The following is the text of a letter of advice from RaffAello Capital Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

RaffAello
CAPITAL LIMITED

27 January 2025

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated 17 January 2025 (the "Circular") issued to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 13 December 2024 relating to, among other things, the proposed Rights Issue (the "Announcement"). The Board announced that the Company proposed to implement the Rights Issue on the basis of three (3) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price of HK$0.289 per Rights Share, to raise net proceeds of approximately HK$39.15 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date), by way of the Rights Issue of up to 135,457,920 Rights Shares to the Qualifying Shareholders. The Rights Issue will not be available to the Non-Qualifying Shareholders.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and will not be extended to the Excluded Shareholders. There will be no excess application arrangement in relation to the Rights Issue.

GEM LISTING RULES IMPLICATIONS

The Share Consolidation is conditional upon approval by the Shareholders by way of poll at the GM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholder or its associates has any interest in the Share Consolidation, no Shareholder will be required to abstain from voting in favour of the resolution approving the Share Consolidation at the GM.

As the Rights Issue will increase the number of the issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by Independent Shareholders in a general meeting by a resolution on which all controlling Shareholders and their 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 Rights Issue. As at the date of Latest Practicable Date, the Company has no controlling Shareholder and none of the Directors and their respective associates hold any Share. Accordingly, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the GM.

The Rights Issue does 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.

Subject to the approval of the Rights Issue by the Independent Shareholders at the GM, the Prospectus Documents containing further information in respect of the Rights Issue are expected to be despatched to the Qualifying Shareholders on 21 February 2025.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Tsang Hau Wai, Mr. Li Ka Chun Gordon and Ms. Chan Wai Yan, has been established to advise and make recommendation to the Independent Shareholders in respect of the Rights Issue. Our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

We, RaffAello Capital Limited, as the Independent Financial Adviser, are to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether the Rights Issue, the Placing Agreement and the transactions contemplated thereunder was entered into in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote on the resolution in relation to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the GM.

OUR INDEPENDENCE

We did not act as a financial adviser to the Company or its subsidiaries in the last two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser.

As at the Latest Practicable Date, apart from normal professional fees payable to us in connection with this appointment, we did not have any relationship with, or interest in, the Group or other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent and are eligible to give independent advice on the Rights Issue, the Placing Agreement and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

(i) the Company's annual reports for the three years ended 31 March 2022 ("FY2022") (the "2022 Annual Report"), 31 March 2023 ("FY2023") (the "2023 Annual Report") and 31 March 2024 ("FY2024") (the "2024 Annual Report", and collectively, the "Annual Reports");

(ii) the Company's interim reports for the six months ended 30 September 2023 ("SEP2023") (the "2023 Interim Report") and 30 September 2024 ("SEP2024") (the "2024 Interim Report");

(iii) the Announcement; and

(iv) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided by the Directors and the management of the Company (collectively, the "Management"). We have assumed that the information and representations contained or referred to in the Circular and provided and opinions expressed to us are true, accurate and complete in all respects at the time they were made and will remain so up to the Latest Practicable Date. 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, to the best of their knowledge and belief, there are no other matters the omission of which would make any statement in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth and accuracy of the information provided to us, or the reasonableness of the opinions expressed by the Management to us.

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

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 regarding the Share Consolidation and Rights Issue, we have taken into account the following principal factors and reasons:

I. Background and Financial Information of the Group

As disclosed in the Letter from the Board, the Group is principally engaged in (i) the provision of fitting out and engineering, design and procurement of furnishings and related products services; (ii) the leasing of construction equipment; (iii) the sourcing and merchandising of fine and rare wines; and (iv) the provision of financial services comprising securities and money lending businesses. With reference to the Annual Reports, the Group has no material changes in its operations.

Set out below is a summary of the consolidated statement of profit or loss of the Group as extracted from the Annual Reports and Interim Reports:

Table 1

	For FY2022 *HK$'000* (Audited)	**For FY2023** *HK$'000* (Audited)	**For FY2024** *HK$'000* (Audited)	**For SEP2023** *HK$'000* (Unaudited)	**For SEP2024** *HK$'000* (Unaudited)
Revenue					
- Design, fitting out and engineering services	33,785	45,910	71,972	20,409	24,348
- Leasing of construction equipment	13,341	6,756	12,966	7,193	5,601
- Wines merchandising	9,977	2,525	2,214	1,450	-
- Financial services	557	570	451	269	135
	57,660	55,761	87,603	29,321	30,084
Loss before tax	(20,936)	(24,796)	(10,424)	(6,160)	(5,150)
Total comprehensive loss for the year	(21,074)	(24,428)	(9,772)	(6,142)	(5,484)

Set out below is a summary of the consolidated statement of financial position of the Group as extracted from the Annual Reports and Interim Reports:

Table 2

	As at 31 March 2022 *HK$'000* (Audited)	**As at 31 March 2023** *HK$'000* (Audited)	**As at 31 March 2024** *HK$'000* (Audited)	**As at 30 September 2023** *HK$'000* (Unaudited)	**As at 30 September 2024** *HK$'000* (Unaudited)
Bank balances and cash	6,190	5,915	45,690	6,755	24,105
Total assets	102,214	84,400	90,712	44,099	102,326
Total liabilities	(29,804)	(36,418)	(17,211)	(31,759)	(26,950)
Net assets	72,410	47,982	73,501	12,340	75,376

(a) Annual Results of the Group for FY2023 vs FY2022

With reference to the 2023 Annual Report and depicted in Table 1 above, the total revenue for FY2023 of the Group was approximately HK$55.8 million (FY2022: HK$57.7 million) which represents approximately HK$1.9 million or 3.3% decrease as compared with last year.

