for buildings under construction or re-development; (ii) maintenance and repair of fire safety systems for built premises; and (iii) trading of fire service accessories including branded fire services equipment under a distributorship agreement with an internationally branded fire service equipment supplier.

HK$000	**FYE**			**6M**
	2024	**2023**	**2022**	**2024**
	Audited	Audited	Audited	Unaudited
Revenue	394,537	277,683	231,259	271,478
Other income	979	2,733	7	446
Administrative expenses	(22,218)	(20,093)	(27,795)	(11,557)
Finance costs	(4,020)	(1,665)	(515)	(2,042)
Profit / (Loss) for the year	2,208	7,427	(6,992)	2,018
Net profit margin	0.56%	2.67%	N.A.	0.74%
Total assets	397,064	258,821	194,629	420,409
Total liabilities	123,163	115,369	57,569	125,974
Net assets	273,900	143,452	137,060	294,435

The Group's revenue for 6M2024 increased by approximately 19.9% to approximately HK$271.5 million. The change in revenue was mainly due to the increase in revenue from installation services. Revenue increased by approximately 20.1% from approximately HK$231.3 million for FYE2022 to approximately HK$277.7 million for FYE2023 and further increased by approximately 42.1% to approximately HK$394.5 million for FYE2024. The change in revenue was mainly due to the increase in revenue from installation services.

The Group's other income for 6M2024 was approximately HK$0.4 million. Other income for FYE2024 decreased by approximately 64.2% to approximately HK$1.0 million. The change in other income was mainly due to the decrease in government grant. Other income for FYE2023 increased to approximately HK$2.7 million. The change in other income was mainly due to the government grant of approximately HK$2.1 million.

The Group's administrative expenses for 6M2024 decreased by approximately 0.9% to approximately HK$11.6 million mainly due to decrease in legal and professional fees. Administrative expenses for FYE2024 increased by approximately 10.4% to approximately HK$20.1 million. The change in administrative expenses was mainly due to the increase in staff costs including directors emoluments. Administrative expenses for FYE2023 decreased by approximately 27.7% to approximately HK$22.2 million. The change in administrative expenses was mainly due to the increase in staff costs including directors emoluments.

The Group's finance costs for 6M2024 were approximately HK$2.0 million. Finance costs increased by approximately 223.3% from approximately HK$0.5 million for FYE2022 to approximately HK$1.7 million for FYE2023 and increased further by approximately 141.4% to approximately HK$4.0 million for FYE2024. The change in finance costs was mainly attributed to the increase in drawdown of bank borrowings for operation.

The proceeds from the rights issue that completed on 28 June 2023 were fully utilized for supporting certain fire safety systems projects and working capital. The net proceeds from the placing that completed on 17 May 2024 was fully utilized for repayment of shareholders loans, business expansion and working capital.

The Group's bank balances and cash decreased by 80.5% to approximately HK$3.2 million as of 6M2024 from approximately HK$16.3 million as of FYE2024.

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

As disclosed in the "Letter from the Board", the Group intends to strengthen its market position in the fire safety system industry in Hong Kong and strengthen its financial position by the Rights Issue, which will enable the Company to expand its capital base so as to undertake more sizeable fire safety system projects.

The estimated net proceeds from the Rights Issue are approximately HK$69.80 million. The Company intends to use the net proceeds from the Rights Issue as to (i) approximately HK$59.33 million (or approximately 85% of the net proceeds) to support the Group's projects, of which approximately HK$52.35 million for the payment to contractors in the current projects, approximately HK$1.75 million for the prepayment to the subcontractors and/or suppliers before the commencement of the forthcoming potential projects and approximately HK$5.23 million for the initial start-up costs of the forthcoming potential projects; and (ii) approximately HK$10.47 million (or approximately 15% of the net proceeds) for general working capital of the Group, of which approximately HK$8.38 million for the staff costs and approximately HK$2.09 million for other office overhead.

