10 January 2025

To the Independent Board Committee and the Independent Shareholders of
Hatcher Group Limited

Dear Sirs,

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE; (2) CONNECTED TRANSACTIONS IN RELATION TO THE UNDERWRITING AGREEMENT; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Listing Rules IBC and Takeovers Code IBC (together, "**Independent Board Committee**") in respect of the Rights Issue, the Underwriting Agreement, Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 10 January 2025 (the "**Circular**"), of which this letter forms a part. 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 Previous Announcements in relation to, among other things, the Increase in Authorized Share Capital, the Change in Board Lot Size, the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription, the Capital Reduction and Sub-division.

IMPLICATIONS UNDER THE GEM LISTING RULES AND THE TAKEOVERS CODE

Rights Issue

As the Rights Issue, if proceeded with, will increase the number of issued shares or the market capitalization of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the proposed Rights Issue must be made conditional on approval by the 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 independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue.

As at the Latest Practicable Date, (i) Mr. Li Man Keung Edwin held directly and indirectly through Tanner Enterprises an aggregate of approximately 15.41% of the issued Shares; (ii) Mr. Yeung Chun Yue David indirectly held through Great Win Global Limited approximately 3.55%; and (iii) Mr. Hui Ringo Wing Kun indirectly held through Bright Music Limited approximately 2.10% of the issued Shares; and (iv) Mr. Michael Stockford did not directly or indirectly hold any Shares. Save for Mr. Li Man Keung Edwin's, Mr. Yeung Chun Yue David's and Mr. Hui Ringo Wing Kun's interests in the Shares, no other Director or chief executive of the Company and their respective associates were interested in the Shares as at the Latest Practicable Date.

Since the Company has no controlling shareholder, the Directors (excluding the Independent Non-Executive Directors) and the chief executive of the Company, and their respective associates will be required to abstain from voting in favour of the proposed resolution approving the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. Accordingly, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan will abstain from voting in favour of the resolution to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, Ms. Chan Hiu Shan does not hold any shares of the Company within the meaning of Part XV of the SFO. The Company's decision of appoint Ms. Chan Hiu Shan on 2 January 2025 is a regulatory compliance measure necessitated by Rule 17.104 of the GEM Listing Rules, which requires issuers to achieve board diversity by appointing at least one director of different gender by 31 December 2024.

Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan, parties acting in concert with any of them and shareholders who are interested in and involved in the Underwriting Agreement, the Whitewash Waiver and transactions contemplated thereunder will be required to abstain from voting in respect of the resolutions to approve the Underwriting Agreement and the Whitewash Waiver at the EGM.

Whitewash Waiver

In addition, as at the Latest Practicable Date, the Underwriter and parties acting in concert with it for the purposes of the Takeovers Code (being Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan), taken together, in aggregate, hold 9,018,800 Shares, representing approximately 21.06% of the issued share capital of the Company.

Assuming (i) there is no change in the number of issued Shares from 23 September 2024, being the date of the announcement of the Company dated 23 September 2024, up to and including the closing date of the Rights Issue; (ii) none of the Qualifying Shareholders take up their entitlements under the Rights Issue; and (iii) a maximum of 88,452,080 Unsubscribed Rights Shares are taken up by Tanner Enterprise, the aggregate shareholding of the concert party comprising Mr. Li Man Keung Edwin, Tanner Enterprises, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan, upon the close of the Rights Issue will increase from the current level of approximately 21.06% to approximately 56.91% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Tanner Enterprises will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it pursuant to Rule 26.1 of the Takeovers Code.

If the Whitewash Waiver is granted by the Executive and approved by Independent Shareholders, and all 88,452,080 Underwritten Shares are taken up by Tanner Enterprises pursuant to the Underwriting Agreement the aggregate voting rights in the Company held by Tanner Enterprises immediately afterwards will represent approximately 54.30% of all voting rights (assuming no change in the number of Shares in issue on or before the Record Date) and the aggregate voting rights in the Company held by Mr. Li Man Keung Edwin and parties acting in concert with him (being Tanner Enterprises, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan) will exceed 50% of the voting rights of the Company. Tanner Enterprises may further increase its holding of voting rights of the Company without incurring any further obligation under Rule 26.1 of the Takeovers Code to make a general offer. An application has been made by Tanner Enterprises to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution in relation to the Whitewash Waiver must be approved by at least 75% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the EGM by way of poll.

The Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder will be subject to, among other things, the approval by more than 50% of the Independent Shareholders voting at the EGM by way of poll.

The Executive may or may not grant the Whitewash Waiver. It is a condition precedent to the Rights Issue that the Whitewash Waiver is granted by the Executive. The Rights Issue will not proceed if the Whitewash Waiver is not granted by the Executive or if any other condition precedent under the Underwriting Agreement is not fulfilled.

CB Subscription

As at the date of the CB Subscription Agreement, Mr. Michael Stockford was not a connected person of the Company. As he is now an executive Director and a connected person of the Company, the Board has agreed with the CB Subscriber to treat the CB Subscription Agreement as a connected transaction of the Company and it will be subject to approval of Independent Shareholders and other requirements of Chapter 20 of the GEM Listing Rules. Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun and Ms. Chan Hiu Shan, the Placing Agent, Mr. Michael Stockford and parties acting in concert with any of them and shareholders who are materially interested in the CB Subscription Agreement will be required to abstain from voting in respect of the resolution to approve the CB Subscription Agreement at the EGM.

Accordingly, in accordance with the GEM Listing Rules and the Takeovers Code as the case may be, all of the executive Directors and the Underwriter, namely Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Ms. Chan Hiu Shan and Tanner Enterprises and their respective concert parties and associates who are involved in, or interested in, the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the CB Subscription will be required to abstain from voting in respect of the resolutions to approve the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the CB Subscription at the EGM. Save for the above, as at the Latest Practicable Date, no other Shareholders were required to abstain from voting on the relevant resolutions at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Board consists of four executive directors, one non-executive director and three independent non-executive directors as at the Latest Practicable Date. Pursuant to the GEM Listing Rules and the Takeovers Code, the Independent Board Committee (comprising all the independent non-executive Directors and a non-executive Director who have no direct or indirect interest in the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder as the date (31 October 2024) of the Independent Board Committee was formed), comprising Mr. William Robert Majcher, Mr. Ho Lik Kwan Lukeand, Mr. Lau Pak Kin Patric, has been established to advise the Independent Shareholders as to whether the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and to make a recommendation to the Independent Shareholders as to whether to vote in favour of or against the relevant resolution(s) to be proposed at the EGM. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee on these matters.

OUR INDEPENDENCE

We are not connected (financially or otherwise) with the Company, the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and concert parties and we are not aware of any relationships or interests between us and the Company or any of its substantial shareholders, directors or chief executives, or of their respective associates, as well as the Underwriter with any one of them, that could reasonably be regarded as a hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser in respect of the relevant resolutions. In the last two years, there was no other engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as the Independent Financial Adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and concert parties, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favour of or against the relevant resolution(s) to be proposed at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have performed relevant procedures and taken those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the First Announcement, the Underwriting Agreement, the Placing Agreement, the CB Subscription Agreement, the Previous Announcements, the annual result announcement of the Company for the financial year ended 30 September 2024 dated 30 December 2024 (the "**2023–2024 Annual Result** "), the interim report of the Company for the six months ended 31 March 2024 (the "**2023–2024 Interim Report**") and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of an in-depth investigation into the business and affairs of the Group. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In arriving at our opinion and recommendation with regard to the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder, we have taken into account the principal factors and reasons set out below:

1. Background and financial information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in (i) licensed business on the provision of corporate finance advisory services, placing and underwriting services and asset management services through its wholly-owned subsidiaries, which are licensed corporations under the Securities and Futures Ordinance ("**Licensed Business**"); and (ii) non- licensed business on the provision of business consultancy services, environmental, social and governance advisory services, corporate secretarial services, accounting and taxation services, risk management and internal control advisory services and human resources services in Hong Kong ("**Non-Licensed Business**").