During FY2023, the revenue generated from the design, fitting out and engineering services business has increased by approximately HK$12.1 million whilst the income from the leasing of construction equipment business and the wine merchandising business has decreased by approximately HK$6.6 million and HK$7.5 million respectively, leaving the Group's revenue to drop by approximately HK$1.9 million:

(i) The increase in revenue generated from the design, fitting out and engineering services was mainly attributed to the increase in the number of works as a result of the increase in the number of public housing estates for the new 3-year term contract that was commenced from April 2022 whilst the Group continues to seek for other public sector projects as well as residential/commercial projects.

(ii) The drop in revenue from the leasing of construction equipment was mainly due to the decrease in the lease out rate of the scaffolding equipment as a consequence of the slowdown of the local economic development/recovery due to the previous undetermined erratic development of the COVID-19 pandemic. Besides, the decrease in the related installation service works rendered by the Group also attributed to the decrease in revenue from the leasing of construction equipment business.

(iii) The income from the wines merchandising business was decreased in line with the decrease in orders from existing customers. As mentioned last year, the reallocation of the Group's resources which focuses on the design, fitting out and engineering services and the leasing of construction equipment businesses also attributes to such decrease.

(iv) The revenue from the financial services business was maintained at a moderate level and was approximately the same as last year.

(b) Annual Results of the Group for FY2024 vs FY2023

With reference to the 2024 Annual Report and depicted in Table 1 above, the total revenue for FY2024 of the Group was approximately HK$87.6 million (FY2023: HK$55.8 million) which represents approximately HK$31.8 million or 57.1% increase as compared with last year.

During FY2024, the revenue generated from the design, fitting out and engineering services business has increased by approximately HK$26.1 million, and the income from the leasing of construction equipment business has increased by approximately HK$6.2 million, whilst the wine merchandising business and the financial services business has decreased by approximately HK$0.3 million and HK$0.1 million respectively, leaving the Group's revenue to increase by approximately HK$31.8 million:

(i) The increase in revenue generated from the design, fitting out and engineering services was mainly due to the increase in the number of works attributable to the increase in the number of public housing estates for the new 3-year term contract that was commenced from April 2022, and the increase in contract sum of construction contracts being awarded from public and private section works.

(ii) The increase in revenue from the leasing of construction equipment was mainly due to the increase in the lease out rate of the scaffolding equipment as a consequence of the increase in demand from the leasing of construction equipment attributable to the HKSAR Government's commitment to forge ahead with the supply of public housing.

(iii) The decrease in revenue generated from the wine merchandising business was mainly due to the decrease in orders from existing customers and the reallocation of the Group's resources from the wine merchandising business to the design, fitting out and engineering services business and the leasing of construction equipment.

(iv) The revenue from the financial services business was maintained at the similar level and was approximately the same as last year.

(c) Interim Results of the Group for SEP2024 vs SEP2023

With reference to the 2024 Interim Report and depicted in Table 1 above, the Group recorded a total revenue for SEP2024 of approximately HK$30.1 million (SEP2023: HK$29.3 million), representing an increase of approximately HK$0.8 million as compared with the last corresponding period.

The revenue generated from the design, fitting out and engineering services business has increased by approximately HK$3.9 million, and the income from the leasing of construction equipment business has decreased by approximately HK$1.6 million, whilst the wine merchandising business has decreased by approximately HK$1.5 million, leaving the Group's revenue to increase by approximately HK$0.8 million:

(i) The increase in revenue generated from the design, fitting out and engineering services was mainly due to the increase in the number of works attributable to the increase in contract sum of construction contracts being awarded from public and private sector projects during the period.

(ii) The decrease in revenue from the leasing of construction equipment was mainly due to certain projects close to their final phase, which has resulted in a reduced scope of work to be undertaken and lead to the decrease in the lease out rate during the period.

(iii) The decrease in revenue generated from the wine merchandising business was mainly due to the decrease in orders from existing customers and the reallocation of the Group's resources from the wine merchandising business to the design, fitting out and engineering services business during the period.

(d) Financial Position of the Group

As depicted in Table 2 above, the total assets of the Group decreased by approximately 17.4% from approximately HK$102.2 million as at 31 March 2022 to approximately HK$84.4 million as at 31 March 2023, and then increased by approximately 7.5% to approximately HK$90.7 million as at 31 March 2024, and further increased by approximately 12.8% to approximately HK$102.3 million as at 30 September 2024. As at 31 March 2022, the total assets mainly comprised of property, plant and equipment, investment property and trade and other receivables. As at 31 March 2023, the total assets mainly comprised of non-current asset held for sale, property, plant and equipment and trade and other receivables. As at 31 March 2024, the total assets mainly comprised of cash and bank balances and trade and other receivables. As at 30 September 2024, the total assets mainly comprised of trade and other receivables, cash and bank balances, inventories and contract assets.

The decrease of total assets from 31 March 2022 to 31 March 2023 is mainly attributable to the disposal and depreciation of property, plant and equipment during FY2023. The increase of total assets from 31 March 2023 to 31 March 2024 is mainly attributable to the increase in trade receivables arising from the increase in revenue and the increase in cash and bank balances arising from the proceeds from issue of shares during FY2024. The increase of total assets from 31 March 2024 to 30 September 2024 is mainly attributable to the increase in inventories and contract assets during FY2024.

