元庫證券有限公司
Silverbricks Securities Company Limited

Unit 04–06, 10/F,
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Group to the Shareholders dated 7 July 2023 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Reference is made to the Announcement. The Company proposed to raise gross proceeds of HK$14.4 million (before expenses) by issuing up to 72,230,400 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) by way of rights issue at the Subscription Price of HK$0.20, being the par value per Share, per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date.

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the number of the issued Shares by more than 50%, the Rights Issue must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the ordinary resolution to approve the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling Shareholder as defined under the GEM Listing Rules and Mr. Shum Tsz Yeung, a non-executive Director, is beneficially interested in 6,750 Shares. Accordingly, Mr. Shum Tsz Yeung is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Underwriting Agreement and the transaction contemplated thereunder at the EGM. Except as disclosed above, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Hung Wai Che, Mr. Choi Ho Yan and Ms. Yiu Yu Hong John, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder 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, taking into account the recommendations of the Independent Financial Adviser appointed by the Company. In this connection, the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder are fair and reasonable. We, Silverbricks Securities Company Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.

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 proposed 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 proposed Rights Issue and the transactions contemplated thereunder of the Company.

BASIS OF OUR OPINION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. 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 material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. We will notify the shareholders of any material change of information in the circular up to the date of EGM.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

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, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

We consider that we have reviewed all currently available information and documents, among others: (i) the Underwriting Agreement; (ii) agreements for the loans of HK$12.8 million in 2022; and (iii) annual report of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**"), which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. 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 arriving at our opinion regarding the Rights Issue, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in food and beverage and entertainment industry in Hong Kong and PRC. Set out below is a summary of the consolidated financial information of the Group for 31 December 2021 ("**FY2021**") and 31 December 2022 ("**FY2022**") as extracted from the 2022 Annual Report.

(a) Financial Performance of the Group

	For the year ended 31 December	
	2022	**2021**
	HK$'000	*HK$'000*
	(audited)	(audited)
Revenue	31,400	9,331
Loss for the year	(5,288)	(14,883)

(b) Financial Position of the Group

	As at 31 December	
	2022	**2021**
	HK$'000	*HK$'000*
	(audited)	(audited)
Cash and cash equivalents	2,011	3,485
Total assets	29,574	21,907
Total liabilities	28,339	28,151
Net assets (liabilities)	1,235	(6,244)

Audited consolidated results for the two years ended 31 December 2022

As disclosed in the 2022 Annual Report, revenue of the Group increased by approximately 237.6% from approximately HK$9.3 million for FY2021 to approximately HK$31.4 million for FY2022. Such increase was derived from the footwear and apparel businesses since the Group has also engaged in the footwear and apparel business in Hong Kong and Canada in 2022. As a result of the increase in revenue, the loss for the Group decreased from approximately HK$14.9 million for FY2021 to approximately HK$5.3 million for FY2022.

In FY2022, the Group recorded cash and cash equivalents, total assets, total liabilities and net assets of approximately HK$2.0 million, HK$29.6 million, HK$28.3 million and HK$1,235 million, respectively. The current ratio were approximately 1.7 times in FY2022 as compared to approximately 0.8 times in FY2021. The gearing ratio was approximately 49.0% in FY2022 as compared to approximately 42.5% in FY2021.

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

As disclosed in the Letter from the Board, the net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK$13.3 million. The Group intends to use the net proceeds from the Rights Issue as follows:

(1) approximately HK$11.0 million (or approximately 82.7% of the total net proceeds) for the repayment of the Group's loans; and

(2) the remaining balance of approximately HK$2.3 million (or approximately 17.3% of the total net proceeds) for general working capital of the Group.

Settlement of the Group's loans

According to the 2022 Annual Report, during the year ended 31 December 2022, a new loan amount of HK$1,500,000 was obtained from an independent third party ("**2022 Other loan A**"). 2022 Other loan A is unsecured, bearing interest at 8% per annum and repayable after two years from the date of drawdown.

According to the 2022 Annual Report, during the year ended 31 December 2022, two new loans total amount of HK$10,000,000 were obtained from an independent third party ("**2022 Other loan B**"). 2022 Other loan B are unsecured, bearing interest at 8–9% per annum and repayable after two years from the date of drawdown.

