15 November 2024

To the Independent Board Committee and the Independent Shareholders of
China 33 Media Group Limited

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 15 November 2024 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement in relation to, among other things, the Share Consolidation, the Rights Issue and the Placing. The Board proposes to raise gross proceeds of up to approximately HK$19.4 million (assuming full subscription under the Rights Issue) by way of issuing up to 64,800,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation) at the Subscription Price of HK$0.30 per Rights Share on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date.

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Share Consolidation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK$19.0 million. Details of the use of proceeds are set out in the section headed "Reasons for and benefits of the Rights Issue and the use of proceeds" in the Board Letter. The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK$0.29. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 91.2% (or approximately HK$17.3 million) for repayment of the bond payable of the Group; and (ii) approximately 8.8% (or approximately HK$1.7 million) for enhancing the general working capital of the Group. There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten. There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue.

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50%, the Rights Issue is conditional upon the Independent Shareholders' approval at the EGM, and any controlling Shareholder(s) (as defined under the GEM Listing Rules) and their respective associates, or where there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling Shareholder. Accordingly, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates (as defined in the GEM Listing Rules), shall abstain from voting in favour of the proposed Rights Issue at the EGM. As at the Latest Practicable Date, Lizhong Limited holds 14,400,500 Existing Shares, representing approximately 8.33% of the total issued share capital of the Company. Lizhong Limited is held as to approximately 48.73% by Joint Loyal Limited, which is wholly-owned by Mr. Ruan Deqing, being an executive Director and the chairman of the Board. Mr. Ruan Deqing is deemed to be interested in all the Shares held by Lizhong Limited by virtue of the SFO. Accordingly, each of Mr. Ruan Deqing, Lizhong Limited, Joint Loyal Limited and their associate(s) shall abstain from voting in favour of the proposed resolutions to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the date of the Circular, save for Mr. Ruan Deqing, none of the Directors or chief executives of the Company had any interest in the Shares.

The Subscription Price represents a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) which is represented by a discount of approximately 5.12% to the benchmarked price of approximately HK$0.328 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules). Accordingly, the Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Tay Sheve Li, Mr. Yau Kit Yu and Ms. Wipada Kunna, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

We, Vinco Financial Limited, have been appointed and approved by the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Rights Issue are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue and the transactions contemplated thereunder of the Company.

BASIC OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The 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 no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter.

We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Rights Issue since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Rights Issue.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) the interim report of the Company for the six months ended 30 June 2024 (the "**Interim Report 2024**"); (ii) the annual report of the Company for the year ended 31 December 2023 (the "**Annual Report 2023**"); (iii) the management accounts of the Group; (iv) the Placing Agreement; (v) the Circular; and (vi) market information obtained from the website of the Stock Exchange. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have taken into account the following principal factors and reasons:

1. Business and financial information of the Group

Information of the Group

The Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in the provision of outdoor and digital advertising services and prepaid card business.

Business and financial performance of the Group

Set out below is a summary of (i) the audited consolidated financial information of the Group for the two years ended 31 December 2023 ("**FY2023**") and 31 December 2022 ("**FY2022**"); and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 June 2024 ("**HY2024**") and 30 June 2023 ("**HY2023**") which were extracted from the Annual Report 2023 and Interim Report 2024 respectively:

	For the six months ended 30 June		**For the year ended 31 December**	
	2024	**2023**	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	17,948	19,055	34,608	71,049
Gross profit	11,715	5,783	15,790	14,195
Loss for the period/year	(5,368)	(2,177)	(55,726)	(57,508)

	As at 30 June 2024	As at 31 December 2023	2022
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(audited)	(audited)
Cash and cash equivalents	21,924	16,805	2,941
Bond payable	13,908	12,918	12,399
Total assets	326,947	273,406	364,879
Total liabilities	300,387	239,014	280,854
Net assets	26,560	34,392	84,025

FY2023 vs FY2022

According to the Annual Report 2023, the Group recorded revenue in the amount of approximately RMB34.6 million in FY2023, representing a decrease of approximately 51.3% as compared to in the amount of approximately RMB71.0 million in FY2022. Such decrease was mainly due to the decrease in sales demand, in particular outdoor and digital advertising business due to the fierce competition in the industry which led to reduced number of customers. We also note that the Group's gross profit of approximately RMB15.8 million in FY2023 increased by approximately 11.2% from approximately RMB14.2 million in FY2022, despite the decrease in revenue. The Group recorded a net loss in FY2023 in the amount of approximately RMB55.7 million, which slightly improve from that in FY2022 in the amount of approximately RMB57.5 million.