The Group is currently working on 21 fire safety system projects in Hong Kong of which 12 require funding. These 12 projects consist of (i) 10 installation projects with contract period ranges from 3 months to 2 years and (ii) 2 maintenance projects with contract period of approximately 2 years, which have been commenced and are expected to contribute significant revenue to the Group in the financial year ending 2025. Of these current projects, 6 of which are projects with customer related to Hong Kong listed companies, and 7 of which are expected to be completed by the end of 2025, 3 by 2026 and 2 by 2027. Of the 7 projects expected to be completed by 2025, 5 of which recognized revenue over total contract sum of over 50%. Of the 3 projects expected to be completed by 2026, 2 of which recognized revenue over total contract sum of over 50%. As such, over half of the projects that required funding recognized revenue over total contract sum of over 50%. The proceeds from the previous rights issue that completed on 28 June 2023 were fully utilized for supporting certain fire safety systems projects and working capital. In particular, proceeds from the previous rights issue were applied to 6 of the Group's 12 projects and 3 of which are overlapping projects to which approximately HK$15.0 million or approximately 21.]% of the estimated net proceeds from the Rights Issue will be applied. As such, majority of the estimated net proceeds from the Rights Issue will be applied to projects other than the overlapping projects.

Further, the Group has submitted 7 tenders of potential fire safety system projects with contract sum in aggregate of approximately HK$308 million. Once the tenders become successful, the potential projects will be commenced the earliest by first quarter of 2025. As disclosed in the "Letter from the Board", subject to the acceptance of the tenders the Company is expected to make series of payments to contractors, subcontractors and suppliers. Other than the proceeds from the Rights Issue, the Company intends to use internal resources such as the expected payment from the customers, recovery of delayed payments and bank balances and cash to fund such payments.

As disclosed in the "Letter from the Board", the Company had deposits, prepayments and other receivables of approximately HK$98.43 million as of 6M24 as required by the subcontractors and/or suppliers before commencement of the projects in accordance with normal business operation and industry norm, and such amount will be deducted from the project costs after commencement. Further, the Company had trade receivables of approximately HK$76.10 million as of 6M24 due to delayed payments from customers and progress of certain projects. The Company foresees such situation will be improved and revenue will be recognized as the delayed projects are back to normal as well as the closing of the 3 overlapping projects. The Group has encountered increased frequency of delayed payments by customers which is mainly attributable to the economic downturn and the prevailing high interest rate environment, which in turn exerted pressure on the working capital of the Group. As of the Latest Practicable Date, the delayed payments by customers were approximately HK$56 million. In this connection, the Company has taken up follow up actions to chase the delayed payments and repayment schedule. As such, the Company is expecting to receive the delayed payments in full by July 2025. It is noted that the Company has taken actions to safeguard against delay in the progress of the forthcoming projects such as comprehensive planning before project commencement, efficient labour allocation, frequent site inspections, recruitment of personnel to cope with business development, among others. It will take further actions against delayed payments by customers such as the issue of demand letters, among others.

Having considered the recent business and financial performances of the Group and in particular, the interim status of its balance of cash and cash equivalents and the requirements of the Group's projects, we concur with the Board's view that the Group has an imminent funding need for its business expansion and daily operation.

The Company has considered other fund raising alternatives including but not limited to debt financing, placing of new Shares and open offer. Debt financing or bank loans would result in additional interest. Placing of new Shares would dilute the shareholding of the existing Shareholders. Although open offer similar to a rights issue allows qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market and accordingly, Shareholders must either participate in the offer or lose the benefit of any discount at which the new shares are offered. The Rights Issue will allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro rata shareholding interests in the Company or trade the relevant nil-paid Rights Shares in the market.

We note that fund raising by new borrowings will likely incur additional interest payments, further increase the Company's finance costs and put pressure on its margins and balance of cash and cash equivalents. The placing of new shares to selected placees will dilute Shareholders' shareholdings in the Company. The open offer and rights issue both allow participating Shareholders to retain their respective shareholdings in the Company while rights issue allow non participating Shareholders to trade their entitlements in the market thus reducing impact from dilution of their shareholdings. Having considered the above, we concur with the Board's view that fund raising by way of the Rights Issue which will offer Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company is appropriate and is fair and beneficial to the Company and its shareholders as a whole.