As disclosed in the Letter from the Board, the Group has to make interest payments of approximately HK$1,035,000 every year on a half-yearly basis until the maturity date for 2022 Other loan A and 2022 Other loan B.

Having considered that (i) the reduction of interest payment of HK$1,035,000 every year; (ii) the business opportunities in the footwear and apparel market in the future created by major sporting events to be held such as the 2024 UEFA Euro Championship to be held in Germany and the Olympic Games to be held in Paris in 2024 and (iii) the positive impact of increasing liquidity and reserving working capital brought by settlement of the Group's indebtedness, we concur with the Directors that the settlement of the Group's loans within this year equip the Group with a timely and robust funding position to secure favourable opportunities and is for the commercial benefit of the Group.

Having considered the above, and (i) the state of the global and local economies that (a) the business conditions remain troubled in Hong Kong as the tourism industry has yet to rebound and the reopening of borders by countries such as Japan has diminished the consumer purchase power in Hong Kong; and (b) the fragile global economy as evidenced by a series of bank failures and rescues recently has also made shoppers more wary of non-essential spending, (ii) the cash level of the Group, and the estimated working capital required for the Group's daily operation as stated in the Letter from the Board, we concur with the Directors that the Group's ongoing operations and managing cash flow is a very critical aspect during a period of uncertainty, and the Rights Issue provides a good opportunity for the Group to strengthen its capital structure without incurring debt financing cost, improve the financial position, and provide additional financial resources for capturing suitable business expansion and investment opportunities as they arise. We are of the view that the intended use of proceeds is fair and reasonable.

Alternative financing methods

As disclosed in the Letter from the Board, the Group has considered other alternative means of fund raising before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. The Board considers that debt financing requires asset pledge or relatively higher interest rate which will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. Hence, the Board consider that 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 the Company has already exhausted its general mandate. Additionally, further placing of shares would lead to dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. Furthermore, the Company has approached multiple securities brokerages but they have all declined to act as placing agent. As for 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 Board considers that raising funds by way of the Rights Issue is more cost effective, efficient and beneficial to the Company and the Shareholders as a whole as compared to raising fund by other means.

After taking into account the benefits and potential cost of each of the alternatives such as asset pledge requirement, interest rate and the opportunities offering to the Shareholders, we are of the view and concur with the view of the Directors that (i) debt financing may not be achievable on favourable terms in a timely manner as debt financing requires asset pledge or relatively higher interest rate which will result in additional interest burden, higher gearing ratio of the Group; (ii) placing of new Shares would only be available to certain placees who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders; and (iii) open offer does not allow qualifying shareholders to trade rights entitlements freely in the open market. We are of the view and concur with the view of the Directors that the Rights Issue is more cost effective, efficient and beneficial to the Company and the Shareholders as a whole as compared to raising fund by other means.

3. Principal terms of the Rights Issue

Set out below is a summary of the principal terms of the Rights Issue, further details of which are set out in the Letter from the Board:

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.20, being the par value per Share, per Rights Share
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 72,230,400 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) The aggregate nominal value of the Rights Shares will be HK$14,446,080
Total number of Shares in issue upon completion of the Rights Issue	:	Up to 108,345,600 Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Gross proceeds from the Rights Issue	:	Up to approximately HK$14.4 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment
Underwriter	:	China Demeter Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) under the SFO whose ordinary course of business includes underwriting of securities To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its associates do not hold any Shares, and the Underwriter and its ultimate beneficial owners are Independent Third Parties. As such, the Underwriter complies with Rule 10.24A(1) of the GEM Listing Rules.

Number of Rights Shares underwritten by the Underwriter	:	Up to 72,230,400 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement

As at the Latest Practicable Date, there are 720,000 outstanding Share Options. The 720,000 Share Options were granted on 6 January 2023 and shall be valid for 10 years commencing from the date of grant and shall be vested to the grantees on 6 January 2024. Please refer to the Company's announcement dated 6 January 2023 and the Company's quarterly report published on 12 May 2023 for further details on the share options.

Assuming no further issue or repurchase of Shares on or before the Record Date, the maximum number of 72,230,400 Rights Shares to be issued and allotted pursuant to the terms of the Rights Issue represent 200% of the total number of issued Shares and approximately 66.67% of the total number of issued Shares as enlarged by the allotment and issuance of the Rights Shares.