The Group's cash and cash equivalents amounted to approximately RMB16.8 million as at 31 December 2023, which increased by approximately RMB13.9 million, as compared to that of approximately RMB2.9 million as at 31 December 2022. The Group's total assets as at 31 December 2023 amounted to approximately RMB273.4 million and its total liabilities as at 31 December 2023 amounted to approximately RMB239.0 million. The Group's net assets amounted to approximately RMB34.4 million as at 31 December 2023, representing a decrease of approximately 59.1% as compared to that of approximately RMB84.0 million as at 31 December 2022. Such decrease was mainly due to the net loss as discussed above. As at 31 December 2023, the gearing ratio of the Group was approximately 0.52 which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt, while it was approximately 0.33 as at 31 December 2022. We note that the increase in gearing ratio was due to increase of the Group's cash and cash equivalents, but the equity attributable to owners of the Company decrease.

HY2024 vs HY2023

According to the Interim Report 2024, the Group recorded revenue in the amount of approximately RMB17.9 million in HY2024, representing a decrease of approximately 5.8% as compared to in the amount of approximately RMB19.1 million in HY2023. Such decrease was mainly due to the decrease of revenue from outdoor and digital advertising and film and entertainment investment business due to the fierce competition in the industry and change in market trend. We also note that the Group's gross profit of approximately RMB11.7 million in HY2024 increased by approximately 102.6% from approximately RMB5.8 million in HY2023, despite the decrease in revenue. The Group recorded a net loss in HY2024 in the amount of approximately RMB5.4 million as compared to that in HY2023 in the amount of approximately RMB2.2 million. Such change was mainly due to (i) the increase in net other losses of approximately RMB5.0 million in relation to the fair value loss on financial assets at fair value through profit and loss; and (ii) the increase in administrative expenses of approximately RMB3.0 million, offset by the increase in gross profit as mentioned above.

The Group's cash and cash equivalents amounted to approximately RMB21.9 million as at 30 June 2024, which increased by approximately RMB5.1 million, as compared to that of approximately RMB16.8 million as at 31 December 2023. The Group's total assets as at 30 June 2024 amounted to approximately RMB326.9 million and its total liabilities as at 30 June 2024 amounted to approximately RMB300.4 million. The Group's net assets amounted to approximately RMB26.6 million as at 30 June 2024, representing a decrease of approximately 22.8% as compared to that of approximately RMB34.4 million as at 31 December 2023. Such decrease was mainly due to the net loss as discussed above. As at 30 June 2024, the gearing ratio of the Group was approximately 0.54 which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt, while it was approximately 0.52 as at 31 December 2023.

Bond payable

As stated in the Annual Report 2023, the Group's bond payable amounted to approximately RMB12.9 million as at 31 December 2023 and RMB12.4 million as at 31 December 2022. On 23 July 2020, the Company entered a bond agreement with a company which is independent to the Group with a principal value of HK$12,000,000 (equivalent to approximately RMB10,843,000). The bond bears interest rate at 12% per annum and are due for repayments on 22 July 2023. On 23 July 2023, the Company renewed the above bond agreement with a renewed principal value of HK$13,440,000 (equivalent to approximately RMB12,260,000). The renewed bond bears interest rate at 12% per annum and are due for repayments on 22 July 2024. On initial recognition, the fair value of bond issued by the Company were determined based on the present value of the contractual stream of future cash flows discounted at rate at 12% per annum. The discount rate is determined with reference to the yield rate with credit rating and duration similar to the bond note. As at 30 June 2024, the bond payable amounted to approximately RMB13.9 million. We have obtained and reviewed the bond agreement signed on 23 July 2020, 23 July 2023 and 23 July 2024, and the calculation of the principal of the renewed bond which was renewed by the Company with a bondholder (the "**Bondholder**") on 23 July 2024. We note that the principal and total interest payable to be repaid by 23 July 2025 would be approximately HK$15.5 million and HK$1.86 million.

Having considered the interest payable, we are of the view that the Rights Issue allows additional cash flow for the repaying Group's bond and is a reasonable decision for the interests of the Company and the Shareholders as a whole.

2. Reasons for the Rights Issue and use of proceeds

As set out in the Board Letter, according to the Interim Report 2024, the Group recorded net loss of approximately RMB5.4 million in HY2024 as compared to a net loss of approximately RMB2.2 million for the corresponding period in 2023. As at 30 June 2024, the Group had bond payable of approximately RMB13.9 million (equivalent to approximately HK$14.9 million) in aggregate. For the six months ended 30 June 2024, the Group incurred interest expense of approximately RMB0.7 million on corporate bond. Subsequently, on 23 July 2024, the Company renewed a bond agreement with a bondholder, being an Independent Third Party, with a renewed principal of HK$15.5 million (equivalent to approximately RMB14.0 million) which bears an interest rate of 12% per annum and is due for repayment on 23 July 2025. In light of the loss-making performance of the Group and with a view to relieve the Group's financial burden and lowering its finance costs, the Company intends to raise funds through the Rights Issue to improve the financial condition of the Group and also reducing its gearing and interest burden.

