

MESSIS 大有融資

8 November 2024

*To: The Independent Board Committee and the Independent Shareholders
of NOIZ Group Limited*

Dear Sir/Madam,

CONNECTED TRANSACTION PROPOSED ISSUE OF PERPETUAL CONVERTIBLE SECURITIES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee with regards to the Subscription Agreement and the transactions contemplated thereunder, including but not limited to, the grant of the Specific Mandate to allot and issue the Conversion Shares under the Convertible Securities. Details of the Subscription are contained in the “Letter from the Board” of the circular to the Shareholders dated 8 November 2024 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, terms defined in the Circular shall have the same meanings in this letter.

On 10 October 2024 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for the Convertible Securities in the principal amount of HK\$101,000,000 and pay the Subscription Price by setting off against the outstanding principal amounts of the First 2025 August CB and Second 2025 August CB held by the Subscriber at Completion. As at the Latest Practicable Date, the outstanding principal amounts of the First 2025 August CB is HK\$91,000,000 and Second 2025 August CB is HK\$10,000,000 respectively.

The Subscriber, being wholly and ultimately owned by Mr. Wong, the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 174,421,666 Shares, representing approximately 28.86% of the issued share capital of the Company, and is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. In addition, the Convertible Securities and the Conversion Shares will be issued under the Specific Mandate which is subject to Independent Shareholders’ approval at the EGM.

The EGM will be convened and held for the purposes of considering of, and if thought fit, approving, among other things, the Subscription, and the Specific Mandate to allot and issue the Conversion Shares.

Mr. Wong has abstained from voting on the resolutions in relation to the Subscription Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Subscription.

An Independent Board Committee comprising all the independent non-executive Directors, Ms. Ng Ka Sim, Casina, Mr. Wong Wing Kit and Ms. Yeung Mo Sheung, Ann, has been formed to advise the Independent Shareholders in relation to the Subscription, whether the Subscription and the transactions contemplated thereunder, including but not limited to, the grant of the Specific Mandate for allotment and issue of the Conversion Shares and as to whether the Subscription Agreement is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders how to vote at the EGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Group under Rule 17.96 of the GEM Listing Rules, and accordingly, qualified to give independent advice regarding the Subscription. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and advice, we have relied on the statements, information, opinions and representations contained or referred to in this Circular and the representations made to us by the Directors and the management of the Company (the “**Management**”). 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.

We consider that we have reviewed all currently available information and documents and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent investigation into the business, affairs, borrowing and financial position or prospects of the Company or the Group.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription, and except for its inclusion in this Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Subscription, we have considered the following principal factors and reasons as set out below.

1. Background information to and reasons for the Subscription Agreement

Information on the Group

The Group is principally engaged in (i) financial services business including provision of corporate finance advisory services, asset management and advising on securities business and money lending services; (ii) corporate consulting business including company secretarial services, accounting and financial reporting services and management consulting services; and (iii) digital business that leverages blockchain, artificial intelligence, and immersive interaction technologies to create value and protection to individuals, creators, artists, businesses and brand owners, and offer various opportunities within the entertainment sector, including the organisation/production of and investment in concerts, events and festivals.

Financial Information of the Group

The table below summarises the audited financial results of the Group for each of the year ended 31 December 2022 (“FY 2022”) and 31 December 2023 (“FY 2023”) as extracted from the annual report of the Company for the year ended 31 December 2023 (“AR 2023”), and the unaudited financial results of the Group for each of the six months ended 30 June 2023 (“H1 2023”) and 30 June 2024 (“H1 2024”) as extracted from the interim report of the Company for the six months ended 30 June 2024 (“IR 2024”).

Consolidated statement of profit or loss and other comprehensive income of the Group

	H1 2024 (unaudited) HK\$'000	H1 2023 (unaudited) HK\$'000	FY 2023 (audited) HK\$'000	FY 2022 (audited) HK\$'000
Revenue	8,105	5,031	18,938	18,151
Loss for the year/period	(15,324)	(13,730)	(25,673)	(27,820)

	As at 30 June 2024 (unaudited) HK\$'000	As at 31 December 2023 (audited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Non-current assets	24,712	27,961	36,343
Current assets	29,985	28,752	42,754
Total assets	54,697	56,713	79,097
Non-current liabilities	84,617	78,321	75,601
Current liabilities	20,208	13,196	32,431
Total liabilities	104,825	91,517	108,032
Net current assets	9,777	15,556	10,323
Total deficiency	(50,128)	(34,804)	(28,935)

FY 2023 vs FY 2022

The Group recorded revenue of approximately HK\$18.94 million for FY 2023, representing an increase of approximately 4.34% from revenue of approximately HK\$18.15 million for FY 2022. Loss for the year for FY 2023 was approximately HK\$25.67 million (FY 2022: approximately HK\$27.82 million). The decrease in net loss of approximately HK\$2.14 million was mainly attributable to the decrease in operating and administrative expenses of approximately HK\$2.15 million (down from approximately HK\$34.42 million for FY 2022 to approximately HK\$32.26 million for FY 2023).