Assessment on the principal terms of the Rights Issue

The Subscription Price

The Subscription Price of HK$0.2, being the par value per Share, per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 2.9% to the closing price of HK$0.206 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 15.6% to the closing price of HK$0.173 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 12.9% to the average closing price of HK$0.1772 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 12.3% to the average closing price of approximately HK$0.1781 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

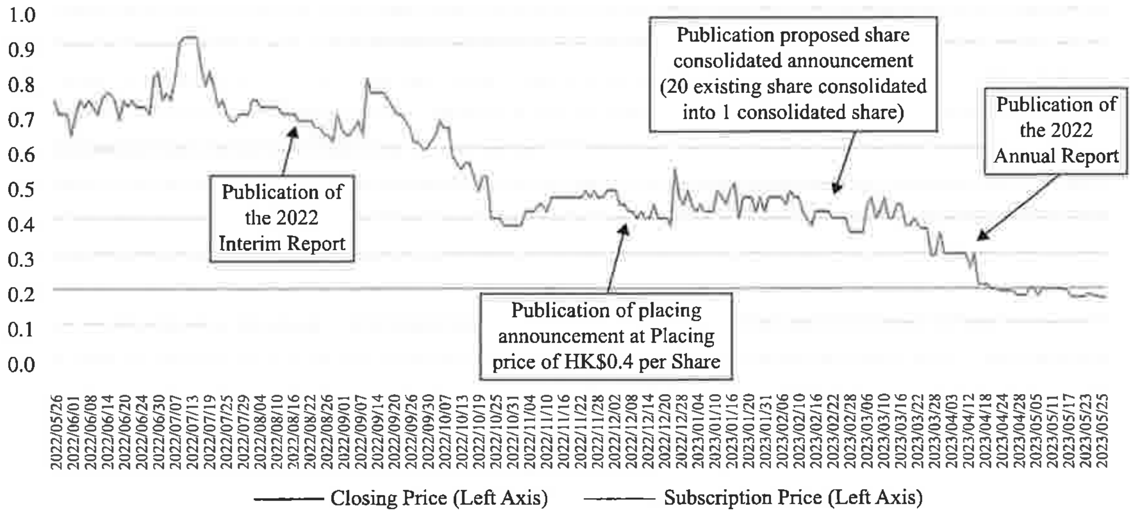
(v) a premium of approximately 4.7% to the theoretical ex-rights price of approximately HK$0.191 per Share based on the closing price of HK$0.173 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(vi) no theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules), being the premium of the theoretical diluted price of approximately HK$0.191 per Share to the benchmarked price of approximately HK$0.1772 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK$0.1772 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day of approximately HK$0.173 per Share).

As disclosed in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as more particularly disclosed in the paragraph headed "Reasons for the Rights Issue and use of proceeds" in the Letter from the Board.

Comparison with historical closing prices of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 26 May 2022 up to and including the Last Trading Day (the "**Review Period**") (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. 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 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 adjusted daily closing price per the Share ("**Closing Price**") versus the Subscription Price of HK$0.20 per Rights Share during the Review Period:



Source: website of the Stock Exchange

As shown in the chart above, during the Review Period, the average closing price was approximately HK$0.51 per Share (the "**Average Closing Price**"). The daily closing price ranged from HK$0.173 per Share recorded on 24 May 2023 to 25 May 2023 (the "**Lowest Closing Price**") to HK$0.92 per Share recorded on 11 July 2022 to 14 July 2022 (the "**Highest Closing Price**"). We note that Shares were traded above the Subscription Price from 26 May 2022 to 14 April 2023 and were traded on or below since 17 April 2023. The Subscription Price of HK$0.20 represents (i) a premium of approximately 15.6% to the Lowest Closing Price; (ii) a discount of approximately 78.3% to the Highest Closing Price; and (iii) a discount of approximately 60.5% to the Average Closing Price. As discussed in the section headed "Comparison with recent rights issues transactions" below, we note that it is a common practice (12 out of 12 Comparables, excluding the outlier) to set the subscription price at a discount to the prevailing trading prices of the relevant shares in order to increase the attractiveness and encourage shareholders to participate in the right issues.