The estimated expenses of the Rights Issue are approximately HK$0.40 million, which include placing commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue and will be borne by the Company.

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Share Consolidation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK$19.0 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

(i) approximately 91.2% of the net proceeds or approximately HK$17.3 million for repayment of the Group's bond payable; and

(ii) approximately 8.8% of the net proceeds or approximately HK$1.7 million for enhancing the general working capital of the Group.

In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

As discussed with the management of the Group, the outstanding amount of bond payable (inclusive of interests payable) to be repaid by utilising HK$17.3 million of the net proceeds from the Rights Issue mainly comprise (i) bond with an aggregate outstanding principal of approximately HK$15.5 million, bearing an interest rate of 12% per annum; and (ii) the bond interest amounting to HK$1.86 million, and the Company expects to repay the principal and interest by 23 July 2025.

Fund raising alternatives

With reference to the discussion with the management of the Group, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing and equity fund raising.

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

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

The Board has also considered conducting pro rata fundraising by way of open offer, which is of similar nature as the Rights Issue. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

In comparison, the Board considers raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Having considered (i) the Group's financial position as at 30 June 2024; (ii) its net loss making performance for the two years ended 31 December 2023 and the six months ended 30 June 2024; (iii) its funding needs for relieve the Group's financial burden and lowering its finance costs; and (iv) the Rights Issue is a more preferential options as compared to other alternatives under current circumstances of the Group and given that it offers relatively more flexibility and the opportunity to participate in the growth of the Company, we concur with the Director's view that the Rights Issue is a suitable financing method, and is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

3. Principal terms of the Rights Issue

The Board proposes, subject to the Share Consolidation becoming effective, to conduct the Rights Issue on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held as at the Record Date. Set out below are the details of the Rights Issue statistics:

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.30 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	172,800,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	:	43,200,000 Consolidated Shares

Maximum number of Rights Shares to be issued	:	64,800,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Approximate aggregate nominal value of the Rights Shares	:	US$259,200 (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Number of Shares in issue upon completion of the Rights Issue (assuming the Rights Issue is fully subscribed)	:	108,000,000 Consolidated Shares (assuming no change in the number of Shares in issue on or before the Record Date other than as a result of the Share Consolidation)
Net subscription price per Rights Share (i.e. Subscription Price less Rights Issue expenses)	:	Approximately HK$0.29 per Rights Share
Maximum gross proceeds to be raised from the Rights Issue before expenses	:	Approximately HK$19.4 million
Maximum net proceeds to be raised from the Rights Issue after expenses	:	Approximately HK$19.0 million

Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 64,800,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) approximately 150% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 60% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

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

The Subscription Price

The Subscription Price is HK$0.30 per Rights Share, which shall be payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 6.25% to the theoretical closing price of approximately HK$0.320 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.080 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a discount of approximately 7.41% to the theoretical closing price of approximately HK$0.324 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.081 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 8.54% to the theoretical average closing price of approximately HK$0.328 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK$0.082 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 9.64% to the theoretical average closing price of approximately HK$0.332 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK$0.083 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

(v) discount of approximately 3.23% to the theoretical ex-rights price of approximately HK$0.310 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the closing price of HK$0.081 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 5.12% of the theoretical diluted price of approximately HK$0.311 per Consolidated Share to the benchmarked price of approximately HK$0.328 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules), taking into account the higher of the closing price of HK$0.081 per Existing Share on the Last Trading Day and the average closing price of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day of HK$0.082 per Existing Share);

(vii) a discount of approximately 55.62% to the unaudited consolidated net asset value per Consolidated Share of approximately RMB0.615 (equivalent to approximately HK$0.676) based on the unaudited consolidated net asset value of the Company of approximately RMB26.56 million as at 30 June 2024 and the total number of 43,200,000 Consolidated Shares in issue immediately upon completion of the Share Consolidation; and

(viii) a discount of approximately 65.75% to the audited consolidated net asset value per Consolidated Share of approximately RMB0.796 (equivalent to approximately HK$0.876) based on the audited consolidated net asset value of the Company as at 31 December 2023 of approximately RMB34.39 million and the total number of 43,200,000 Consolidated Shares in issue immediately upon completion of the Share Consolidation.