The Group's revenue from the financial services business was approximately HK\$11.44 million for FY 2023 (FY 2022: approximately HK\$11.91 million), with a segment profit of approximately HK\$3.31 million (FY 2022: approximately HK\$2.32 million). The increase in segment profit was mainly driven by the robust performance of the corporate financial advisory services, which generated revenue of approximately HK\$8.4 million (FY 2022: approximately HK\$5.2 million).

The Group's revenue from the corporate consulting business remained stable at HK\$4.03 million for FY 2023 (FY 2022: approximately HK\$4.68 million), with a segment profit of approximately HK\$2.27 million for FY 2023 (FY 2022: approximately HK\$1.91 million).

The Group's revenue from the digital business increased significantly by approximately HK\$1.91 million to approximately HK\$3.48 million for FY 2023, up from approximately HK\$1.57 million for FY 2022. Segment loss for digital business was approximately HK\$3.48 million for FY 2023 (FY 2022: approximately HK\$2.52 million). The segment loss was mainly due to higher costs incurred from several projects during the year.

As at 31 December 2023, the Group's cash and bank balances (including trust accounts) was approximately HK\$14.20 million (as at 31 December 2022: approximately HK\$34.81 million) while net current assets was approximately HK\$15.56 million (as at 31 December 2022: approximately HK\$10.32 million).

The Group's gearing ratio as at 31 December 2023 was approximately 1.37 (as at 31 December 2022: approximately 1.08), being a ratio of total interest-bearing debts, including convertible bonds, of approximately HK\$77.93 million (as at 31 December 2022: approximately HK\$85.11 million) to the total assets of approximately HK\$56.71 million (as at 31 December 2022: approximately HK\$79.10 million).

H1 2024 vs H1 2023

The Group recorded revenue of approximately HK\$8.11 million for H1 2024, representing an increase of approximately 61.10% from revenue of approximately HK\$5.03 million for H1 2023. Loss for the period was approximately HK\$15.32 million for H1 2024 (for H1 2023: approximately HK\$13.73 million). The increase in net loss of approximately HK\$1.59 million was mainly attributable to the net effect of (i) increase of revenue for H1 2024 as discussed above; and (ii) recognition of cost of sales of approximately HK\$4.46 million for H1 2024 (for H1 2023: nil), which was attributable to the projects under digital business segment.

The Group's revenue from the financial services business remained strong at approximately HK\$3.79 million for H1 2024 (for H1 2023: approximately HK\$2.34 million) with a segment profit of approximately HK\$1.38 million (for H1 2023: approximately HK\$0.41 million), which was in turn driven by the increase in the segment revenue.

The Group's revenue from the corporate consulting business was approximately HK\$3.44 million for H1 2024 (for H1 2023: approximately HK\$2.28 million), with a segment profit of approximately HK\$2.87 million (for H1 2023: approximately HK\$1.51 million), which was in turn driven by the increase in the segment revenue.

The Group's revenue from the digital business increased by approximately HK\$0.47 million to approximately HK\$0.88 million for H1 2024, up from approximately HK\$0.41 million for H1 2023. Segment loss for digital business was approximately HK\$6.22 million for H1 2024 (for H1 2023: approximately HK\$2.33 million). The notable increase in segment loss was mainly due to higher costs incurred from several projects during the period.

As at 30 June 2024, the Group's cash and bank balances (including trust accounts) were approximately HK\$6.39 million (as at 31 December 2023: approximately HK\$14.20 million) while net current assets were approximately HK\$9.78 million (as at 31 December 2023: approximately HK\$15.56 million).

The Group's gearing ratio as at 30 June 2024 was approximately 1.54 (as at 31 December 2023: approximately 1.37), being a ratio of total interest-bearing debts, including convertible bonds, of approximately HK\$84.24 million (as at 31 December 2023: approximately HK\$77.93 million) to the total assets of approximately HK\$54.70 million (as at 31 December 2023: approximately HK\$56.71 million).

2. Reasons for and benefits of the Subscription

As stated in the Letter from the Board, the Group has been loss making for the recent financial years and as noted from the AR 2023, the Group recorded a net loss of approximately HK\$25.67 million and HK\$27.82 million for the years ended 31 December 2023 and 2022, respectively. As noted from the AR 2023, the loss for the year is mainly attributed to a non-cash item of approximately HK\$12.31 million in relation to an imputed interest on the 2025 August CBs. As further set out in the IR 2024, the Group had a net liabilities position of approximately HK\$50.13 million as at 30 June 2024 and it is primarily attributed to the carrying amount of the 2025 August CBs of approximately HK\$84.24 million. Based on our discussion with the management of the Company, given the Group's existing financial position and the fact that the First 2025 August CB and Second 2025 August CB with an outstanding principal amount of HK\$91,000,000 and HK\$10,000,000 would both be matured in August 2025, it is not expected that the Company would be able to redeem all the 2025 August CBs when they fall with its internal resources without further obtaining equity/debt financing.