There was an uptrend from early-May 2022 to mid-July 2022. The closing price of the Shares steadily increased from approximately HK$0.7 at the beginning of May 2022 to the Highest Closing Price from 11 July 2022 to 14 July 2022. After reaching the Highest Closing Price, the closing price of the Shares then exhibited a downward trend and hit the Lowest Closing Price on 24 May 2023 and the Last Trading Day.

The reason for the substantial fall in Share price since 14 July 2022 ("**Downtrend Period**") was unknown to us since:

(i) the Management were not aware of any reason for such fall in Share price during the Downtrend Period; and

(ii) we have reviewed all the announcements disclosed during the Downtrend Period, and we were not aware of any information which led to abrupt decrease of the Share prices during the Downtrend Period.

Historical trading liquidity of the Shares

Month	**Total volume of Shares traded**	**Number of trading days**	**Approximate average daily trading volume of the Shares**	**Percentage of average daily trading volume to total number of issued shares as at the end of the month/period**
	Shares	*days*	*Shares*	*(Note 1)*
2022				
May	6,798,500	20	339,925	1.13%
June	7,849,000	21	373,762	1.24%
July	9,451,500	20	472,575	1.57%
August	9,545,500	23	415,022	1.38%
September	8,438,500	21	401,833	1.34%
October	5,055,000	20	252,750	0.84%
November	2,657,250	22	120,784	0.40%
December	9,682,500	20	484,125	1.34%
2023				
January	6,058,250	18	336,569	0.93%
February	2,546,500	20	127,325	0.35%
March	4,180,250	23	181,750	0.50%
April	1,316,750	17	77,456	0.21%
May (up to Last Trading Day)	1,049,250	18	58,292	0.16%

Source: website of the Stock Exchange

Note:

1. Based on the number of total issued Shares as at each month end as disclosed in the monthly returns of the Company.

As shown in the table above, the average daily trading volume of the Shares in each month ranged from 58,292 Shares in May 2023 (up to Last Trading Day) to 484,125 Shares in December 2022 during the Review Period, representing 0.16% to approximately 1.34% of the total number of issued shares as at the end of the month/period, respectively, indicating a relatively thin trading liquidity during the Review Period.

Given such relatively thin liquidity of the Shares during the Review Period, it would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market without exerting a significant impact on the Share price. We consider that the prices, liquidity and general price trend of the Shares during the Review Period should have reflected market evaluation on the recent business performance of the Group.

In view of the above, we consider that it is fair and reasonable for the Company to determine the Subscription Price with reference to (i) the market price of the Shares prior to and including the Last Trading Day; (ii) the prevailing volatile market conditions under the uncertainty in local and global economy discussed in the earlier section headed "Reasons for and benefits of the Rights Issue and use of proceeds"; (iii) the share price of the Company has been trading below its par value for some time; and (iv) the fund-raising size intended by the Company after taking into consideration of the par value per Share.

Comparison with recent rights issue transactions

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue exercises, announced by the companies listed on GEM of the Stock Exchange (excluding those terminated or lapsed or announced but not yet completed) within approximately 12 months prior to the Last Trading Day (the "**Comparison Period**") to understand the trend of the recent market practice. Based on our research, we have identified a total of 12 rights issue comparables (the "**Comparables**") during the Comparison Period.

We consider the Comparison Period of approximately 12 months is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the Announcement under the prevailing market conditions; and (ii) we are able to identify sufficient and reasonable samples size for selection of Comparables within the Comparison Period. We note that the terms of the rights issue announced by the Comparables may not be directly comparable to the terms of the Rights Issue announced by the Group due to the differences in business activities and performances. We note that the business activities of the Comparables may not be directly comparable to the business activities carried out by the Group. We consider that despite the terms of the rights issue depend on various factors, including the dilution effect to shareholding, funding needs and use of proceeds, discounts to share price, etc., they are often influenced by the recent market trends for rights issue. Although the Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as a general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Comparables and the Company are listed on GEM of the Stock Exchange which are similar in size of operation as GEM is positioned as a market designed to accommodate small and mid sized companies; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, theoretical ex-rights price, maximum dilution on the shareholding and theoretical dilution effect; and (iii) the Comparables were included without any artificial selection or filtering on our part thus they represented a true and fair view of the recent market trends for rights issue.