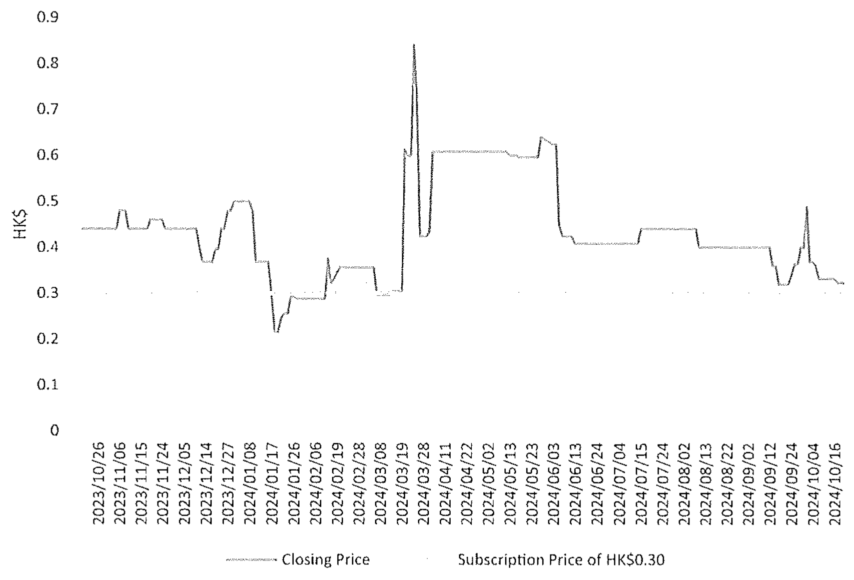
The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK$0.29.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

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; (iii) the reasons for and benefits of the proposed Rights Issue as discussed in the section headed "Reasons for and benefits of the Rights Issue and the use of proceeds" in the Board Letter; and (iv) the amount of funds the Company intends to raise under the Rights Issue.

In order to assess the fairness and reasonableness of the Subscription Price, we have taken into account (i) the theoretical closing price per Existing Share during the one year ended the date of the Announcement (being a period of approximately one year prior to and including the Last Trading Day) (the "**Review Period**"), with a view to provide a meaningful comparison to the Subscription Price under the Rights Issue, assuming the Share Consolidation having become effective (the "**Closing Price**"); and (ii) the average daily trading volumes of the Existing Shares for each of the months/periods during the Review Period.

We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical adjusted closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company, the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the Closing Price versus the Subscription Price of HK$0.30 per Share:



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

The Closing Price of the Share during the Review Period ranged from HK$0.216 per Share (the "**Lowest Closing Price**") to HK$0.840 per Share (the "**Highest Closing Price**") and with the average Closing Price of approximately HK$0.434 per Share (the "**Average Closing Price**").

We noted from the above that during the Review Period, the Shares have been traded above the Subscription Price and that the Subscription Price of HK$0.30 represents (i) a premium of approximately 38.9% to the Lowest Closing Price; (ii) a discount of approximately 64.3% to the Highest Closing Price; and (iii) a discount of approximately 30.9% to the Average Closing Price. We note that there were 22 days when the Subscription Price was higher than the Closing Price. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price offered at discounts to Highest Closing Price and the Average Closing Price respectively.

Liquidity of the Shares

The table below sets out the average daily trading volume of the Shares per month/period and the respective percentages of the average daily trading volume as compared to the total number of issued Shares during the Review Period:

	Total trading volume of the Shares in the month/period *Number of Shares*	**Number of trading days in the month/period**	**Average daily trading volume of the Shares in the month/period** *(Note 1)*	**Percentage of average daily trading volume to total number of Shares** *(approximately %)* *(Note 2)*
2023				
October from 18 October 2023 to 31 October 2023 (both days inclusive)	0	9	0	Nil
November	72,250	22	3,284	0.0019
December	157,712	19	8,301	0.0048
2024				
January	2,253,000	22	102,409	0.0593
February	900,000	19	47,368	0.0274
March	576,000	20	28,800	0.0167
April	131,250	20	6,563	0.0038
May	1,440,150	21	68,579	0.0397
June	80,000	19	4,211	0.0024
July	20,000	22	909	0.0005
August	19,000	22	864	0.0005
September	80,000	19	4,211	0.0024
October (up to and including the Last Trading Day)	438,750	13	33,750	0.0195

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

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each respective month/period.

As illustrated in the table above, the percentage of average daily trading volume of Shares during the Review Period ranged from nil to approximately 0.0593% of the total number of issued Shares for each of their respective month/period. Considering that the trading liquidity of the Shares were in general relatively thin during the Review Period, we are of the opinion that it appears to be reasonable for the Subscription Price to be set at a discount to the prevailing theoretical adjusted closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

Comparison with other rights issue transactions

To further assess the fairness and reasonableness of the Subscription Price, we have identified an exhaustive list of 34 rights issues transactions (the "**Comparables**") announced by other companies listed on the Stock Exchange for the 6-month period immediately prior to the Last Trading Day. Shareholders should note that the Comparables may have different principal business activities, market capitalisations, profitability, financial positions and future prospects as compared to those of the Company. Nevertheless, we consider that they can provide a reasonable reference to how the market generally perceive rights issues. We also consider that the Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issue. It should be noted that, in forming our opinion, we have taken into account of the results of the below analysis together with all other factors stated in this letter as a whole. The table below provides a summary of our findings.