As understood from the Management, the Company has difficulty in securing third party financing with favorable terms to the Company to settle the First 2025 August CB and Second 2025 August CB with an aggregate outstanding principal amount of HK\$101,000,000 before maturity. For debt financing, the Company did not receive feedbacks from banks on its enquiry on debt financing proposal for the Company, which could be due to (i) the fact that the Group was loss-making continuously for FY 2022, FY 2023 and H1 2024; (ii) the net liability position of the Group as at 30 June 2024; and (iii) the high and increasing gearing ratio of the Group of 1.5 as at 30 June 2024.

For equity financing, the Company has considered other alternatives such as placing of new Shares, rights issue or open offer. However, placing of new Shares will cast immediately dilution effect to the existing shareholders of the Company, while rights issue or open offer may cast dilution effect to shareholders of the Company who do not want to participate. Moreover, given the market capitalisation of the Company of HK\$48.35 million (based on the closing price of HK\$0.08 as at the date of the Subscription Agreement, in order to fully repay the settle the First 2025 August CB and Second 2025 August CB with an aggregate outstanding principal amount of HK\$101,000,000 when they fall due, any equity financing alternatives would have been highly dilutive by increasing both the number of issued Shares and the market capitalisation of the Company by more than 100% even that the issue price is to be set at no discount to the latest closing price of the Share.

We note that the Hang Seng Index fluctuated between a peak of 23,099.78 on 7 October 2024 and a bottom of 14,961.18 on 22 January 2024 during the period from 11 October 2023 to 10 October 2024, being the 12-month period prior to and including the date of the Subscription Agreement (the “**Review Period**”), representing a significant fluctuation of over 54%. The Hang Seng Index in September 2024 underwent a turbulence which saw a rise of as much as 6.19% (or by 1,310.05) on 2 October 2024 and plunge of as much as 9.40% shortly after on 8 October 2024. The recent turbulence in Hang Seng Index was attributable to the mixed effects of, among other things, the negative market sentiment over the economic downturn in the PRC and Hong Kong, the attempts by the PRC government to stabilise the economy and local stock markets, the overall grim outlook of the global economy. Therefore, we are of the view the prevailing market condition also contributes to the Company’s difficulty in obtaining debt/equity financing with favourable terms in the current market. Overall, we concur with the view of the Directors on the difficulty of the Company in securing debt financing and the significant downsides of other equity financing alternatives.

Considering the current unstable market condition and should the condition persist until the 2025 August CBs fall due, we are given to understand that the Subscriber has no intention to exercise the conversion rights attached to the 2025 August CBs, given that the current conversion price of the First 2025 August CB of HK\$0.186 and Second 2025 August CB of HK\$0.108 are significantly higher than the prevailing market price per Share. Given the difficulty of the Company in securing debt financing and the significant downsides of other equity financing alternatives as discussed above, the Company needs to secure a refinancing option before the 2025 August CBs fall due in 31 August 2025.

As understood from the Company, since the outstanding principal amount of the 2025 August CBs held by the Subscriber will be principally settled through the issuance of the Convertible Securities on the date of Completion, and the Convertible Securities is considered to be equity of the Company according to accounting standards, the Subscription (i) would not create any immediate cash outflow in the settlement of the 2025 August CBs; (ii) would result in a turnaround of the existing net liabilities position of the Company to a net asset position and reduce of the amount of noncash item, and (iii) the reduction in interest expenses (an interest rate of 3.00% per annum as stipulated under the Convertible Securities against an imputed interest rate of approximately 16.83% attributable to the 2025 August CBs as at 31 December 2023), and thus improve the financial position and performance of the Company. In addition, pursuant to the terms and conditions of the Convertible Securities, the Convertible Securities have no maturity date and the Company may redeem part or all of the Convertible Securities at its own discretion which provides high flexibility to the Company in its future cash management. Given the above benefits of refinancing the 2025 August CBs with the Convertible Securities, the Company has decided to negotiate with the Subscriber on the Subscription, with the 2025 August CBs falling due in less than one year.

Having considered (i) the Group's recent financial performance and financial position; (ii) the difficulty of the Group in obtaining debt financing at favourable terms to the Company to refinance the 2025 August CBs when they fall due; (iii) the significant downsides of other equity financing alternatives to raise fund for settlement of the 2025 August CBs; (iv) the Subscriber has no intention to exercise the conversion rights attached to the 2025 August CBs, in light of the current unstable market condition and should the condition persist until the 2025 August CBs fall due; (v) the prevailing market prices and trading volume of the shares as discussed in the sections headed "3. The Subscription" below alongside the recent market sentiment; (vi) the negotiation made between the Company and Subscriber; and (vii) the flexibility to the Company in its future cash management, we concur with the Director's view that, on the basis that the Convertible Securities are considered as equity of the Company, the entering into of the Subscription Agreement would be an appropriate mean of improving the financial position of the Group by offering a turnaround of the existing net liabilities position to a net asset position, reducing of the amount of noncash item, while not creating any immediate cash outflow in the settlement of the 2025 August CBs, and that the Subscription is fair and reasonable based on the current market conditions, and is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

3. The Subscription

(i) Information on the Subscriber

As stated in the Letter from the Board, the Subscriber, being wholly and ultimately owned by Mr. Wong, the Chairman, an executive Director and the chief executive officer of the Company, is beneficially interested in 174,421,666 Shares, representing approximately 28.86% of the issued share capital of the Company and is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, the Subscriber is the holder of the First 2025 August CB and Second 2025 August CB.