3. Major terms of the Rights Issue

Issue statistics

Basis of the Rights Issue	Four (4) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	HK$0.53 per Rights Share
Net price per Rights Shares (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	Approximately HK$0.101 per Rights Share (on the basis that all the Rights Shares will be taken up)
Number of Shares in issue as of the date of the Latest Practicable Date	172,800,000 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	34,560,000 Adjusted Shares (assuming there is no change in number of Shares in issue up to the effective date of the Capital Reorganisation)
Number of Rights Shares (Shares to be issued	Up to 138,240,000 Adjusted Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) on or

pursuant to the Rights Issue)	before the Record Date)
Total number of Adjusted Shares in issue upon completion of the Rights Issue	Up to 172,800,000 Adjusted Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date)
Gross proceeds from the Rights Issue	Up to approximately HK$73.27 million before expenses (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date)

Subscription Price

The Subscription Price of HK$0.53 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, or where a transferee of the nil-paid Rights applies for the Rights Shares.

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

A. Comparison of the Subscription Price

The Subscription Price represents:

(i) a discount of approximately 24.29% to the theoretical closing price of HK$0.7 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK$0.14 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 23.19% to the theoretical average closing price of approximately HK$0.69 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK$0.138 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

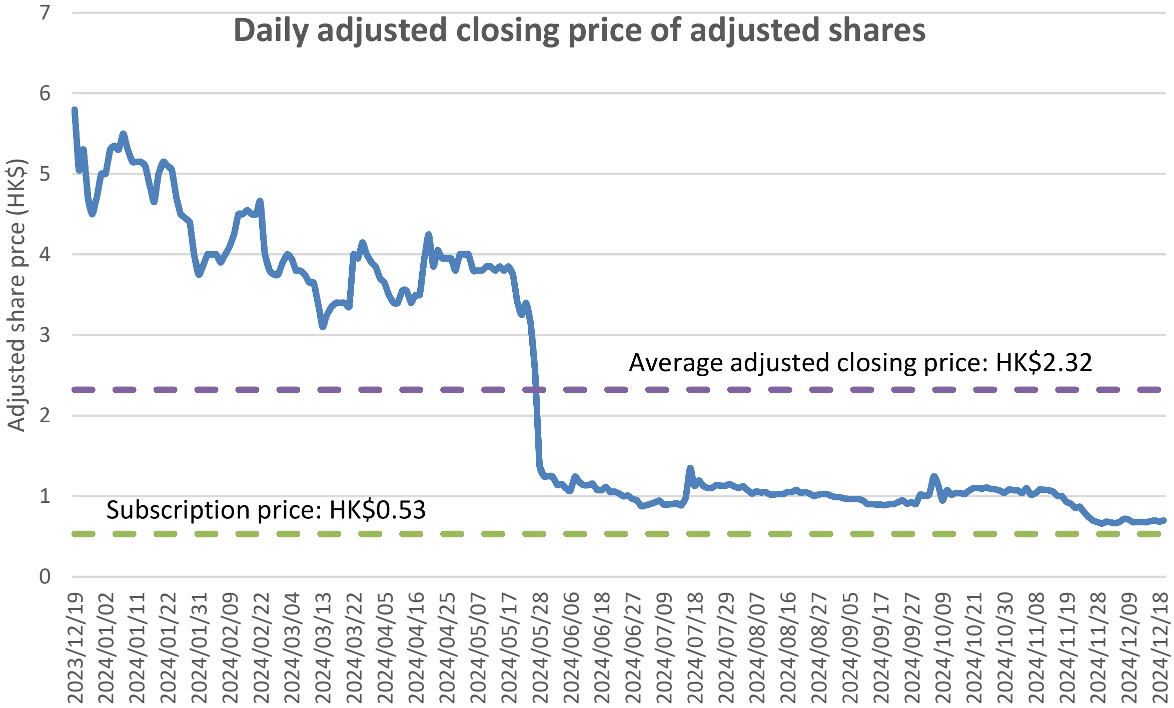
(iii) a discount of approximately 23.36% to the theoretical average closing price of approximately HK$0.6915 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK$0.1383 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 93.78% to the unaudited consolidated net asset value per Adjusted Share of approximately HK$8.52 as at 31 October 2024 (based on 172,800,000 Existing Shares in issue as at the Latest Practicable Date); and