Date of announcement	Company name	Stock code	Basis of entitlement	Maximum dilution on the shareholding (%)	Premium/(discount) of subscription price per rights issue share over/to closing price per share on the last trading day prior to announcement of rights issue (%)	Premium/(discount) of subscription price per rights issue share over/ to theoretical ex-rights price per share based on closing price per share on the last trading day prior to announcement of rights issue (%)	Premium/ (discount) of the subscription price to the net asset value per share *(Note 1)* (%)	Premium/ (discount) of theoretical dilution effect *(Note 2)* (%)	Excess application/Placing *(Note 4)*	Placing commission *(Note 5)* (%)	Underwriting arrangement	Underwriting commission (%)	Minimum placing/ underwriting commission HK$
18/10/2024	Kingkey Financial International (Holdings) Limited	1468	1 for 2	33.33	0	NA (Note 3)	124.63	0	Placing	1.00	Non-underwritten	N/A	No
18/10/2024	Gaodi Holdings Limited	1676	1 for 2	33.33	37.90	12.10	(65.50)	12.10	Excess application	N/A	Non-underwritten	N/A	No
15/10/2024	Eminence Enterprise Limited	616	2 for 1	66.67	(8.00)	(2.85)	(98.98)	(21.30)	Excess application	N/A	Non-underwritten	N/A	No
8/10/2024	V & V Technology Holdings Limited	8113	1 for 2	33.33	(31.51)	(23.47)	(32.23)	(10.50)	Excess application	N/A	Non-underwritten	N/A	No
4/10/2024	China Water Industry Group Limited	1129	1 for 1	50.00	(49.44)	(32.84)	(91.65)	(21.72)	Placing	2.00	Non-underwritten	N/A	No
4/10/2024	Palinda Group Holdings Limited	8179	1 for 2	33.33	(18.70)	(13.29)	(66.10)	(6.23)	Excess application	N/A	Non-underwritten	N/A	No
2/10/2024	China National Culture Group Limited	745	2 for 1	66.67	(31.97)	(13.54)	(63.35)	(21.31)	Placing	2.00	Non-underwritten	N/A	No
26/9/2024	Innovax Holdings Limited	2680	1 for 2	33.33	(67.39)	(59.02)	(88.59)	(22.76)	Placing	1.00	Non-underwritten	N/A	No
23/9/2024	Hatcher Group Limited	8365	3 for 1	75.00	(31.50)	(10.40)	(94.10)	(23.63)	Placing	N/A	Fully-underwritten	N/A	No
23/9/2024	Shougang Fushan Resources Group Limited	639	1 for 30	3.23	1.56	1.90	(20.49)	0.05	Excess application	N/A	Non-underwritten	N/A	No
13/9/2024	Dragon Rise Group Holdings Limited	6829	1 for 1	50.00	(48.70)	(33.10)	(89.20)	(24.95)	Placing	1.00	Fully-underwritten	2.00	100,000
13/9/2024	Shougang Century Holdings Limited	103	1 for 5	16.67	10.00	8.20	(62.50)	6.80	Excess application	N/A	Non-underwritten	N/A	No
9/9/2024	Crown International Corporation Limited	727	1 for 2	33.33	2.27	1.50	162.35	0	Excess application	N/A	Non-underwritten	N/A	No
4/9/2024	China New Consumption Group Limited	8275	1 for 2	33.33	(5.65)	(4.76)	(61.09)	(2.50)	Placing	3.50	Non-underwritten	N/A	250,000
2/9/2024	Guangdong – Hong Kong Greater Bay Area Holdings Limited	1396	1 for 2	33.33	(22.03)	(15.85)	(95.50)	(8.28)	Excess application	N/A	Non-underwritten	N/A	No
22/8/2024	BeijingWest Industries International Limited	2339	1 for 2	33.33	(13.85)	(9.68)	(88.72)	(4.62)	Excess application	N/A	Non-underwritten	N/A	No
14/8/2024	Ziyuanyuan Holdings Group Limited	8223	1 for 5	16.67	(66.44)	(62.26)	35.38	(11.09)	Excess application	N/A	Fully-underwritten	7.07	No
2/8/2024	Asia Television Holdings Limited	707	1 for 2	33.33	(45.80)	(37.00)	Net liabilities	(15.60)	Placing	2.00	Non-underwritten	N/A	100,000
31/7/2024	Emperor International Holdings Limited	163	1 for 2	33.33	(30.65)	(23.60)	(95.10)	(10.50)	Excess application	N/A	Fully-underwritten	2.00	No
22/7/2024	Roma (meta) Group Limited	8072	3 for 1	75.00	(23.08)	(7.41)	(97.23)	(18.18)	Placing	1.25	Non-underwritten	N/A	100,000
19/7/2024	Trendzon Holdings Group Limited	1865	4 for 1	80.00	(14.30)	(4.31)	(93.73)	(14.60)	Placing	1.00	Non-underwritten	N/A	No
12/7/2024	Guan Chao Holdings Limited	1872	4 for 1	80.00	(20.00)	(4.76)	(89.85)	(20.07)	Placing	0.75	Non-underwritten	N/A	No
2/7/2024	Tonking New Energy Group Holdings Limited	8326	1 for 2	33.33	(41.18)	(33.33)	(69.73)	(11.76)	Placing	1.00	Non-underwritten	N/A	100,000
28/6/2024	Jiading International Group Holdings Limited	8153	3 for 1	75.00	(16.67)	(4.76)	(91.67)	(12.50)	Placing	3.00	Non-underwritten	N/A	No
27/6/2024	Hanvey Group Holdings Limited	8219	1 for 2	33.33	(59.30)	(49.29)	(7.40)	(19.80)	Placing	3.50	Non-underwritten	N/A	100,000
26/6/2024	Ev Dynamics (Holdings) Limited	476	3 for 2	60.00	(3.06)	N/A (Note 3)	(93.75)	(1.84)	Placing	1.50	Non-underwritten	N/A	150,000
25/6/2024	Chong Fai Jewellery Group Holdings Company Limited	8537	3 for 1	75.00	(32.20)	(10.49)	(87.45)	(24.65)	Placing	1.00	Non-underwritten	N/A	130,000
19/6/2024	Bonny International Holding Limited	1906	1 for 4	20.00	(43.02)	(38.16)	(14.93)	(8.71)	Excess application	N/A	Non-underwritten	N/A	No
4/6/2024	MMG Limited	1208	2 for 5	28.57	(31.41)	(24.65)	(32.51)	(10.17)	Excess application	N/A	Fully-underwritten	2.00	No
29/5/2024	Icon Culture Global Company Limited	8500	1 for 1	50.00	(35.71)	(22.84)	Net liabilities	(18.59)	Placing	0.50	Non-underwritten	N/A	No
16/5/2024	Futian Holdings Limited	8195	1 for 2	33.33	0	0	8.70	(4.60)	Excess application	N/A	Non-underwritten	N/A	No
10/5/2024	Sky Blue 11 Company Limited	1010	1 for 1	50.00	(33.30)	(20.00)	Net liabilities	(17.93)	Placing	5.00	Non-underwritten	N/A	No
30/4/2024	Goldway Education Group Limited	8160	3 for 1	75.00	(27.50)	(8.65)	(88.40)	(20.95)	Placing	1.00	Non-underwritten	N/A	No
26/4/2024	Flying Financial Service Holdings Limited	8030	3 for 1	75.00	(24.20)	(7.49)	(54.80)	(23.70)	Placing	3.00	Non-underwritten	N/A	800,000
			Maximum	80.00	37.90	12.10	162.35	12.10		5.00		7.07	800,000
			Minimum	3.23	(67.39)	(62.26)	(98.98)	(24.95)		0.50		2.00	100,000
			Average	45.74	(24.31)	(17.31)	(51.55)	(12.17)		1.84		3.27	203,333
			Median	33.33	(25.85)	(11.85)	(69.73)	(12.13)		1.25		2.00	100,000
21/10/2024	The Company	8687	3 for 2	60.00	(7.41)	(3.23)	(55.62)	(5.12)	Placing	1.50	Non-underwritten	N/A	100,000