(ii) Principal terms of the Share Subscription Agreement

As set out in the Letter from the Board, the key terms of the Subscription Agreement are summarised as follows:

Date	10 October 2024
Form	The Convertible Securities will be allotted and issued in registered form
Principal amount	HK\$101,000,000
Issue price	100% of the principal amount of the Convertible Securities
Maturity date	there is no maturity date

Distribution

The Convertible Securities confers a right to receive distribution(s) (the “**Distribution**”) accruing from 1 September 2025 on the principal amount of the Convertible Securities outstanding, which subject as provided herein, will be payable by the Company annually in arrears with payment to be made on 31 August of each year (each a “**Distribution Payment Date**”). If a Distribution Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next day which is a Business Day. Distribution on the principal amount of the Convertible Securities shall be calculated on a 365-day year basis.

Rate of Distribution

3% per annum of any outstanding principal amount of Convertible Securities (the “**Rate of Distribution**”).

Such distribution shall be calculated on the actual number of days elapsed and on the basis of a 365-day year.

Optional deferral of Distributions

The Company may, at its sole discretion, elect to defer in whole or in part of any Distribution (the “**Deferred Distribution**”) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Subscriber not less than five (5) Business Days prior to the relevant Distribution Payment Date. The numbers of Distribution and deferral of Distributions are not subject to any limitation.

If there is any Deferred Distribution outstanding, the Company shall not:

- a) declare or pay any discretionary dividends or distributions or make any other payment, and will procure that no dividend, distribution or other payment is made, on any Shares of the Company; or

- b) at its discretion repurchase, redeem or otherwise acquire for any consideration any Shares prior to its stated maturity of the Company, unless and until the Company has satisfied in full all outstanding arrears of the Deferred Distribution.

Conversion price

HK\$0.10 per Conversion Share, subject to adjustments

Adjustment events

The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

(a) Consolidation or sub-division of the Shares

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and B is the nominal amount of one Share immediately before such alteration.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or subdivision becomes effective.

(b) Capitalisation of profits or reserves

If and whenever the Company shall issue (other than in lieu of the whole or part of a cash dividend and other than issue that would amount to a capital distribution) any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for such issue.

(c) *Capital distribution*

If and whenever the Company shall make any capital distribution to the Shareholders (in their capacity as such) (whether on a reduction of capital or otherwise) or shall grant to such holders right(s) to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the independent auditors, of the portion of the capital distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the independent auditors is not required.

Provided that (aa) if in the opinion of an independent auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, such independent auditors may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and (bb) the provisions of this paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the capital distribution or grant.

(d) Issue of Shares for subscription by way of rights

If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per Share; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants. Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.

Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the holder(s) of the Convertible Securities (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if they had exercised the conversion rights under the Convertible Securities registered in their holders of the Convertible Securities out of the total principal amount of the Convertible Securities outstanding at the time of the proposed redemption.

(e) (aa) Issue of convertible or exchangeable securities

If and whenever the Company shall issue wholly for cash any securities convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined in this paragraph (e) below) initially receivable for such securities is less than 80% of the market price on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of the issue;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

(bb) Modification of rights of convertible or exchangeable securities

If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this paragraph (e) are modified so that the total Effective Consideration per Share (as defined below) initially receivable for such securities shall be less than 80% of the market price of the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such modification;

B = the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of the Conversion Price provided that corresponding adjustment has already been made to the Conversion Price in respect of such an event.

For the purposes of this paragraph (e), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(f) Issue of Shares being made wholly for cash at a price less than 80% of the market price per Share

If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the market price on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

- (g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined in this paragraph (g) below) which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

For the purpose of this paragraph (g) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

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In the event that the above adjustment causes the adjusted Conversion Price to be lower than HK\$0.10 (being the par value of the Share), the Company will conduct share capital reorganisation to accommodate such downward adjustment.

Conversion shares	1,010,000,000 Conversion Shares will be allotted and issued by the Company upon full conversion of the Convertible Securities at the initial Conversion Price.
Conversion period	Conversion of the Convertible Securities into Conversion Shares may take place at any time after the date of issuance of the Convertible Securities, subject to the relevant terms as provided in the terms of the Convertible Securities.
Restrictions on Conversion	The holder(s) of the Convertible Securities shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Securities registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$100,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Securities is less than HK\$100,000, the whole (but not part only) of the outstanding principal amount of the Convertible Securities may be converted; and (ii) the exercise of the conversion right attached to the Convertible Securities will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.

In the event the holder(s) of the Convertible Securities convert the Convertible Securities to the extent that immediately after such conversion the holder(s) of the Convertible Securities together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder(s) of the Convertible Securities would be obliged to make a general offer under the Takeovers Code, the holder(s) of the Convertible Securities together with parties acting in concert with it shall comply with the requirement of the Takeovers Code in accordance to the Takeovers Code.