Table A

Date of announcement	Company (stock code)	Basis of entitlement	Maximum amount of funds to be raised from the rights issue *HK$' million*	Discount of subscription price over the closing price per share on the respective last trading day *Approximately %*	Discount of the subscription price over the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the respective rights issue *Approximately %*	Maximum dilution on the shareholding *Approximately %*	Theoretical dilution effect *(Note 2)* *Approximately %*	Excess Application/ Placing *(Note 3)*	Underwriting arrangement	Placing Commission %	Underwriting commission %
6/3/2023	CBK Holdings Limited (8428)	5 for 1	18.92	(15.9)	(2.9)	83.3	(13.2)	Placing	Non-underwritten	3.5	N/A
10/1/2023	Kinetix Systems Holdings Limited (8606)	1 for 2	31.3	(29.4)	(21.7)	33.3	(9.8)	Placing	Underwritten on a best effort basis	1.3	N/A
6/1/2023	SDM Education Group Holdings Limited (8363)	1 for 2	23.8	nil	nil	33.3	nil	Excess application	Fully-underwritten	N/A	4
29/12/2022	New Amante Group Limited (8412)	1 for 2	12.6	(10.6)	(7.3)	33.3	(5.6)	Excess application	Underwritten on a best effort basis	N/A	1.5
21/10/2022	C&N Holdings Limited (8430)	3 for 1	32.5	(13.3)	(3.7)	75.0	(10.0)	Placing	Non-underwritten	1.5	N/A
23/9/2022	Tasty Concepts Holding Limited (8096)	5 for 2	41.3	(14.3)	(4.5)	71.4	(10.3)	Placing	Non-underwritten	2.5	N/A
10/8/2022	Easy Repay Finance & Investment Limited (8079)	1 for 2	14.4	(45.0)	(35.1)	33.3	(16.1)	Placing	Non-underwritten	7.1	N/A
4/8/2022	Xinyi Electric Storage Holdings Limited (8328)	1 for 10	393.9	(18.8)	(17.4)	9.1	(1.7)	Excess application	Non-underwritten	N/A	N/A
14/7/2022	Wan Cheng Metal Packaging Company Limited (8291)	1 for 1	24.0	(25.0)	(14.3)	50.0	(16.5)	Placing	Non-underwritten	2.5	N/A
17/6/2022	Ocean Star Technology Group Limited (8297)	1 for 2	31.5	(41.2)	(32.0)	33.3	(13.9)	Excess application	Underwritten on a best effort basis	N/A	1
10/6/2022	Gameone Holdings Limited (8282)	1 for 2	22.4	(40.4)	(31.2)	33.3	(13.5)	Excess application	Underwritten on a best effort basis	N/A	1.5
25/52022	F8 Enterprises (Holdings) Group Limited (8347)	1 for 2	17.1	(5.6)	(3.7)	33.3	(1.9)	Excess application	Underwritten on a best effort basis	N/A	5
		Maximum		(45.0)	(35.1)	83.3	(16.5)			7.1	5.0
		Minimum		(5.6)	(2.9)	9.1	(1.7)			1.3	1.0
		Average		(23.6)	(15.8)	43.5	(10.2)			3.1	2.6
25/5/2023	**The Group**	**2 for 1**	**14.4**	**15.6**	**4.7**	**66.7**	**nil**	**Excess application**	**Fully underwritten**	**N/A**	**0.7**

Notes:

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

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 Rules.

3. Pursuant to Rule 10.31(1) of the GEM Listing Rule.

4. N/A represents the respective fundraising exercise did not involve underwriters nor placing agents.

Based on the Table A, we noted that (i) the subscription prices to the closing price on the Last Trading Day prior to the announcement of the Comparables ranged from a discount of approximately 5.6% to a discount of approximately 45.0%, with an average discount of approximately 23.6%. The premium of the Subscription Price to the theoretical closing price per Share as at the Last Trading Day of approximately 15.6% is out of the range; (ii) the theoretical ex-rights price per Share based on the closing price per share on the last trading day prior to announcement in relation to the respective ranged from a discount of approximately 2.9% to a discount of approximately 35.1%, with an average discount of approximately 15.8%. The premium of the Subscription Price to the theoretical ex-rights price per Share on the Last Trading Day of approximately 4.7% is out of the range; (iii) the theoretical dilution effect of the Comparables ranged from approximately 1.7% to approximately 16.5%, with an average discount of approximately 10.2%. Due to the facts that (a) no theoretical dilution effect represented by the Rights Issue; (b) the net proceeds from the Rights Issue would improve the Group's financial condition; and (c) the Subscription Price favors the Qualifying Shareholders to subscribe for the Rights Shares and maintain their respective pro-rata shareholding interests in the Company, we consider that the no theoretical dilution effect represented by the Rights Issue is acceptable so far as Independent Shareholders are concerned; and (iv) the maximum dilution on the shareholding of the Comparables ranged from approximately 9.1% to approximately 83.3%, with an average of approximately 43.5%. The maximum dilution on the shareholding of the Rights Issue of approximately 66.7% falls within the range of the Comparables. Taking into consideration the maximum dilution on the shareholding of the Rights Issue falls within the range of the Comparables, we are of the view that the proposed offer basis is in the interest of the Company and the Shareholders as a whole and so far as the Independent Shareholders are concerned.