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. The net asset value (NAV) per share is calculated based on (i) the latest audited/ unaudited consolidated NAV which was published immediately before the date of the respective announcements and (ii) total number of shares in issue as at the date of the respective announcements. The respective Comparables had consolidated net liabilities per share and therefore was excluded for comparison and analysis purpose.

2. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the GEM Listing Rule, or extracted from announcement, circular or prospectus in respect of the relevant rights issue.

3. This information is not disclosed in the relevant announcement of the respective Comparable/ the Company.

4. Pursuant to Rule 7.21(1) of the Listing Rule or Rule 10.31(1) of the GEM Listing Rule.

5. In order to calculate the average, median, minimum and maximum percentage of the placing commission of the Comparables, we have excluded the minimum placing commissions and absolute underwriting/placing commissions.

The subscription price to the LTD Price of the Comparables ranged from a premium of approximately 37.90% to a discount of approximately 67.39% with average and median discounts of approximately 24.31% and 25.85% respectively. The discount of approximately 7.41% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables.

The subscription prices to the Ex-rights Price of the Comparables ranged from a premium of approximately 12.10% to a discount of approximately 62.26% with average and median discounts of approximately 17.31% and 11.85% respectively. The discount of approximately 3.23% of the Subscription Price to the Ex-rights Price of the Company falls within the range of those of the Comparables.

The theoretical dilution effect of the rights issue conducted by the Comparables ranged from a premium of approximately 12.10% to a discount of 24.90% with average and median discounts of approximately 12.17% and 12.13% respectively. The theoretical dilution effect of the Rights Issue of approximately 5.12% falls within the range of the Comparables.