No fixed Redemption Date

The Convertible Securities are perpetual securities in respect of which there is no fixed redemption date.

Optional Redemption at the option of the Company

The Company shall be entitled at its sole discretion, by giving not less than seven (7) days' notice to the holder(s) of the Convertible Securities, propose to the holder(s) to redeem the outstanding Convertible Securities (in multiples of HK\$100,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Convertible Securities at any time after the date of issue of the Convertible Securities. The Company shall pay to the holder(s) of the Convertible Securities all Distribution and Deferred Distribution accrued on such amount of the outstanding Convertible Securities to be redeemed at the time of redemption.

Redemption at the occurrence of an event of default

holder(s) of the Convertible Securities shall be entitled at his sole discretion, by giving notice to the Company requiring the Company to redeem the outstanding Convertible Securities held by such holder(s) of the Convertible Securities and pay to holder(s) of the Convertible Securities all Distribution and Deferred Distribution accrued on the outstanding Convertible Securities forthwith upon the occurrence of any of the following event of default:

- (a) any breach by the Company of the terms and conditions of the Convertible Securities, and such breach continues to exist fourteen (14) Business Days after the holder(s) of the Convertible Securities having issued a notice to the Company to request for remedial measures;
- (b) any court order having been made demanding the Company to cease operations or dissolve;
- (c) all or substantially all of the assets or businesses of the Group having been taken over by the receiver;
- (d) any enforcement or seizure measures having been taken, enforced, or applied to be taken against substantially all of the property of the Group, and such measures have not been released within ten (10) days;
- (e) any litigations having been commenced against the Company pursuant to any applicable bankruptcy, restructuring or insolvency laws, and such litigation proceedings have not been withdrawn or terminated within forty-five (45) days after their commencement; and
- (f) the Shares having been suspended from trading on GEM of the Stock Exchange for more than five trading days (save for suspensions pending release of inside information or clearance of announcement(s) by the regulatory authority(ies)), or the listing status of the Shares having been withdrawn.

For the avoidance of doubt, except as provided above, holder(s) of the Convertible Securities shall have no right to request the Company to redeem the Convertible Securities.

Voting rights

The holder(s) of Convertible Securities will not be entitled to receive notice of, attend or vote at general meetings of the Company by reason only of it being a Convertible Securities holder.

Transferability

Subject to compliance with the GEM Listing Rules, the Convertible Securities may be transferred or assigned in whole or in part in integral multiples of HK\$100,000 by the holder(s) of the Convertible Securities to any party, save and except that the Convertible Securities shall not be transferred to a connected person of the Company unless with the prior written consent of the Company.

Ranking

The Conversion Shares, when allotted and issued, shall *rank pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.

Listing

No application will be made by the Company for the listing of the Convertible Securities on the Stock Exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Security

The obligations of the Company under the Convertible Securities are unsecured.

Conversion Shares

Based on the Conversion Price of HK\$0.10 per Conversion Share, a maximum number of 1,010,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Securities in full, which represent: (i) approximately 167.11% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 167.11% of the issued share capital of the Company as at the date of the Announcement; and (iii) approximately 62.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Securities in full.

The maximum aggregate nominal value of the Conversion Shares is HK\$101,000,000.

Conversion Price

The Conversion Price of HK\$0.10 per Conversion Share represents:

- (i) a premium of approximately 40.85% over the closing price of HK\$0.071 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of 25.00% over the closing price of HK\$0.08 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (iii) a premium of approximately 17.65% over the average closing prices of HK\$0.085 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.099 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, (i) the recent 3-month market price of the Shares under the prevailing market conditions, i.e. taking into account of the market price range of the Share in between HK\$0.137 and HK\$0.08 during the 3-month period ending on the date of the Subscription Agreement; (ii) the latest business performance and financial condition of the Company, i.e. the improvement in revenue from approximately HK\$5.03 million for the six months ended 30 June 2023 to approximately HK\$8.11 million for the six months ended 30 June 2024, and the total assets value of the Group of approximately HK\$54.70 million as at 30 June 2024; (iii) the underlying terms of the Convertible Securities; and (iv) reasons and benefits of the Subscription as discussed in the section headed "Reasons for and benefits of the proposed issue of the Convertible Securities and use of proceeds" in the "Letter from the Board". The Directors (including the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee contained in this circular) consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Securities are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For further details and terms of the Subscription Agreement, please refer to the Letter from the Board.