Total liabilities of the Group increased by approximately 22.2% from approximately HK$29.8 million as at 31 March 2022 to approximately HK$36.4 million as at 31 March 2023, and then decreased by approximately 52.7% to approximately HK$17.2 million as at 31 March 2024, and then increased by approximately 56.6% to approximately HK$27.0 million as at 30 September 2024. The total liabilities mainly comprised of accounts payable.

II. Reasons for and Benefits of the Share Consolidation, Rights Issue and Use of Proceeds

(a) Reasons for and benefits of the Share Consolidation

As disclosed in the Letter from the Board, over the past ten months, the existing board lot value of the Company has been less than HK$2,000 and the Existing Shares has been trading at a closing price below HK$0.1 since 8 November 2024.

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK$0.01 or HK$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 (and updated on 1 October 2020) has further stated that (i) market price of the Existing Shares at a level less than HK$0.10 each will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK$2,000.

The Group considers that the proposed Share Consolidation, resulting in a theoretical value of HK$0.39 per Consolidated Share (based on the closing price of HK$0.078 per Existing Share as at the Latest Practicable Date), would enable the Company to avoid noncompliance with the trading requirements under the GEM Listing Rules. In addition, the Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Consolidated Shares. As a result, the Share Consolidation would not only enable the Company to comply with the trading requirements under the GEM Listing Rules, but would also attract more investors and hence broaden the shareholder base of the Company.

We have also made enquiry to the Management and the Group believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may otherwise be entitled.

(b) Reasons for and Benefits of the Rights Issue and Use of Proceeds

The Group is principally engaged in (i) the provision of Engineering Business; (ii) the leasing of construction equipment; (iii) the sourcing and merchandising of fine and rare wines; and (iv) the provision of financial services comprising securities and money lending businesses.

Assuming all the Rights Shares are taken up or all Placing Shares are placed to Placees, the expected gross proceeds of the Rights Issue will be up to approximately HK$39.2 million and the relevant expenses would be approximately HK$2.5 million, which includes placing commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue. Accordingly, the net proceeds of the Rights Issue (after deducting the related expenses) will amount to HK$36.7 million, of which the Company intends to apply as to:

(i) HK$25.7 million (representing 70% of the net proceeds) to support the Group's projects, of which approximately HK$15.0 million for the payment to contractors in the current projects, approximately 7.0 million for the prepayment to the subcontractors and/or supplies before the commencement of the forthcoming projects and approximately HK$3.7 million for the initial start-up costs of the forthcoming projects;

(ii) approximately HK$5.9 million (representing 16% of the net proceeds) for settlement of debts including accruals, trade and other payables; and

(iii) HK$5.1 million (representing 14% of the net proceeds) for general working capital of the Group, of which approximately HK$3.6 million for the staff costs and approximately HK$1.5 million for other office overhead.

As disclosed in the 2024 Interim Report, the cash and bank balances of the Company as at 30 September 2024 amounted to approximately HK$24.1 million only. The Company had trade and other payables of approximately HK$24.2 million as current liabilities as at 30 September 2024. Therefore, the Group has an immediate need for financial resources to settle the liabilities and replenish its working capital to fund its projects.

With reference to the Letter from the Board, as at the date of this Circular, the aggregated contract sum of the Group's current projects is approximately HK$73 million, which mainly represents the contract sum of the provision of design, fitting out and engineering services for a logistic centre in the Hong Kong International Airport from private sector contractors in Hong Kong. We understand from the Management that there will be two projects in the aggregated contract sum of approximately HK$70 million will be commenced by first quarter of 2025, which mainly represents the contract sum of the provision of design, fitting out and engineering services from two private sector contractors in Hong Kong. The net proceeds of the Rights Issue are intended to be used to support these projects in the manner set out in the paragraph above.

We have also made enquiry to the Management, other financing alternatives, including debt financing, and other forms of equity financing such as open offer, have been considered. The Directors note that bank borrowings, if available, would result in additional interest burden of the Company and create pressure to the liquidity of the Company. Hence, the Directors do not consider it to be beneficial to the Company. According to the Directors, debt financing may require lengthy due-diligence and negotiation process. In addition to debt financing, we understand that the Directors had considered to conduct equity financing such as open offer. According to the Directors, open offer while it is similar to a rights issue, offering Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market.

In view of the above, the Directors considered that the Rights Issue is the most suitable equity financing method available to the Group as:

(i) the Qualifying Shareholders have the option to subscribe for the Rights Shares at their sole discretion;

(ii) the Qualifying Shareholders who do not take up their entitlements can sell the nil-paid Rights Shares in the market; and

(iii) the Rights Issue offers all the Qualifying Shareholders equal opportunities to participate in the enlargement of the Group's capital base and enables the Shareholders to maintain their proportionate interests in the Company and continue to participate in development of the Company in the future should they wish to do so.

After considering that (i) debt financing would increase the Group's interest burden and create pressure to the liquidity of the Group; (ii) open offer does not offer the Qualifying Shareholders the option to sell the nil-paid Rights Shares in the market; and (iii) the Rights Issue will enable the Shareholders to maintain their proportionate interests in the Company should they so wish, we concur with the Directors' view that the Rights Issue is fair and reasonable and in the interest of Company and Shareholders as a whole.

Equity fund-raising activities in the past twelve months

Save for the placing of 37,627,200 new shares at HK$0.201 under specific mandate completed on 23 April 2024 which raised net proceeds of approximately HK$7.4 million with intended use as working capital for the Engineering Business (approximately HK$6.6 million) and for general working capital (approximately HK$0.8 million), the Company has not conducted any equity fund-raising activities in the past 12 months immediately preceding the date of this Circular.