(v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 19.43%, represented by the theoretical diluted price of approximately HK$0.564 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the theoretical benchmarked price of HK$0.70 per Adjusted Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Adjusted Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the relevant announcement and adjusted for the effect of the Capital Reorganisation).

B. Adjusted historical price of the Adjusted Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily adjusted closing prices and trading volume of the Adjusted Shares covering a period from 19 December 2023 to the Last Trading Day (the "Review Period") (being a period of approximately 12 months prior to and including the Last Trading Day) and compared such with the Subscription Price. We consider that Review Period is reasonably long enough to illustrate the historical trend and level of movement of the adjusted closing prices of the Adjusted Shares and is fair to reflect the market assessment on the financial performance of the Group before and after the release of the latest annual results for the financial year ended 2024 and the general market sentiment.



Source: www.hkex.com.hk

As shown in the chart above, during the Review Period, the average adjusted share price was approximately HK$2.32 per Adjusted Share (the "Average Adjusted Share Price"). The daily adjusted closing price ranged from HK$0.66 per Adjusted Share (the "Lowest Adjusted Share Price") to HK$5.80 per Adjusted Share (the "Highest Adjusted Share Price"). The Subscription Price of HK$0.53 represents (i) a discount of approximately 19.70% to the Lowest Adjusted Share Price; (ii) a discount of approximately 90.86% to the Highest Adjusted Share Price; and (iii) a discount of approximately 77.12% to the Average Adjusted Share Price for the Review Period.

We notice that the Highest Adjusted Share Price was recorded on one day of the Review Period and since then the share price has in general trended downward with a few rebounds. During the Review Period, there are a total of 247 trading days and the Adjusted Shares have been traded below the Average Adjusted Share Price for 142 trading days, representing approximately 57.5% of the time during the Review Period.

It is noted that the market capitalization of the Group also exhibited a downward trend during the Review Period. The average market capitalization of the Group was approximately HK$80.1 million which is notably lower than the net assets of the Group of approximately HK$143.5 million as of FYE2023, HK$273.9 million as of FYE2024 and HK$294.4 million as of 6M2024. Given market valuation of the Group has been trading at notable discount to its net asset values, Subscription Price set at discount to recent closing prices of Adjusted Share will therefore result in an even deeper discount to its net asset value per Adjusted Share. As such, the Subscription Price of the Rights Issue represents a deep discount of approximately 93.78% to the unaudited consolidated net asset value per Adjusted Share of the Group as at 31 October 2024.

Further, the Group experienced fluctuations profitability and in particular, it reported net loss of HK$7.0 million for FYE2022, net profits of HK$7.4 million for FYE2023, net profits of HK$2.2 million for FYE2024 and net profits of HK$2.0 million for 6M2024. The single digit net profit margin of the Group reflects to a certain extent the competitive landscape of its business. As disclosed in the "Letter from the Board", the Group has encountered increased frequency of delayed payments by customers which is mainly attributable to the economic downturn and the prevailing high interest rate environment. As such, the general downward trend of the share price and the fact that the market valuation of the Group has been trading at values below its net assets may reflect the lack of confidence in the Group's financial performance and future prospect.