Taking into consideration that, (i) the Subscription Price of the Rights Issue has a discount of 60.5% to the average Closing Price during the Review Period; (ii) the trading liquidity of the Shares were very thin during the Review Period and the Subscription Price at a discount to the average Closing Price may enhance the attractiveness of the Shares among the thin trading liquidity; (iii) the share price of the Company has been trading below its par value for some time; (iv) the Subscription Price represents the par value per Share; (v) a review period of 12 months prior to the Announcement to be exhaustive for a representation of proposed rights issue in the recent market; and (vi) the Independent Shareholders may subscribe the Rights Share with the Subscription Price close to the price of HK$0.206 on the Latest Practicable Date under the thin trading liquidity, we are of the view that the setting of the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and the Independent Shareholders are advised to subscribe for the entitlements.

Excess application

As mentioned in the Letter from the Board, Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or transferees of nil-paid Rights Shares.

Among the Comparables, 6 out of 12 of the Comparables allow application for excess rights shares. As such, we consider that the Rights Issue allowing application for excess Rights Shares and the possibility of applying for excess Rights Share under the Rights Issue are in line with the market practice.

Furthermore, the Rights Issue has already given the opportunity to all Qualifying Shareholders to maintain their proportionate interests in the Company should they so wish by applying for the Rights Shares in full and acquire additional nil-paid Rights Shares in the market, which we consider to be fair and reasonable.

Underwriting commission

As set out in the Letter from the Board, the terms of the Underwriting Agreement, including the rate of placing commission, were determined after arm's length negotiation between the Company and the Underwriter with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. For further details of the principal terms of the Placing Agreement, please refer to section headed "Underwriting Agreement" in the Letter from the Board. The Underwriter to the Company will receive a lump sum amount of HK$100,000.00, representing 0.7% of the placing price. According to the Comparables as set out in Table A, the underwriting commission of the Comparables ranged from 1.0% to 5.0%, with average placing commission of approximately 2.6% respectively. As the underwriting commission is below the range of the Comparables and the average underwriting commission, we are of the view that the underwriting commission is in the interests of the Company and Independent Shareholders as a whole.

4. Dilution effect of the Rights Issue on the shareholding of the Company

As at the Latest Practicable Date, the Company has 36,115,200 existing Shares in issue. The table below sets out the shareholding structures of the Company (a) as at the Latest Practicable Date; (b) immediately after the Rights Issue (assuming all Rights Shares are subscribed for by the Qualifying Shareholders); and (c) immediately after the Rights Issue (assuming no Qualifying Shareholders takes up any of the Rights Shares and the Underwriter takes up all Rights Shares pursuant to the Underwriting Agreement).

			Immediately after completion of the Rights Issue			
	As at the Latest Practicable Date		**Assuming all Rights Shares are subscribed for by the Qualifying Shareholders**		**Assuming no Qualifying Shareholders takes up any of the Rights Shares and the Underwriter takes up all Rights Shares pursuant to the Underwriting Agreement**	
	No. of Shares	*Approx.% (Note 1)*	*No. of Shares*	*Approx.% (Note 1)*	*No. of Shares*	*Approx.% (Note 1)*
Mr. Shum Tsz Yeung	6,750	0.02	20,250	0.02	6,750	0.006
Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them *(Notes 2 & 3)*	–	–	–	–	72,230,400	66.67
Other public Shareholders	36,108,450	99.98	108,325,350	99.98	36,108,450	33.33
Total	36,115,200	100.00	108,345,600	100.00	108,345,600	100.00

Notes:

(1) The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

(2) Pursuant to the Underwriting Agreement, the Underwriter shall confirm with the Company the actual number of Untaken Shares as at the Latest Time for Acceptance, and shall procure for full subscription therefor.