Set out below is a summary of the unaudited financial information of the Group for the six months ended 31 March 2023 and 31 March 2024 as extracted from the 2023–2024 Interim Report, and the audited financial information of the Group for the two years ended 30 September 2024 as extracted from the 2023–2024 Annual Result.

Table 1: Summarised financial results of the Group

	For the year ended 30 September	
	2024	2023
	HK$'000	*HK$'000*
	(audited)	(audited) (restated)
Revenue from continuing operations		
Licensed Business	24,113	15,369
Non-Licensed Business	61,380	62,517
Total continuing operations revenue	**85,493**	**77,886**
Loss for the year from continuing operations	**(73,110)**	**(17,528)**
Profit/(Loss) for the year from discontinued operations	(4,092)	3,197
Loss for the year	**(77,202)**	**(14,331)**

According to the 2023-2024 Annual Result, the Group recorded an increase in revenue, from approximately HK$77.9 million for the year ended 30 September 2023 to approximately HK$85.5 million for the year ended 30 September 2024. The increase in revenue was mainly due to (i) the increase in revenue of approximately HK$8.8 million generated from Licensed Business which mainly involves placing and underwriting services and corporate finance advisory services.

The Group recorded a loss for the year from continuing operations of approximately HK$73.1 million for the year ended 30 September 2024 as compared to a loss of approximately HK$17.5 million for the year ended 30 September 2023. Such increase in loss was mainly attributable to the increase in one-off and non-cash items such as provision of impairment loss and other losses due to decrease in fair value on financial assets (which mainly include unlisted investment fund and investment in mobile applications. For details, please refer to note 13 of the 2023-2024 Annual Result) through profit or loss ("**FVTPL**"). While excluding the above one-off and non-cash items, the adjusted loss is approximately HK$12.7 million in the financial year ended 30 September 2024, which shows an improvement from adjusted loss HK$36.6 million in the financial year ended 30 September 2023.

The consolidated assets and liabilities of the Group as at 31 March 2024 and 30 September 2024 as extracted from the 2023–2024 Interim Report and 2023-2024 Annual Result respectively are summarised as follows:

Table 2: Summarised financial position of the Group

	As at 30 September 2024 *HK$'000* *(audited)*	**As at 31 March 2024** *HK$'000* *(unaudited)*	**As at 30 September 2023** *HK$'000* *(audited)*
Total assets			
– Non-current assets	75,815	130,159	130,139
– Current assets	92,053	93,264	142,454
	167,868	223,423	272,593
Total liabilities			
– Non-current liabilities	6,141	7,853	7,244
– Current liabilities	29,547	32,765	67,123
	35,688	40,618	74,367
Net current assets	**62,506**	**60,499**	**75,331**
Net assets	**132,180**	**182,805**	**198,226**
Equity attributable to owners of the Company	**132,180**	**183,986**	**199,229**

30 September 2024 vs 31 March 2024

The Group's total assets amounted to approximately HK$167.9 million and HK$223.4 million as at 30 September 2024 and 31 March 2024, respectively. The Group had non-current assets of approximately HK$75.8 million as at 30 September 2024, representing a decrease of 24.9% compared to the figures as at 31 March 2024, which was mainly resulting by the impairment of goodwill (which includes the cash generating units of Canada business, APEC business and Greater Bay Area business. For details, please refer to note 12 of the 2023-2024 Annual Result) of approximately HK$42.9 million and decrease in FVTPL of approximately HK$7.5 million. The Group's current assets remained stable as at 31 March 2024 to 30 September 2024, which an increase in cash and bank balance of HK$27.9 million offset by the decrease in the trade and other receivables of HK$20.9 million as at 30 September 2024.

On the other hand, the Group had total liabilities of approximately HK$35.7 million and HK$40.6 million as at 30 September 2024 and 31 March 2024, respectively. The non-current liabilities of the Group decreased from HK$7.9 million as at 31 March 2024 to HK$6.1 million as at 30 September 2024, mainly due to the decrease in lease liabilities of HK$1.4 million. The current liabilities of the Group decreased by approximately HK$3.2 million from 31 March 2024 to 30 September 2024, which was mainly due to the decrease in interest-bearing borrowings of HK$6.7 million.