Other corporate actions and fund-raising activities in the next twelve months

With reference to the Letter from the Board, as at the Latest Practicable Date, save for the proposed Rights Issue, (i) the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation; and (ii) the Company currently does not have any plan to conduct any equity fund-raising activities in the next 12 months after completion of the Rights Issue. However, if there shall arise any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund-raising exercises to support such future developments of the Group. The Company will make further announcements in this regard in accordance with the GEM Listing Rules as and when appropriate.

III. Principal Terms of the Rights Issue and the Placing Agreement

(a) Rights Issue

Rights Issue Statistics

For details of the terms of the Rights Issue, please refer to the section headed "Proposed Rights Issue" in the Letter from the Board. Set out below are the principal terms of the Rights Issue:

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.289 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	225,763,200 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective		45,152,640 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 135,457,920 Rights Shares

Number of Consolidated Shares in issue immediately upon completion of the Rights Issue	:	Up to 180,610,560 Consolidated Shares
Maximum funds raised before expenses	:	Up to HK$39.15 million (assuming all the Rights Shares will be taken up)

As at the Latest Practicable Date, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into the Shares. The 135,457,920 Rights Shares to be issued under the Rights Issue represent (i) 300% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective; and (ii) 75% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

Subscription Price

The Subscription Price of HK$0.289 per Rights Share is payable in full when the Qualifying Shareholders accept the relevant provisional allotment of Rights Shares or when transferees of nil-paid Rights Shares accept the provisional allotment of the relevant Rights Shares. Assuming that all the Rights Shares are fully subscribed, the net price per Rights Share is estimated to be HK$0.271.

The Subscription Price represents:

(i) a discount of approximately 25.90% to the theoretical closing price of HK$0.39 per Consolidated Share based on the closing price of HK$0.078 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of 23.95% to the theoretical closing price of HK$0.38 per Consolidated Share based on the closing price of HK$0.076 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of 22.10% to the theoretical average closing price of HK$0.371 per Consolidated Share based on the average closing price of HK$0.074 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of 7.30% to the theoretical ex-rights price of HK$0.312 per Consolidated Share based on the closing price of HK$0.076 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of the Rights Issue of a discount of approximately 17.96%, represented by the theoretical diluted price of approximately HK$0.312 to the theoretical benchmarked price of HK$0.38 per Share (as defined under Rule 10.44A of the GEM Listing Rules), taking into account the closing price on the Last Trading Day of HK$0.076 per Existing Shares; and the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the announcement in relation to, among other things, the Share Consolidation, Rights Issue and Placing of approximately HK$0.074 per Existing Shares;

(vi) a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of the Rights Issue in aggregation with the placing under specific mandate announced on 17 January 2024 represented by a discount of approximately 18.73%, represented by the cumulative theoretical diluted price of approximately HK$0.204 per Share to the theoretical benchmarked price of HK$0.251 per Share in respect of the placing and Rights Issue (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the benchmarked price of the placing and the Rights Issue, being HK$0.251 per Share); and

(vii) a discount of 82.69% to the unaudited net asset value per Consolidated Share of HK$1.67 (based on the consolidated net asset value of the Group of HK$75.37 million as at 30 September 2024 and 45,152,640 Consolidated Shares in issue upon the Share Consolidation becoming effective).

As disclosed in the Letter from the Board, the Subscription Price was determined with reference to (i) the market price of the Existing Shares under the prevailing market conditions and the impact of the Share Consolidation; (ii) the prevailing market conditions of the capital market in Hong Kong taking into consideration the cautious investment sentiment in Hong Kong as a result of economic uncertainties; and (iii) the latest business performance and financial position of the Group.

Non-underwritten Basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, the Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placees under the Unsubscribed Arrangements. The Placing Shares which remain not placed under the Unsubscribed Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholders who apply to take up all or part of their entitlements under the PALs may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

(b) Placing Agreement

On 13 December 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Placing Shares. Details of the Placing are as follows:

For details of the terms of the Placing Agreement, please refer to the section headed "Placing Agreement" in the Letter from the Board. Set out below are the principal terms of the Placing Agreement:

Date	:	13 December 2024

Parties	:	(i) the Company, as issuer; and (ii) the Placing Agent
Placing Agent	:	Advent Securities (Hong Kong) Limited, appointed as the Placing Agent to place the Placing Shares on a best effort basis. The Placing Agent has confirmed that it is an Independent Third Party.
Fees and expenses		2.0% of the amount which is equal to the placing price multiplied by the Placing Shares that are successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement and reimbursed for the expenses in relation to the Placing, which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.
Placing price of the Placing Shares	:	The placing price of the Placing Shares shall be at least equal to the Subscription Price. The final price is dependent on the demand and market conditions of the Placing Shares during the process of placement.
Placees	:	The individuals, corporate, institutional investors or other investors procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares.

According to Rule 10.31(1) (b) of the GEM Listing Rules, the Company will make the Unsubscribed Arrangements to disposal of the Placing Shares by offering the Placing Shares to independent Placees for benefit of the Shareholders to whom they are offered by way of the Rights Issue. There will be no excess application arrangement in relation to the Rights Issue.