(3) In any event and not withstanding any provisions under the Underwriting Agreement, the Underwriter irrevocably undertakes to the Company that (i) each of the subscribers of the Untaken Shares procured by the Underwriter (or the Underwriter concerned, whichever shall be appropriate) shall be an Independent Third Party and are not acting in concert (within the meaning of the Takeovers Code) with the Underwriter and its associates; (ii) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or placees to take up such number of Untaken Shares as necessary to ensure that the Company will comply with the public float requirement under the GEM Listing Rules upon completion of the Rights Issue; and (iii) the

Underwriter or each subscriber procured by the Underwriter (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% or more of the voting rights of the Company immediately after the Rights Issue.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Qualifying Shareholders who do not accept the Rights Issue entitlements can, subject to the then prevailing market conditions, consider selling their nil-paid Rights Shares in the market. However, 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 66.7%.

We also that as shown in the table of Comparables in the section headed "Comparison with recent rights issue transactions" above, the maximum dilution of the Comparables ranged from approximately 9.1% to approximately 83.3%. For the Non-Qualifying Shareholders and those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 66.7%, which fall within the range of the Comparables.

Having considered that (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and public Shareholders' interests in the Company will be not diluted if they choose to subscribe for their pro-rata entitlement of the Rights Shares; (ii) the Qualifying Shareholders have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability; (iii) shareholding dilution is inherent in the Rights Issue in general; and (iv) the positive impact on the financial position of the Group as a result of the Rights Issue as detailed in paragraph headed "Possible Financial Effect of the Rights Issue" below, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable.

5. Possible Financial Effect of the Rights Issue

Net tangible assets

According to the "Unaudited pro forma financial information of the Group" set out in Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to owners of the Company was approximately HK$1.2 million as at 31 December 2022; 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 HK$14.6 million. As such, the Rights Issue is expected to have a positive impact on the financial position of the Group.

Liquidity

According to the Annual Report 2022, as at 31 December 2022, the cash and cash equivalents of the Group was approximately HK$2.0 million and the Group had current assets of approximately HK$29.6 million, current liabilities of approximately HK$28.3 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 31 December 2022 was approximately 1.7 times. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately HK$13.3 million. The current ratio of the Group will be increased from approximately 1.7 times to 2.6 times approximately. As such, the current ratio and the liquidity of the Group will be improved upon the completion of the Rights Issue.

After taking into consideration of the above, particularly, the improvement in liquidity position of the Group, we are of the view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Company as at 31 December 2022 or any future date; or (ii) the net assets per Share of the Company as at 31 December 2022 or any future date.

OPINION AND RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including:

(i) the proceeds from the Rights Issue for repayments of the Group's loans, and the Directors expectation to strengthen its capital structure without incurring debt financing cost, improve the financial position, and provide additional financial resources for capturing suitable business expansion and investment opportunities as they arise under section headed "Reasons for the Rights Issue and use of proceeds" above in this letter;

(ii) taking into account the benefits and cost of each of the alternatives, the Rights Issue represents a more cost effective, efficient and beneficial mean to the Company and the Shareholders as a whole as compared to raising fund by other means as stated under the paragraph headed "Fund raising alternatives" above in this letter;

(iii) the Subscription Price represented a premium of approximately 15.6%, 12.9% and 12.3% to the closing price on the Last Trading Day, the five (5) consecutive trading days up to and including the Last Trading Day, and the ten (10) consecutive trading days up to and including the Last Trading Day, respectively;

(iv) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier sections headed "Subscription Price" and "Comparison to other rights issue" in this letter; and

(v) Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares,

we are of the view that the terms of the Rights Issue are on normal commercial terms and are 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 Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited

Yau Tung Shing
Co-head of Corporate Finance

Note: Mr. Yau Tung Shing is licensed individual under the SFO, authorized to conduct Type 6 (advising on corporate finance) regulated activities in accordance with the SFO. He is considered responsible officer of Silverbricks Securities Company Limited. Mr. Yau Tung Shing possesses possess over 6 years of experience in the corporate finance industry.