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

C. Historical trading volume of the Adjusted Shares

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

	Total trading volume					
Month	**(No. of Shares)**	**(No. of Adjusted Shares)**	**No. of trading days**	**Average daily trading volume of Adjusted Shares**	**Percentage of average daily trading volume to the total number of Adjusted Shares in issue**	**Percentage of average daily trading volume to the total number of Adjusted Shares held by Public Shareholders**
					(Note 2)	**(Note 3)**
2023						
December	77,342,000	15,468,400	7	2,209,771	6.39%	6.97%
2024						
January	82,897,000	16,579,400	22	753,609	2.18%	2.38%

February	148,324,500	29,664,900	19	1,561,311	4.52%	4.93%
March	44,706,500	8,941,300	20	447,065	1.29%	1.41%
April	255,659,500	51,131,900	20	2,556,595	7.40%	8.07%
May	156,608,999	31,321,800	21	1,491,514	4.32%	4.71%
June	53,201,000	10,640,200	19	560,011	1.62%	1.77%
July	49,019,800	9,803,960	22	445,635	1.29%	1.41%
August	5,264,000	1,052,800	22	47,855	0.14%	0.15%
September	4,653,000	930,600	19	48,979	0.14%	0.15%
October	22,828,500	4,565,700	21	217,414	0.63%	0.69%
November	14,324,500	2,864,900	21	136,424	0.39%	0.43%
December (up to the Last Trading Day)	3,669,500	733,900	14	52,421	0.15%	0.17%

Source: www.hkex.com.hk

Note:

1. There are 172,800,000 Existing Shares in issue as of the date of this Circular while there will be 34,560,000 Adjusted Shares upon completion of the Capital Reorganisation

2. Based on the average daily trading volume of Adjusted Shares divided by a total of 34,560,000 Adjusted Shares in issue as of the Last Trading Day

3. Based on the average daily trading volume of Adjusted Shares divided by the number of 31,682,000 Adjusted Shares held by the Public Shareholders as of the Last Trading Day

During the Review Period, the trading liquidity of the Adjusted Shares remains generally thin with the average daily trading volume ranging from approximately 0.14% to 7.40% of the total number of Adjusted Shares in issue. As such, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing adjusted closing prices of the Adjusted Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

D. Comparison with recent rights issue exercises

To assess the fairness and reasonableness of the terms of the Rights Issue, we have conducted an analysis on the subscription prices of other recent rights issue exercises. Based on the criteria of (i) rights issues conducted by listed companies on the Stock Exchange; and (ii) rights issues that had issued relevant prospectuses during the three months prior to the Last Trading Day (the "Comparison Review Period"), we have identified an exhaustive list of 14 comparable rights issues (the "Comparables"). We consider that the Comparison Review Period is sufficient as it is intended to identify the most recent rights issue transactions conducted by companies listed on the Stock Exchange under the market conditions and sentiment close enough to that of the Rights Issue thus allowing reasonable comparison of their commercial terms. The Comparison Review Period is not intended to extend further into the past to cover rights issue transactions conducted under market conditions and sentiment that may be different and therefore not relevant for comparison purpose.

Shareholders should, however, note that the businesses, operations and prospect of the Company are not the same as the Comparables such as the differences in their market capitalizations and gross proceeds from their respective rights issue transactions. It is noted that the market capitalization of the Company on the Last Trading Day and gross proceeds of the Rights Issue fall within the range of that of the Comparables. It is also noted that the Comparables intend to apply the proceeds from their respective rights issue transactions to a combination of business operation, debt repayment and working capital while the Company intends for business operation and working capital. Nonetheless, we consider that the terms of the Comparables were determined under similar market conditions and sentiment and hence, the Comparables provide a general reference on the key terms for this type of transaction in Hong Kong. Therefore, we consider that the Comparables are indicative in assessing the fairness and reasonableness of the terms of the Rights Issue (including the Subscription Price).