The subscription prices to the NAV per share of the Comparables ranged from a premium of approximately 162.35% to a discount of approximately 98.98% with average and median discounts of approximately 51.56% and 69.70% respectively. The discount of approximately 55.62% of the Subscription Price to the NAV per share of the Company falls within the range of those of the Comparables.

As stated in the Board Letter, the Directors consider that it is reasonable to set the Subscription Price at a discount to the prevailing market price and the adjusted consolidated net asset value per Consolidated Share as illustrated above, taking into consideration:

(i) based on the closing price of HK$0.081 per Existing Share as quoted on the Stock Exchange on the Last Trading Day, the Existing Shares have been traded at a discount of approximately 52.1% to the unaudited consolidated net asset value per Existing Share of approximately RMB0.154 (equivalent to approximately HK$0.169) with reference to the unaudited consolidated net asset value of the Company of approximately RMB26.56 million as at 30 June 2024 and the total number of 172,800,000 Existing Shares in issue as at the Last Trading Day;

(ii) the daily closing price of the Existing Shares has demonstrated an overall downward trend during the six months prior to the Last Trading Day, from HK$0.152 per Existing Share on 22 April 2024 to HK$0.081 per Existing Share on the Last Trading Day;

(iii) during the six months prior to and including the Last Trading Day, the Company's average daily trading volume (calculated based on the total trading volume divided by the total numbers of days during the six months prior to and including the Last Trading Day) represented merely approximately 0.01% of the total issued share capital of the Company; and

(iv) for the year ended 31 December 2022 and 2023, the Company recorded loss for the year of approximately RMB57.5 million and RMB55.7 million, respectively.

Under the prevailing market conditions and economic sentiment and with reference to the recent market performance of the Existing Shares and the latest business performance and financial position of the Group, the Directors consider that it would be more practical and commercially reasonable to set a subscription price which is lower than the prevailing market price and the consolidated net asset value per Consolidated Share as illustrated in the section headed "The Subscription Price" in the Board Letter in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate in the Rights Issue.

According to our research, we observed that (i) 28 of the 34 Comparables had set the subscription price of their rights issue at a discount to the prevailing closing price of their shares on the last trading day in relation to their respective rights issue (the "**LTD Price**"); (ii) 27 of the 34 Comparables had set the subscription price of their rights issue at a discount to the theoretical ex-rights prices (the "**Ex-rights Price**") based on the LTD Price; and (iii) 27 of the 34 Comparables had set the subscription price of their rights issue at a discount to the NAV per share. It indicates that it is common for listed companies to set the subscription price of rights issue at a discount to the LTD Price, the Ex-rights Price and the NAV per share, with the view to encourage participation. As such, we concurred with the Directors' view that it is reasonable to set the Subscription Price at a discount to the prevailing market price and the adjusted consolidated net asset value per Consolidated Share.

Taking into account that (i) the Subscription Price falls below the Closing Price during the Review Period; (ii) as shown in the table of Comparables above, it is common for listed companies in Hong Kong to set the subscription price of a rights issue at a discount to the LTD Price, the Ex-rights Price and the NAV per share with the view to enhance the attractiveness of a rights issue and to encourage the qualifying shareholders to take part in the rights issue; (iii) the discounts of the Subscription Price to the LTD Price and the Ex-rights Price of the Company fall within discount ranges of the Comparables; (iv) the theoretical dilution effect of the Rights Issue falls within the range of the Comparables; and (v) the discounts of the Subscription Price to the NAV per share of the Company falls within the range of the Comparables, we consider the Subscription Price is fair and reasonable.

Among the Comparables, we noted that 20 out of 34 Comparables exercise placing in their rights issues. As such, we consider that it is reasonable for rights issue to have placing arrangements.

Placing Agreement for Unsubscribed Rights Shares and NQS Unsold Rights Shares

Extracted details of the Placing Agreement are shown below:

Date	:	21 October 2024 (after trading hours)
Issuer	:	the Company
Placing Agent	:	Astrum Capital Management Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities.

		The Placing Agent confirmed that it and its ultimate beneficial owner(s) are not Shareholders and are Independent Third Parties.
Placing Period	:	The period from Wednesday, 15 January 2025 up to 4:00 p.m. on Thursday, 23 January 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.
Placing Commission	:	The Company shall pay the Placing Agent a placing commission equivalent to, in Hong Kong dollars, (i) a fixed fee of HK$100,000; or (ii) 1.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and ES Unsold Rights Shares which are successfully placed by the Placing Agent, whichever is higher.
Placing price	:	The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.
Placees	:	The Unsubscribed Rights Shares and ES Unsold Rights Shares are expected to be placed to placees, who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).

For further details, please refer to section headed "Placing Agreement" in the Board Letter. As stated in the Board Letter, the terms of the Placing Agreement (including the commission payable) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the market conditions. The Board considers the terms of the Placing for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) are on normal commercial terms and are fair and reasonable.