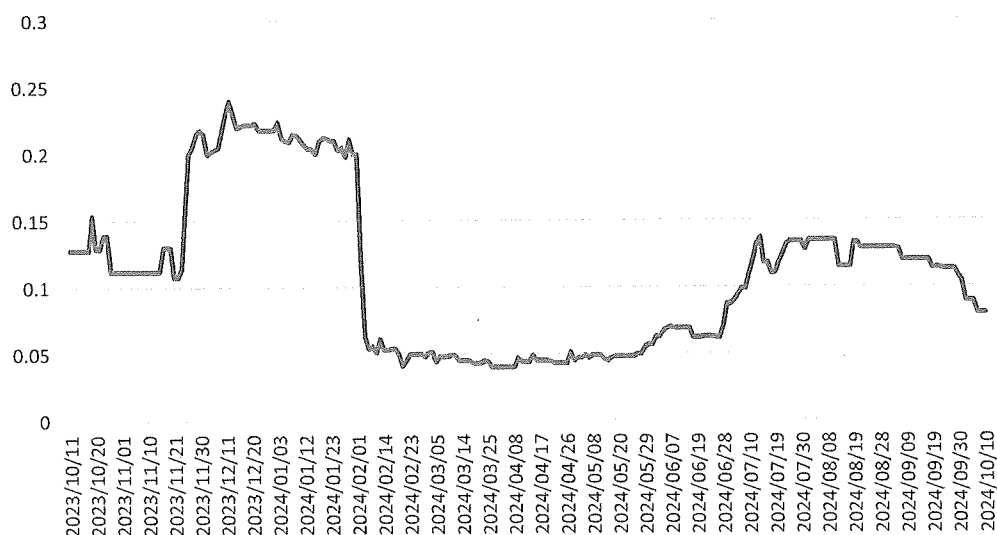
Our analysis

(a) Share prices

In order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period.

We consider that the Review Period which covers a full year prior to and including the date of the Subscription Agreement represents a reasonable and sufficient period to provide a general overview of the recent price performance of the Shares.

HK\$ per Share



Source: the website of the Stock Exchange

During the Review Period, the closing prices of the Shares were between a low of HK\$0.040 per Share from 26 March 2024 to 8 April 2024 and a high of HK\$0.24 per Share on 12 December 2023, with an average closing price of approximately HK\$0.110 per Share.

Between 23 November 2023 and 21 December 2023, there was a surge in the closing price of the Shares from HK\$0.114 per Share on 23 November 2023 to the peak of HK\$0.24 per Share on 12 December 2023. Based on our discussion with the management of the Company and the public disclosures of the Company during the said period, we are not aware of any specific factors that would reasonably contribute to such surge in the closing price of the Shares.

On 2 February 2024, there was a sudden plunge in the Share price that closed at HK\$0.117 per Share, down from that of HK\$0.2 per Share on previous day, and further dropped to HK\$0.063 per Share on 5 February 2024 and hit the lowest point of HK\$0.040 per Share from 26 March 2024 to 8 April 2024 before beginning a slow recovery of Share price. Based on our discussion with the management of the Company and the public disclosures of the Company during the said period, we are not aware of any specific factors that would reasonably contribute to such surge in the closing price of the Shares.

We note that the Conversion Price of HK\$0.10 per Conversion Share is within the range of the daily closing prices of the Shares during the Review Period. The Conversion Price represents a premium of 25% over the closing price of HK\$0.08 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement and a premium of 17.65% over the average closing price of HK\$0.085 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days of the Shares immediately prior to the date of the Subscription Agreement. Although the Conversion Price is slightly below the average closing price during the Review Period, considering that (i) the Conversion Price represents a premium over the closing price on the date of the Subscription Agreement and the average closing price for the five (5) consecutive trading days of the Shares immediately prior to the date of the Subscription Agreement; (ii) the Conversion Price is within the range of the daily closing prices of the Shares during the Review Period; and (iii) the sluggish trend of the Company's Share price, we concur with the Directors' view that the Conversion Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(b) Trading volumes

Set out below is the average daily trading volume of the Shares per relevant month/period, and the respective percentage of the average daily trading volume of the Shares to the total number of issued Shares as at the end of relevant month/period, in the Review Period:

Month/period	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of average daily trading volume of total issued Shares as at the end of relevant month/period
October 2023 (from 11 October 2023)	3,432,261	14	245,162	0.041%
November 2023	46,958,252	22	2,134,466	0.353%
December 2023	86,542,124	19	4,554,849	0.754%
January 2024	43,624,825	22	1,982,947	0.328%
February 2024	112,808,646	19	5,937,297	0.982%
March 2024	32,278,202	20	1,613,910	0.267%
April 2024	5,438,083	20	271,904	0.045%
May 2024	22,961,023	21	1,093,382	0.181%
June 2024	11,851,027	19	623,738	0.103%
July 2024	8,744,987	22	397,499	0.066%
August 2024	115,773	22	5,262	0.001%
September 2024	1,667,400	19	87,758	0.015%
October 2024 (up to 10 October 2024)	721,289	7	103,041	0.017%
Maximum	112,808,646		5,937,297	0.982%
Minimum	115,773		5,262	0.001%
Average	29,011,069		1,465,478	0.242%

Source: the website of the Stock Exchange

It is noted that the average daily trading volume of the Shares per relevant month/period accounted for only a small proportion of the total number of issued Shares as at the end of the relevant month/period, which ranges from approximately 0.001% to 0.982% during the Review Period.