The following table sets forth the details of the Comparables including background information such as business nature, market capitalisation, gross proceeds and key commercial terms such as premium or discount of subscription prices over or to closing prices and theoretical dilution effect of the rights issue transactions which are considered to be relevant for purpose of this comparison:

Date of prospectus	**Company name (Stock code)**	**Business**	**Market capitalisation on the last trading day**	**Gross proceeds**	**Use of proceeds**	**Basis of entitlement**	**Premium / (discount) of the subscription price over/to the closing price per share on the last trading day**	**Premium / (discount) of the subscription price over/to the average closing price for the five consecutive trading days including and up to the last trading day**	**Underwritten**	**Excess application**	**Theoretical dilution effect**	**Placing fee /commission**
			HK$ million	HK$ million					Yes = Y No = N	Yes = Y No = N		
19 December 2024	China 33 Media Group Ltd (8087)	Outdoor digital advertising services & prepaid card business	14	19.40	Debt repayment, working capital	3 for 2	-7.41%	-8.54%	N	N	5.12%	Higher of (i) fixed fee of HK$100,000 and (ii) 1.5%
29 November 2024	Kingkey Financial International	Securities brokerage services	857	417.51	Business operation, debt repayment,	1 for 2	-2.56%	-4.28%	N	Y	1.43%	--

	(Holdings) Ltd (1468)				working capital							
28 November 2024	Dragon Rise Group Holdings Limited (6829)	Undertaking foundation works as a subcontractor	57	28.80	Business operation, debt repayment, working capital	1 for 1	-48.70%	-48.20%	Y	N	24.90%	Higher of (i) fixed fee of HK$100,000 and (ii) 1.0%
25 November 2024	Gaodi Holdings Ltd (1676)	Packaging and sales of dried seafood	45	29.60	Business operation, working capital	1 for 2	37.90%	38.90%	N	N	0.00	1.0%
21 November 2024	IRC Ltd (1029)	Mining business & production of industrial commodities product including iron ore concentrate	852	362.10	Business operation, debt repayment, working capital	1 for 2	-15.00%	-17.20%	N	Y	6.04%	--
7 November 2024	Crown International Corporation Limited (727)	Property investment & development hotel operations, financial consultancy service, among others	311	155.40	Business operation	1 for 2	0.00%	12.25%	N	Y	0.00	--
7 November 2024	Palinda Group Holdings Ltd (8179)	Wine trading & production and sales of food products	177	71.70	Debt repayment, working capital	1 for 2	-18.70%	-9.42%	N	Y	6.23%	--
6 November 2024	Innovax Holdings Ltd (2680)	Financial and securities services provider	74	12.00	Business operation, working capital	1 for 2	-67.39%	-68.35%	N	N	22.78%	1.0%

25 October 2024	V&V Technology Holdings Ltd (8113)	Sale of electronic components for consumer electronic products such as mobile internet devices, network communication system, among others	71	24.20	Business operation, debt repayment, working capital	1 for 2	-31.51%	-26.04%	N	Y	10.50%	--
24 October 2024	China New Consumption Group Ltd (8275)	Foundation contractor, leasing of machinery and money lending business	51	24.00	Business operation, working capital	1 for 2	-5.66%	-7.41%	N	N	2.47%	Higher of (i) 3.5% and (ii) fixed fee of HK$250,000
22 October 2024	Shougang Fushan Resources Group Ltd (639)	Mining of coking coal, production and sales of raw and clean coking coal	12,564	427.00	Business operation, working capital	1 for 30	1.96%	2.52%	N	Y	0.00	--
2 October 2024	Shougang Century Holdings Ltd (103)	Manufacturing and sales of steel cords, sawing wires and hose wires	717	129.30	Debt repayment, working capital	1 for 5	8.20%	7.84%	N	Y	0.00	--
25 September 2024	Beijingwest Industries International Ltd (2339)	Manufacturing, sale and trading of automotive parts and components, among others	112	48.20	Working capital	1 for 2	-13.85%	-13.85%	N	Y	4.62%	--
23 September 2024	Trendzon Holdings Group Ltd (1865)	Infrastructural pipeline construction and related engineering services mainly	298	102.00	Business operation, debt repayment,	4 for 1	-14.30%	-17.40%	N	N	14.60%	1.0%

		for gas, water, telecommunications and power industries services, among others			working capital							
		Maximum	**12,564**	**427.00**		**Maximum**	**37.90%**	**38.90%**			**24.90%**	**3.5%/HK$250,000**
		Minimum	**14**	**12.00**		**Minimum**	**-67.39%**	**-68.35%**			**0.00%**	**1.0%/HK$100,000**
		Average	**1,157**	**132.20**		**Average**	**-12.64%**	**-11.37%**			**7.05%**	**1.5%/HK$150,000**
		Median	**145**	**60.00**		**Median**	**-10.63%**	**-8.98%**			**4.87%**	**1.0%/HK$100,000**
						The Company	**-24.29%**	**-23.19%**	N	**N**	**19.43%**	**1.5%**