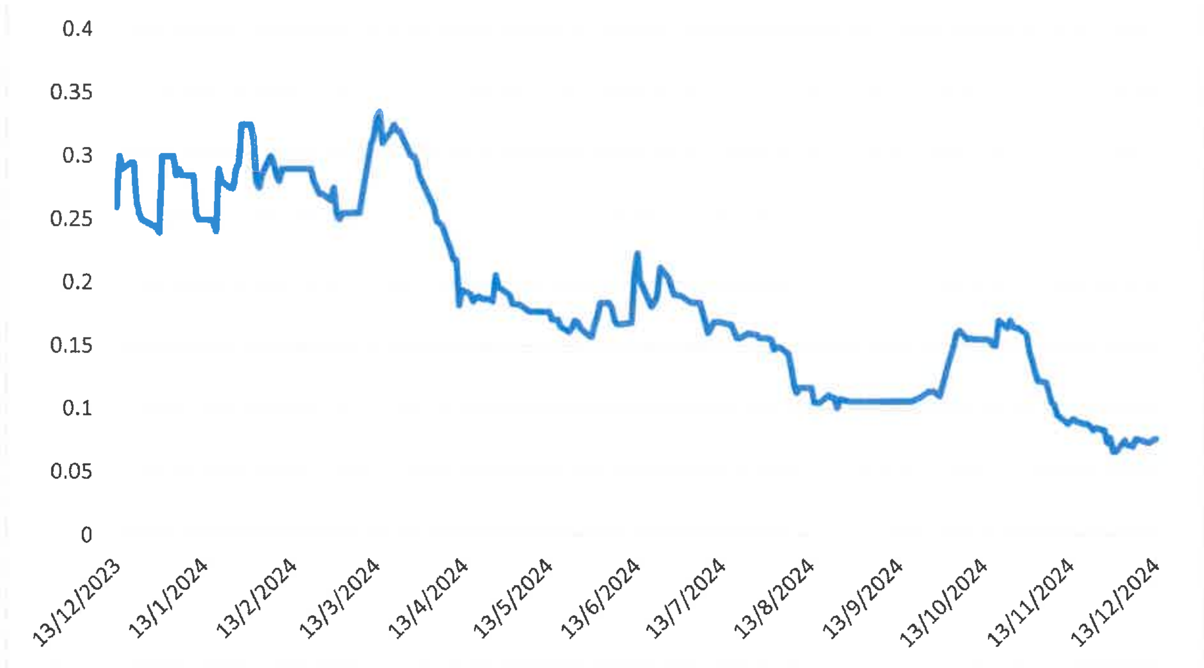
Given that the Unsubscribed Arrangements would provide (i) a distribution channel of the Placing Shares; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, we consider that the Unsubscribed Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority shareholders.

IV. Assessment of the Principal Terms of the Rights Issue and the Placing Agreement

(a) Historical Share Price Performance

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 13 December 2023 (being one year prior to the date of the Announcement) up to and including the Last Trading Day (the "**Review Period**"). We consider the one-year period to be adequate and reasonable for shareholders' reference in regard to the Subscription Price because the Review Period has included the latest financial position and reflected the Share price performance of the Group. The general trend of the daily closing prices of the Shares during the Review Period is illustrated as follows:

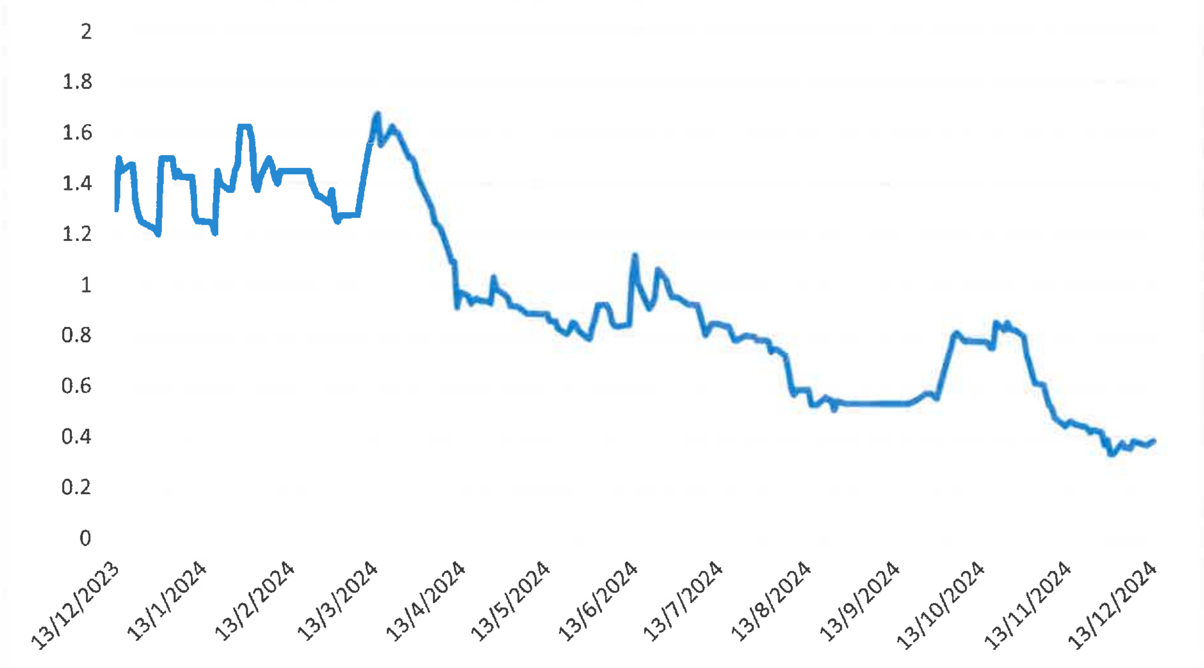
Historical daily closing price of the Shares during the Review Period