Given the relatively low liquidity of the Shares as illustrated above, we consider that if the Company were to raise a considerable amount of funds by way of issuing new Shares, the share subscription price would have to be set at a notable discount to the market price of the Shares so as to entice investments from Independent Third Party(ies) or existing Shareholders. As such, we concur with the Directors' view that the Conversion Price, representing a premium over the closing price on the date of the Subscription Agreement and the average closing price for the five (5) consecutive trading days of the Shares immediately prior to the date of the Subscription Agreement, is considered favourable to the Company and in the interests of the Company and the Shareholders as a whole.

(c) Comparable analysis

In order to assess the fairness and reasonableness of the terms of the Convertible Securities, we have conducted research on the website of the Stock Exchange to identify issues and subscription of perpetual convertible securities for cash during the Review Period. However, we noted that only listed companies, namely HSBC Holdings plc. (“HSBC”) and Standard Chartered plc. (“SC”) issued perpetual convertible securities during the Review Period. The perpetual convertible securities issued by these two bank corporations has a fundamental distinction from the Convertible Securities that these perpetual convertible securities issued by banks are only converted automatically upon the occurrence of a conversion trigger event, where the ratio of the bank’s Common Equity Tier 1 Capital (the highest quality regulatory capital in terms of loss absorption as defined by the Hong Kong Monetary Authority) to its total risk-weighted assets is less than 7%. The holders of perpetual convertible securities issued by HSBC and SC do not have the right to convert their perpetual convertible securities at their discretion. Therefore, we consider a comparison between these perpetual convertible securities issued by banks and the Convertible Securities as not meaningful for analysing the fairness and reasonableness of the terms of the Convertible Securities, which would leave no other issues and subscription of perpetual convertible securities for comparison during the Review Period.

As such, we have expanded our research on the website of the Stock Exchange to issues and subscription of perpetual convertible securities for cash (the “Comparables”), which is an exhaustive list, from 11 October 2021 to 10 October 2024, being the 36-month period prior to and including the date of the Subscription Agreement.

However, given the differences between the Comparables and the Group in terms of business nature, financial performance, market capitalisation, financial position as well as the reasons for the issue of the Comparables and their respective funding requirements, we consider that the Comparables are not close references to the issue of the perpetual convertible securities that have taken into account such company specific factors, but could serve as a fair market reference of perpetual convertible securities on the terms of the Convertible Securities.

Date of announcement	Name of company (Stock code)	Conversion price	Premium of the conversion price over/to the closing price on the respective last trading day	Premium of the conversion price over the average closing price for the respective last five trading days	Distribution rate per annum
29 March 2023	Kerry Logistics Network Limited (636)	HK\$18.8	44.17%	46.55%	3.3% (assume no step-up due to triggering event)
13 December 2021	Asiaray Media Group Limited (1993)	HK\$1.4	7.7%	7.7%	3.5%
21 October 2021	Apex Ace Holding Limited (6036)	HK\$0.35	18.64%	16.67%	0.5%
		Maximum	44.17%	46.55%	3.50%
		Minimum	7.70%	7.70%	0.50%
		Average	23.50%	23.64%	2.43%
		Median	18.64%	16.67%	3.30%
	The Convertible Securities	HK\$0.10	25.00%	17.65%	3.00%

Conversion Price

As set out in the table above, we note that the conversion price to (i) the closing price on the last trading day prior to the announcements in relation to the respective Comparables ranged from a premium of approximately 7.70% to a premium of approximately 44.17%, with an average and median premium of approximately 23.50% and 18.64% respectively; (ii) the average closing price of the last five trading days prior to the announcements in relation to the respective Comparables ranged from a premium of approximately 7.70% to a premium of approximately 46.55%, with an average and median premium of approximately 23.64% and 16.67% respectively. The conversion price of HK\$0.10 per Conversion Share is at (i) a premium of approximately 25.00% to the closing price per Share on the date of the Subscription Agreement (also being the “**Last Trading Date**”); and (ii) a premium of approximately 17.65% to the average closing price per Share for the last five trading days up to and including the Last Trading Date, which both fall within the ranges of the premium represented by the conversion prices of the Comparables and is higher than the average premium represented by the conversion prices of the Comparables.

Having considered that (i) the conversion price of HK\$0.10 per Conversion Share falls within the range of the daily highest and lowest closing price of the Shares and representing only slight discount of approximately 9.09% over the average daily closing price of the Shares during the Review Period; and (ii) the relatively low liquidity of the Shares during the Review Period, both factors of which are specific to the Company and would have seen the share subscription price of an equity fund raising to be set at a notable discount to the market price of the Shares so as to entice investments, we consider that the Conversion Price, representing a premium over the closing price on the date of the Subscription Agreement and the average closing price for the five (5) consecutive trading days of the Shares immediately prior to the date of the Subscription Agreement, is considered favourable to the Company and in the interests of the Company and the Shareholders as a whole. Furthermore, as the respective premium represented by the Conversion Price over the closing price of the Shares on the Last Trading Date and over the average closing price per Share for the last five trading days prior to the Last Trading Date both fall within the ranges of the premium represented by the conversion prices of the Comparables and is higher than the average premium represented by the conversion prices of the Comparables, we consider that the Comparables serve as fair market reference of perpetual convertible securities on the terms of the Convertible Securities and that the Conversion Price is in line with the general practice of the market. As a whole, we consider that the Conversion Price, that is not set at a discount but a premium higher than those prevailing in the market, are fair and reasonable so far as the Independent Shareholders are concerned.