As such, resulting the net current assets of the Group as at 30 September 2024 amounted to approximately HK$62.5 million, representing a increase of approximately HK$2.0 million or 3.3% compared with approximately HK$60.5 million as at 31 March 2024. The net assets of the Group were HK$132.2 million as at 30 September 2024, decreased by approximately HK$50.6 million or 27.7% from approximately HK$182.8 million as at 31 March 2024. The decrease in net assets indicates that additional capital resources would be beneficial to enhance the Group's working capital position and support its business development.

30 September 2024 vs 30 September 2023

The Group's total assets amounted to approximately HK$167.9 million and HK$272.6 million as at 30 September 2024 and 30 September 2023, respectively. The Group had non-current assets amounted to approximately HK$75.8 million as at 30 September 2024, representing a decrease of 41.7% compared to the figures as at 30 September 2023, which was mainly resulted by the impairment of goodwill of approximately HK$42.9 million and decrease in FVTPL of approximately HK$7.5 million. The Group had current assets amounted to HK$92.1 million as at 30 September 2024, representing a decrease of 35.4% compared to the figures as at 30 September 2023. The decrease is mainly due to the decrease in trade and other receivables of approximately HK$32.9 million and decrease in FVTPL of approximately HK$10.1 million.

On the other hand, the Group had total liabilities of approximately HK$35.7 million and HK$74.4 million as at 30 September 2024 and 30 September 2023, respectively. As at 30 September 2024, the non-current liabilities of the Group amounted to approximately HK$6.1 million, a decrease of 15.2% compared to the figures as at 30 September 2023, which was mainly due to decrease in lease liabilities of HK$0.8 million and decrease in deferred tax liabilities of HK$0.3 million. The Group had current liabilities amounted to HK$29.5 million as at 30 September 2024, representing a decrease of 56.0% compared to the figures as at 30 September 2023. The decrease is mainly due to the decrease in trade and other payables of approximately HK$27.4 million and decrease in interest-bearing borrowings of HK$8.3 million.

As such, resulting the net current assets of the Group as at 30 September 2024 amounted to approximately HK$62.5 million, representing a decrease of HK$12.8 million or 17% compared with approximately HK$75.3 million as at 30 September 2023. The net assets of the Group were HK$132.2 as at 30 September 2024, decreased by approximately HK$66.0 million or 33.3% from approximately HK$198.6 million as at 30 September 2023. The decrease in net assets indicates that additional capital resources would be beneficial to enhance the Group's working capital position and support its business development.

2. Fund raising activities of the Company in the past 12 months

As set out in the Board Letter, the following is the equity fund raising activity conducted by the Company in the past 12 months immediately before the Latest Practicable Date.

Date of announcement	Fundraising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
23 February 2024	Subscription of new shares under general mandate	HK$9.99 million	General working capital	Fully utilized as intended

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

3. Proposed Rights Issue

3.1. Information on the Underwriter

The Underwriter, Tanner Enterprises Group Limited, being an investment holding company incorporated in the British Virgin Islands with limited liability.

The Underwriter is beneficially wholly-owned by Mr. Li Man Keung Edwin, an executive Director. Mr. Li Man Keung Edwin, is a substantial shareholder, beneficially holding 6,598,800, representing approximately 15.41% of the issued share capital of the Company as at the Latest Practicable Date. As such, Tanner Enterprises is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

As stated in the Board Letter, it is the intention of the Underwriter, being an associate of a substantial shareholder, to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. The Underwriter has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group.

3.2. Information on the Placing Agent

Redbridge Global Strategies Limited, a licensed corporation carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, was appointed as the placing agent to place, or procure the placing of, up to 40,000,000 Unsubscribed Rights Shares, on a best effort basis, to the Placee(s) with consideration after a maximum of 88,452,080 Unsubscribed Rights Shares have been fully taken up by the Underwriter.