Source: *www.hkex.com.hk*

Subscription price

As shown in the table above, the subscription price of the Comparables ranged from a premium of approximately 38.90% to a discount of approximately 68.35%, with an average discount of approximately 11.37% and median discount of approximately 8.98% over/ to their respective average closing prices per share for the five consecutive trading days including and up to the last trading day. The discount of approximately 23.19% of the Company's Subscription Price of HK$0.53 per Rights Share to the theoretical average closing price of HK$0.69 per Adjusted Share for the five consecutive trading days including and up to the Last Trading Day falls within the range but deeper than the average and the median discount of that of the Comparables.

The subscription price of the Comparables ranged from a premium of approximately 37.90% to a discount of approximately 67.39%, with an average discount of approximately 12.64% and median discount of approximately 10.63% over/to their respective closing prices per share on the last trading day. The discount of approximately 24.29 % of the Company's Subscription Price of HK$0.53 per Rights Share to the closing price of approximately HK$0.70 per Adjusted Share on the Last Trading Day falls within the range but deeper than the average and the median discount of that of the Comparables.

The outliers

Gaodi Holdings Ltd with subscription price at the highest premium to closing prices of share amongst the Comparables, as disclosed in prospectus, determined subscription price in general with reference to market prices and trading performances of their share, business performance and financial position particularly the consecutive loss making performance, the then bearish stock market condition and benefits of the funding, among others. It is considered reasonable to set subscription price at discount to net asset value per share to enhance the attractiveness and encourage participation of shareholders.

Innovax Holdings Ltd with subscription price at the lowest discount to closing prices of share amongst the Comparables, as disclosed in prospectus, determined subscription price in general with reference to market prices and trading performances of their share, prevailing market conditions, financial position in particular, recurrent net loss performance and benefits of the funding, among others. It is considered reasonable to set subscription price at discount to closing prices per share to enhance the attractiveness and encourage participation of shareholders.

Excluding the two Comparables above, subscription price of the remaining Comparables has a narrower range from a premium of approximately 12.25% to a discount of approximately 48.20%, with a lower average discount of approximately 10.81% and the same median discount of 8.98% over/ to their respective average closing prices per share for the five consecutive trading days including and up to the last trading day. Despite the narrower range, the discount of approximately 23.19% of the Company's Subscription Price per Rights Share to the theoretical average closing price per Adjusted Share for the five consecutive trading days including and up to the Last Trading Day still falls within the range but deeper than the average and the median discount of that of the remaining Comparables.

Excluding the two Comparables above, the subscription price of the remaining Comparables has a narrower range from a premium of approximately 8.20% to a discount of approximately 48.70%, with a lower average discount of approximately 12.29% and the same median discount of approximately 10.63% over/to their respective closing prices per share on the last trading day. Despite the narrower range, the discount of approximately 24.29% of the Company's Subscription Price per Rights Share to the closing price per Adjusted Share on the Last Trading Day still falls within the range but deeper than the average and the median discount of that of the remaining Comparables. As such, the discounts of the Company's Subscription Price per Rights Share to both the theoretical average closing price per Adjusted Share for the five consecutive trading days including and up to the Last Trading Day and the closing price per Adjusted Share on the Last Trading Day still fall within the range but not at the extremes of the Comparables without the outliers.