Distribution rate

The Convertible Securities confer a right to its holder to receive the Distribution from and including the date of issue of the Convertible Securities at a rate of 3.0% per annum. As set out in the table above, the distribution rates of the Comparables ranged from 0.50% to 3.50% per annum with an average and median distribution rates of approximately 2.43% and 3.30% per annum, respectively.

Having considered that the distribution rate of the Convertible Securities falls within the range of the Comparables and is higher than the average distribution rate represented by those of the Comparables, we consider that the distribution rate of the Convertible Securities is fair and reasonable so far as the Independent Shareholders are concerned.

Term to maturity

We note that the Convertible Securities and the Comparables has no maturity date. As discussed with the management of the Company, they consider it is beneficial to the Group as this may provide the Group with adequate time to consolidate and develop its current business and would require no instant material cash outflow from the Group.

Considering that the Convertible Securities is perpetual, we concur with the management of the Company that the Convertible Securities provides the Company financial flexibility to improve its financial position, and therefore we consider that it is fair and reasonable so far as the Independent Shareholders are concerned.

4. Effect on the shareholding structure of the Company

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Securities at the Conversion Price of HK\$0.10 (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Securities) are as follows:

	(i) As at the Latest Practicable Date		(ii) Immediately upon full conversion of the Convertible Securities at the initial Conversion Price of HK\$0.10	
	No. of Shares	Approx %	No. of Shares	Approx %
The Subscriber <i>(Note 1)</i>	174,421,666	28.6	1,184,421,666	73.37
Mr. Ann, Yu Chiu Andy <i>(Note 2)</i>	19,999,999	3.31	19,999,999	1.24
Other public Shareholders	409,973,947	67.83	409,973,947	25.39
Total	604,395,612	100.00	1,614,395,612	100.00

Notes:

1. The Subscriber, being Team Sunny, is owned as to 100% by Mr. Wong, who is deemed to be interested in 174,421,666 Shares pursuant to Part XV of the SFO.
2. Mr. Ann, Yu Chiu Andy is the director of NOIZChain Limited (a wholly-owned subsidiary of the Company) and is personally interested in 19,999,999 Shares.

As illustrated in the table above and assuming upon full conversion of both the Convertible Securities into Conversion Shares, the shareholding in the Company held by public Shareholders will be diluted from approximately 67.83% to 25.39%.

Notwithstanding the potential considerable dilution effect to the existing public Shareholders, having considered (i) the benefits of entering into the Subscription Agreement as discussed in the section headed “2. Reasons for and benefits of the Subscription” above; and (iii) the terms of the Subscription Agreement, including the Conversion Price, being fair and reasonable as discussed in the paragraphs headed “(ii) Principal terms of the Share Subscription Agreement” under the section headed “3. The Subscription” above, we are of the view that the dilution to the shareholding of the existing public Shareholders resulting from the issue of the Conversion Shares is justifiable.

5. Possible financial effects of the Subscription

Earnings

According to the AR 2023, the Group recorded net loss of approximately HK\$25.67 million for FY 2023, which is partly contributed to the imputed interests on the 2025 August CBs of approximately HK\$12.31 million for FY 2023, representing an imputed interest rate of approximately 16.83% based on the carrying amount of convertible bonds of the Company of approximately HK\$77.93 million as at 31 December 2023. In contrast, the Convertible Securities bear an annual distribution of 3.00% per annum (to be recognised as interest expenses in the financial statements of the Company), which would only amount to approximately HK\$3.03 million based on the principle amount of the Convertible Securities of HK\$101.00 million. The vast reduction in interest expenses is expected to contribute to improving the loss-making condition of the Group.

Net assets

The outstanding principal amount of the 2025 August CBs held by the Subscriber will be principally settled through the issuance of the Convertible Securities on the date of Completion. As the Convertible Securities is considered to be equity of the Company, the Subscription would result in a turnaround of the existing net liabilities position of the Company to a net asset position and thus improve the financial position of the Company.

Gearing and cashflow


The Group's gearing ratio as at 30 June 2024 was approximately 1.5 (as at 31 December 2023: approximately 1.4), being a ratio of total interest-bearing debts, including convertible bonds, of approximately HK\$84.2 million (as at 31 December 2023: approximately HK\$77.9 million) to the total assets of approximately HK\$54.7 million (as at 31 December 2023: approximately HK\$56.7 million). Upon the Completion, it is expected that the gearing ratio of the Company would improve.

It should be noted that the above analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Subscription.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Subscription Agreement and the transactions contemplated respectively thereunder, including but not limited to and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares, while not being in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate.

Yours faithfully,
For and on behalf of
Messis Capital Limited



Wallace Cheung
Managing Director

Mr. Wallace Cheung is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 14 years of experience in corporate finance industry.