According to Rule 10.31(1)(b) of the GEM Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by offering these Shares to independent Placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, we considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders.

Pursuant to the Placing Agreement, the Company shall pay the Placing Agent a placing commission equivalent to, in Hong Kong dollars, (i) a fixed fee of HK$100,000; or (ii) 1.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and ES Unsold Rights Shares which are successfully placed by the Placing Agent, whichever is higher. To assess the fairness and reasonableness of the terms of the Placing Agreement, we have reviewed the placing commissions of the Comparables, if any. In order to calculate the average, median, minimum and maximum percentage of the placing commission of the Comparables, we have excluded the minimum placing commissions and absolute placing commissions and noted that their placing commissions ranged from 0.50% to 5.00%, with an average and median of approximately 1.84% and 1.25% respectively. In addition, among the 20 Comparables who exercise placing in their rights issues, we noted there were 9 Comparables who shall pay a fixed fee or minimum fee and we are of view that it is not uncommon to have fixed fee as placing commission. We noted that their fixed placing commissions ranged from HK$100,000 to HK$800,000, with an average and median of approximately HK$203,333 and HK$100,000 respectively.

As illustrated from the Comparables, (i) the placing commissions of the Placing Agreement of 1.5% falls within the range of the placing commissions among the Comparables and slightly higher than the median, but slightly lower than the average of the placing commissions among Comparables; and (ii) the fixed placing commissions of the Placing Agreement of HK$100,000 falls within the range of the placing commissions among the Comparables, lower than the average and same as the median of the placing commissions among Comparables. Having considered that (i) the placing commission of the Placing Agreement is based on the number of the Placing Shares that have been successfully placed by the Placing Agent with a minimum fee of HK$100,000 and is fair and reasonable and in the interest of the Company; and (ii) the placing commission of the Placing Agreement falls within the range of the Comparables, we are of the view that the placing commission of the Placing Agreement is fair and reasonable.

Potential dilution effect on the Rights Issue

Pursuant to the Board Letter, the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholder(s), if any, should note that their shareholdings will be diluted. The Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective shareholding interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). Therefore, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed "CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY" in the Board Letter.

Immediately upon completion of the Rights Issue, (i) assuming all Qualifying Shareholders have taken up all the entitled Rights Shares, their shareholding interests in the Company will remain unchanged after the Rights Issue; and (ii) assuming none of the Qualifying Shareholders has taken up any entitled Rights Shares, their shareholding interests in the Company will be diluted by up to a maximum of 60.00%, which fall within the range of the Comparables.

Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all the remaining Unsubscribed Rights Shares and ES Unsold Rights Shares having been placed by the Placing Agent, the shareholding interests of other public shareholders in the Company will be diluted from approximately 91.67% to approximately 36.67%.

Notwithstanding the potential dilution impact to the public Shareholders who do not participate in the Rights Issue, taking into consideration that (i) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company; (ii) the shareholding interest of the Qualifying Shareholders would not be diluted if they elect to subscribe for in full their assured entitlements; (iii) the dilution effect of the Rights Issue is within the range of that of the Comparables; (iv) the Compensatory Arrangements would provide (a) a distribution channel of the Placing Shares to the Company; (b) an additional channel of participation in the Rights Issue for the

Qualifying Shareholders and the Non-Qualifying Shareholders; and (c) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders; (v) the Rights Issue is an appropriate financing alternative under present circumstances of the Company; and (vi) the uses of the net proceeds from the Rights Issue as discussed in this letter is expected to be beneficial to the long term development of the Group, we are of the opinion that the potential dilution impact to the public Shareholders who do not participate in the Rights Issue as a result of the Rights Issue is acceptable.

Financial effects of the Rights Issue

Net tangible assets

According to the "UNAUDITED PRO FORMA FINANCIAL INFORMATION" set out in the Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company was approximately RMB28.3 million as at 30 June 2024, while the unaudited consolidated net tangible assets per Share before completion of the Rights Issue was approximately RMB0.16; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately RMB45.7 million, while (i) the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Share Consolidation, but before the completion of the Rights issue was approximately RMB0.65; and (ii) the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Share Consolidation and the Rights issue was approximately RMB0.42.

Gearing ratio and liquidity

The Group's gearing ratio was which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt, was approximately 0.54 as at 30 June 2024. Since the net proceeds are intended to be utilised for (i) repayment of the Group's bond payable; and (ii) the general working capital of the Group, the Group's liquidity would be improved upon completion of the Rights Issue.

In light of the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interest of the Company and the Shareholders.

Recommendation

Taking into consideration of the principal factors and reasons as set out in this letter, we are of the opinion that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholder as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Rights Issue and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Vinco Financial Limited

Alister Chung
Managing Director

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