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

As the Board proposes to implement the Share Consolidation on the basis that every five issued Existing Shares be consolidated into one Consolidated Share, the theoretical daily closing prices of the Consolidated Shares during the Review Period are recalculated on the same basis. The general trend of the daily closing prices of the Consolidated Shares during the Review Period and comparison with the Subscription Price is illustrated as follows:

Historical daily closing price of the Consolidated Shares during the Review Period



During the Review Period, the highest and the lowest closing prices of the Consolidated Shares as quoted on the Stock Exchange were HK$1.675 recorded on 14 March 2023 and HK$0.33 recorded on

28 November 2024 and the average closing price was approximately HK$0.928. The closing price of the Shares generally exhibited a declining trend since March 2024.

Based on our review of the Company's announcements published on the website of the Stock Exchange during the Review Period, except for the publication of annual results and interim results announcements, there is no particular reason and we are not aware of any information causing the fluctuations on the closing price of the Shares.

We have further made inquiry to the Management who are also not aware of any other reasons for the fluctuations on the closing price of the Shares during the Review Period. As disclosed in the Letter from the Board, the Directors are of the view that the share price movement during the Review Period may reflect the market sentiment following the Company's recent announcement, including but not limited to the Company's interim results for the six months ended 30 September 2024.

The Subscription Price of HK$0.289 per Share is below the range of the lowest and highest closing prices of the Shares during the Review Period. It represents (i) a discount of approximately 12.42% to the lowest closing price of HK$0.33 during the Review Period; (ii) a discount of approximately 82.75% to the highest closing price of HK$1.675 during the Review Period; and (iii) a discount of approximately 68.86% to the average closing price of approximately HK$0.928 during the Review Period.

With reference to the sub-paragraph headed "(b) Market Comparables Analysis" below in this paragraph, we note that it is a common market practice that the subscription price of a rights issue is set at a discount to the prevailing market prices of the relevant shares to encourage the existing shareholders to participate in a rights issue as to meet the need of equity fund raising.

Furthermore, as disclosed in the Letter from the Board, the Directors observed that the market capitalisation of the Group consistently fell considerably short of its net asset value during the Review Period, where the market capitalisation of the Group during the Review Period ranged from approximately HK$14.90 million to approximately HK$20.77 million, which represented a discount of approximately 80.23% and 72.45% respectively to the latest unaudited consolidated net asset value attributable to the Shareholders of approximately HK$75.38 million as of 30 September 2024. This substantial disparity reflects a lack of market confidence in the Group's financial performance, position, and future prospects. As a result, the Directors consider that the market value of the Shares no longer accurately reflects the underlying net asset value, and we agree with this view.

We also concur with the Directors' view on the challenge of raising funds through equity due to (i) the Shares' recent market performance, which has been in a downward trend; (ii) the current market sentiment of the shares of listed companies in Hong Kong. It is reasonable to set the Subscription Price at a discount to the recent market price of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue, enabling the Company to raise sufficient capital. We are of the view that the Subscription Price is fair and reasonable.

(b) Historical Liquidity of the Shares

The table below sets out information of the trading liquidity of the Shares during the Review Period:

Month/Period	Total trading volume	Number of trading days	Average daily trading volume	Percentage of average daily trading volume to the total number of issued Shares
	Number of Shares		*Number of Shares*	*%*

From 13 December 2023 to 31 December 2023	15,620,400	11	1,420,036	0.629
January 2024	53,365,280	22	2,425,695	1.074
February 2024	38,488,320	19	2,025,701	0.897
March 2024	44,633,840	20	2,231,692	0.989
April 2024	20,361,600	20	1,018,080	0.451
May 2024	4,243,200	21	202,057	0.089
June 2024	43,552,960	19	2,292,261	1.015
July 2024	17,057,120	22	775,324	0.343
August 2024	7,068,800	22	321,309	0.142
September 2024	1,784,000	19	93,895	0.042
October 2024	6,153,120	21	293,006	0.130
November 2024	10,801,600	21	514,362	0.228
From 1 December 2024 to 13 December 2024	3,360,000	10	336,000	0.149

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

As shown in the above table, the average daily trading volume of the Shares in each month/period ranged from 93,895 Shares in September 2024 to 2,425,695 Shares in January 2024 during the Review Period, representing approximately 0.042% to 1.074% of the total number of issued Shares as at the end of the month/period respectively. We noted from the above table that the liquidity of the Shares was generally thin during the Review Period. Save for January 2024 and June 2024, the average trading volume to the total number of issued Shares during the Review Period was below 1%.

Given that (i) the generally thin liquidity of the Shares during the Review Period; and (ii) the general downward trend of the closing price of the Shares since March 2024, we consider that it is reasonable to set at a discount for the Subscription Price to encourage the Qualifying Shareholders to subscribe for the Rights Shares.

(c) Market Comparables Analysis

In assessing the fairness and reasonableness of the terms of the Rights Issue, including the Subscription Price, we have performed an analysis of the comparison of the Rights Issue to other rights issue conducted by other listed companies (the "**Listcos**") on GEM. We have reviewed rights issue conducted by Listcos during the Review Period (the "**Comparables**") based on the key selection criteria of (i) publication of initial announcement of the rights issue is within the Review Period; (ii) the rights issue is conducted by Listcos on GEM; and (iii) the rights issue is subject to shareholders' approval. To the best of our knowledge and as far as we are aware of, we found 21 Comparables which we consider an exhaustive list of relevant Comparables.