We note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares or net asset value per share as the case may be in order to enhance the attractiveness of the rights issue transactions and encourage participation of shareholders. The Comparables would consider various factors including market prices and trading performances of their shares which may exhibit a downward share price trend with thin trading volume, their respective financial conditions which may be volatile with reported net losses and funding requirements which may be for business operation, debt repayment or working capital against the backdrop of stock market sentiment. The Comparables would typically offer discount to the prevailing market share prices or net tangible asset value per share in order to make the fund raising transactions attractive to shareholders. The degree of such discount varies depending on funding size, market capitalization of the Comparables and the reasons discussed earlier. In line with the above, the Subscription Price also represents discount to the closing prices per Adjusted Share and net asset value per Adjusted Share. It is noted that 10 out of 14 Comparables set their subscription prices at discount to their respective five-day average closing prices and the last trading day closing prices. The Share price may fluctuate above or below the benchmarked price from time to time. It is noted that Share price closed above the benchmarked price on some trading days after the Last Trading Day and the Subscription Price therefore represents a deeper discount to such closing prices that still falls within the range of that of the Comparables and further enhances the attractiveness of the Rights Issue as such will further encourage Qualifying Shareholders to participate in the Rights Issue and capture investment opportunity to acquire Shares in the Company at bargain price.

Placing commission

We also note that it is not uncommon for issuer not to make arrangement for excess application for Qualifying Shareholders to apply for excess rights shares as 6 out of 14 of the Comparables have no such arrangement in place. The Company has entered into the Placing Agreement with the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees on a best effort basis. The Placing Agent shall be entitled to a commission equal to 1.5% of the amount that have been successfully placed by the Placing Agent.

It is noted that of the 6 Comparables with placing arrangement, 3 of which offered compensation to placing agents with placing commission only while 3 offered the higher of placing commission and fixed fee. The placing commissions of the Comparables fell between 1.0% and 3.5% and fixed fees between from HK$100,000 to HK$250,000. As such, the placing commission of 1.5% in relation to the Rights Issue falls within the range of that of the Comparables.

In general, discount to closing prices offered by the Subscription Price could enhance the attractiveness of the Rights Issue and encourage Qualifying Shareholders to participate in it. Given market valuation of the Group has already been trading at notable discount to its net asset values, Subscription Price set at discount to recent closing prices of Adjusted Share therefore represents an even deeper discount to its net asset value per Adjusted Share. As discussed earlier, it is common market practice to set the subscription price at a discount to the prevailing market share prices or net asset value per share as the case may be in order to encourage participation of shareholders. Nonetheless, non participating Shareholders who do not wish to proceed with the Rights Issue for reasons such as the degree of discount to closing prices or net asset value per adjusted Share may trade their entitlements in the market thus reducing impact from dilution of their shareholdings.

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

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

The Rights Issue allows the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 19.43%.

As shown in the table above, the theoretical dilution effect of the Comparables ranged from approximately nil to 24.90%, with an average of 7.05%. The theoretical dilution effect of the Rights Issue of approximately 19.43% falls within range of the Comparables and is greater than the average and the median theoretical dilution effect of the Comparables. In general, the theoretical dilution effect of the Rights Issue is in compliance with the theoretical dilution limit as defined under the Listing Rules.

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

4. Financial Impact of the Rights Issue

(a) Net tangible assets

Based on the unaudited pro forma financial information of the Group set out in Appendix II to this Circular, the unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as of 31 October 2024 was approximately HK$267.3 million. Upon completion of the Rights Issue, the Group will have unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company being approximately HK$337.1 million.

(b) Liquidity

As part of the gross proceeds of approximately HK$73.27 million from the Rights Issue will be used as the general working capital of the Group, the working capital position of the Group would be improved upon completion of the Rights Issue.

(c) Gearing ratio

The gearing ratio (based on total debts at the end of the year/period divided by total equity at the end of the year/period) of the Group as of 31 October 2024 was approximately 17.9%. Upon completion of the Rights Issue, the Group's gearing ratio would slightly decrease to approximately 14.5%.

After taking into consideration of the above, in particular, the enhancement of net asset value, improvement in liquidity position and the reduction in gearing ratio of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

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

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

Yours faithfully,
For and on behalf of
Messis Capital Limited

Angus Au-Yeung
Managing Director

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