We consider that the Review Period is adequate and appropriate given that (i) such period provides us the recent information to demonstrate the prevailing market practice for rights issue prior to the Last Trading Day; and (ii) sufficient number of Comparables were identified during the Review Period. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same with the Comparables listed below. Nevertheless, we consider that the Comparables were determined under similar market conditions and sentiment which were also subject to shareholders' approval and therefore, the Comparables provide a general reference in assessing the fairness and reasonableness of the terms of the Rights Issue, including the Subscription Price.

Details of the Comparables extracted from their respective initial announcement are set out below:

Discount/(premium) of the
subscription price to/(over)

Date of initial announcement	Stock code	Company name	Basis of entitlement	The closing price on last trading day %	The theoretical ex-rights price %	The net asset value per issued share %	Theoretical dilution effect %	Underwriting arrangement	Placing commission %
28/12/2023	8631	Sun Kong Holdings Limited	2 for 1	34.78	15.49	70.87	23.49	Non-underwritten	N/A[2]
30/1/2024	8293	Singasia Holdings Limited	2 for 1	11.5	3.85	67.32	14.17	Non-underwritten	N/A[2]
9/2/2024	8148	Wuxi Life International Holdings Group Limited	2 for 1	20	10.45	(380)	10.45	Non-underwritten	N/A[2]
21/2/2024	8121	Guoen Holdings Limited	2 for 1	33.3	14.3	60.9	23.5	Fully underwritten	N/A[2]
23/2/2024	8460	Basetrophy Group Holdings Limited	3 for 1	31.82	10.45	77.61	23.86	Non-underwritten	N/A[2]
26/4/2024	8030	Flying Financial Service Holdings Limited	3 for 1	24.2	7.4	64.8	23.7	Non-underwritten	N/A[2]
30/4/2024	8160	Goldway Education Group Limited	3 for 1	27.5	8.66	88.4	20.9	Non-underwritten	N/A[2]
16/5/2024	8196	Futian Holdings Limited	1 for 2	Nil	Nil	(8.7)	4.6	Non-underwritten	N/A[2]
29/5/2024	8500	Icon Culture Global Company Limited	1 for 1	36.71	22.84	N/A[1]	18.59	Non-underwritten	0.5
25/6/2024	8537	Chong Fai Jewellery Group Holdings Company Limited	3 for 1	32.2	10.4	87.4	24.6	Non-underwritten	1
27/6/2024	8219	Hanvey Group Holdings Limited	1 for 2	59.3	49.2	7.4	19.8	Non-underwritten	3.5
28/6/2024	8153	Jiading International Group Holdings Limited	3 for 1	16.67	4.76	91.67	12.5	Non-underwritten	3
2/7/2024	8326	Tonking New Energy Group Holdings Limited	1 for 2	41.18	33.3	69.7	11.76	Non-underwritten	1
22/7/2024	8072	Roma (Meta) Group Limited	3 for 1	23.08	7.41	97.23	18.18	Non-fully underwritten	1.25
14/8/2024	8223	Ziyuanyuan Holdings Group Limited	1 for 5	66.44	62.26	36.38	11.09	Fully underwritten	N/A[2]
4/9/2024	8275	China New Consumption Group Limited	1 for 2	5.66	4.76	61.09	2.47	Non-underwritten	3.5
23/9/2024	8365	Hatcher Group Limited	3 for 1	31.5	10.4	94.1	23.6	Fully underwritten	Nil
4/10/2024	8179	Palinda Group Holdings Limited	1 for 2	18.7	13.29	66.1	6.23	Non-underwritten	N/A[2]
8/10/2024	8113	V & V Technology Holdings Limited	1 for 2	31.51	23.47	32.23	10.5	Non-underwritten	N/A[2]
21/10/2024	8087	China 33 Media Group Limited	3 for 2	7.41	3.23	55.62	5.12	Non-underwritten	1.5

15/11/2024	8007	Global Strategic Group Limited	4 for 1	12.5	3.2	91.6	11.3	Non-fully underwritten	N/A[2]
		Maximum		66.44	62.26	97.23	24.60		3.5
		Minimum		Nil	Nil	(380)	2.47		Nil
		Average		26.95	15.20	41.59	15.26		1.69
	8125	**The Company**	3 for 1	23.95	7.30	82.69	17.96	Non-underwritten	2.00

Notes:

1. denotes that comparison to net asset value is not applicable due to the net liabilities position of the respective Comparable, and has been excluded from the analysis.

2. denotes that the respective Comparable did not involve placing agent for its right issue.

As shown in the above table, we noted that all Comparables set the subscription price at a discount to their prevailing market price. It demonstrates that it is not uncommon to set the subscription price of a rights issue at a discount to its prevailing market price in order to encourage the existing shareholders to participate the rights issue.

Subscription Price

Based on the above Comparables, we can also summarise our findings:

(i) the subscription price to the closing price on the respective last trading day of the Comparables ranged from a discount of nil to approximately 66.44%, with an average discount of approximately 26.95%. The Subscription Price represents a discount of approximately 23.95% to the theoretical closing price per Consolidated Share on the Last Trading Day, which is within the range of that of the Comparables;

(ii) the subscription price to the theoretical ex-rights price on the respective last trading day of the Comparables ranged from a discount of nil to approximately 62.26%, with an average discount of approximately 15.20%. The Subscription Price represents a discount of approximately 7.30% to the theoretical ex-rights price per Consolidated Share on the Last Trading Day, which is also within the range of that of the Comparables;

(iii) the subscription price to the net asset value per issued share of the Comparables ranged from a discount of approximately 97.23% to a premium of approximately 380%, with an average discount of approximately 41.59%. The Subscription Price represents a discount of 82.69% to the unaudited net asset value per Consolidated Share, which is also within the range of that of the Comparables; and

(iv) the theoretical dilution effect of the Comparables ranged from approximately 2.47% to 24.60%, with an average of approximately 15.26%. The theoretical dilution effect of the Rights Issue of approximately 17.96% is slightly above the average of that of the Comparables.

Having considered that:

(i) it is a common market practice for the companies listed on the Stock Exchange to set the subscription price of a rights issue at a discount to the market price in order to encourage the existing shareholders to participate the rights issue;

(ii) the discounts represented by the Subscription Price to the theoretical closing price on the Last Trading Day, the theoretical ex-rights price per Consolidated Share and the net asset value per issued share fall within the respective range of that of the Comparables;

(iii) the closing price of the Shares was on a downward trend since March 2024 till the Last Trading Day;

(iv) the trading volume of the Shares was generally thin during the Review Period;

(v) the immediate need for financial resources to settle the Group's liabilities and replenish its working capital to fund its projects.

(vi) the Rights Issue would strengthen the capital base of the Group;

(vii) other alternative fund-raising methods may not be feasible as discussed in the paragraph headed "II. Reasons for and Benefits of the Share Consolidation, Rights Issue and Use of Proceeds" above in this letter; and

(viii) the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered an equal opportunity to participate in the Rights Issue and to take up their entitlements in full at the same price to maintain their respective shareholdings in the Company.

Nothing has come to our attention that the Subscription Price is not fair and reasonable and not in the interest of the Company and the Shareholders as a whole.

Non-underwritten Basis

From the Comparables table as set out above, we noted that it is a common market practice that rights issue is conducted on a non-underwritten basis. We are of the view that such is in line with the general market practice and is acceptable.

Placing Fee and Placing Price

Pursuant to the Placing Agreement, the Company shall pay to the Placing Agent a fee of 2% of the amount which is equal to the placing price multiplied by the Placing Shares that are successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement and reimbursed for the expenses in relation to the Placing, which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion. As advised by the Company, the terms of the Placing Agreement were determined after arm's length negotiation between the Company and the Placing Agent by reference to the financial position of the Group, the size of the Rights Issue and the prevailing market conditions.

For detailed terms of the Placing Agreement, please refer to the section headed "Placing Agreement" in the Letter of the Board. From the Comparables table as set out above, we noted that the commission rates payable to underwriters or placing agents of the Comparables (excluding those with fixed commission) ranged from nil to 3.5%. The Placing Commission Rate of 2% is within the range of commission rates payable of the Comparables and is only slightly above the average commission rates payable of the Comparables of approximately 1.69%. We also understand that the Company has reached out to other potential placing agents and none has offered more favourable terms than the fee of 2%.

Accordingly, we are of the opinion that the fee of 2% (which is within the aforesaid range) is fair and reasonable.

According to the Placing Agreement, the placing price of the Placing Shares shall be at least equal to the Subscription Price. The final price is dependent on the demand and market conditions of the Placing Shares during the process of placement. We noted that the similar arrangements were also made for the Comparables with placing arrangements. As such, we consider that such arrangement for the placing price in a rights issue is in line with the market practice and is fair and reasonable.

V. Dilution Effect of the Rights Issue on Shareholding Interests

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Referring to the section headed "Shareholding Structures" in the Letter from the Board, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 75%. It should be noted that the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including but not limited to the results of acceptance of the Rights Issue.

Having taken into account (i) all Qualifying Shareholders are provided an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company; (ii) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the Rights Issue entitlements; and (iii) shareholding dilution is generally inherent in rights issue with new shares being issued, we are of the view that the potential dilution effect on the shareholding is acceptable.

VI. Potential Financial Effect of the Rights Issue

The unaudited pro forma statement of unaudited consolidated net tangible assets of the Group attributable to the owners of the Company (the "Pro Forma Statement") adjusted for the effect of the Rights Issue as at 30 September 2024, which is prepared as if the Rights Issue had taken place on 30 September 2024, is set out under Appendix II to the Circular. According to the Pro Forma Statement, the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2024 was approximately HK$72.9 million and would be approximately HK$109.6 million (based on 135,457,920 Rights Shares to be issued) as if the Rights Issue had taken place on 30 September 2024. It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATION

Having taken into consideration of the above factors and reasons, we are of the view and concur with the Directors' view 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, the Placing Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the GM to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

<table>
<tr><td align="center">Yours faithfully,
For and on behalf of
RaffAello Capital Limited

Tsang Kin Hung
Managing Director</td><td align="center">Yours faithfully,
For and on behalf of
RaffAello Capital Limited

Heung Siu Hing
Executive Director</td></tr>
</table>

Mr. Tsang Kin Hung is the Managing Director of RaffAello Capital Limited and is licensed under the SFO as a responsible officer to conduct Type 6 (advising on corporate finance) regulated activities. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.

Mr. Heung Siu Hing is the Executive Director of RaffAello Capital Limited and is licensed under the SFO as a responsible officer to conduct Type 6 (advising on corporate finance) regulated activities. He has been active in the field of corporate finance advisory for over 8 years, and has been involved in and completed various corporate finance advisory transactions.