Mr. Michael Stockford, who has been appointed as an executive director of the Company with effect from 1 October 2024, beneficially owns approximately 34.0% in Redbridge Global Strategies Limited, and the remaining 66% is beneficially owned by two Independent Third Parties, namely Mr. Panagiotis Georgiou and Mr. Ignacio Infante who are both businessmen based in Europe and investor in the capital markets in Asia.

As at the Latest Practicable Date, neither of Redbridge Global Strategies Limited nor Mr. Michael Stockford nor any party acting in concert with him beneficially owned any Shares of the Company.

3.3. Reasons for and benefits of the Rights Issue and the intended use of proceeds

As disclosed in the Board Letter, as part of ongoing development strategies of the Group, the Group has been undergoing a diversified expansion from its SFC-licensed businesses to the inclusion of providing environment, social and governance advisory, business consultancy services, corporate secretarial services, accounting and taxation services, risk management and internal control advisory services and human resources services in Hong Kong.

We understand that building on its diversification strategy, the Group has actively pursued potential investment opportunities. The Group continued to seek and profit from potential investment targets, including but not limited to entering into strategic cooperations with payment gateway providers, AI algorithm developers, big data platforms and other integrated solutions providers. The Board considers that it is in the interests of the Company and its shareholders to continue its diversified expansion and investing in gaming and entertainment businesses taking into consideration the expected growth in the global online gaming industry. According to the voluntary announcement of the Company dated 26 September 2024, the Company and Chromatic Media Ltd., an investment holding company principally engaged in the development and operations of its social gaming platform which is incorporated in British Columbia in June 2024 (the "**Target Company**"), entered into a non-legally binding letter of intent to which the Company intends to invest approximately US$5.0 million in the establishment of a wholly-owned subsidiary to be incorporated in a gaming-friendly jurisdiction, being countries which would potentially include but not limited to Cambodia, Indonesia, Singapore, Thailand and Vietnam, and the strategic cooperation with the Target Company following the Company's development in the gaming industry. The wholly-owned subsidiary is not yet incorporated as at the Latest Practicable Date and will be incorporated upon completion of the Rights Issue. The ultimate beneficial owner of the Target Company is Mr. Grant Rosenthal, who is the chief information officer of Omega Systems, an IT managed services provider. As at the Latest Practicable Date, Mr. Grant Rosenthal did not hold any Shares in the Company.

From our independent research, we noted that according to PricewaterhouseCoopers' (PwC) article titled "Global Entertainment & Media Outlook 2024–2028"[1], the global gaming market, including mobile and other platforms, generated approximately US$227.6 billion in revenue in 2023, representing a 4.6% year on year growth. PwC projects that the global games market will surpass US$334 billion in 2028, marking an increase of 47% compared to 2023. Furthermore, the "Essential Facts 2024" published by the Entertainment Software Association[2] indicates that 78% of American Households have played at least one gaming device in the past 12 months. Notably, the proportion of players choosing mobile gaming has grown substantially, from 33% in 2012 to 78% in 2024. This increase can be attributed to the global surge in smartphone adoption, fueled by enhanced availability and affordability, which in turn broadens the potential user base for mobile games. Given the trends of the global online game industry, particularly in mobile gaming, we believe the expansion into the gaming and entertainment business aligns with the Company's business strategy objectives and is anticipated to enhance the Company's diversified revenue streams.

The net proceeds from the Rights Issue after deducting the estimated expenses in relation to the Rights Issue are estimated to be not more than (i) approximately HK$31.1 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK$32.0 million (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding options to subscribe for Shares granted under the share option scheme adopted by the Company on 4 May 2017.

A portion of the estimated net proceeds of Rights Issue, being approximately HK$21.8 million, is expected to be utilised in the development of the gaming and entertainment business, and the remaining net proceeds, being approximately HK$9.3 million, are expected to be used as general working capital.

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1 *Please refer to the article titled "Global Entertainment & Media Outlook 2024–2028" published by PricewaterhouseCoopers (PwC) dated 16 July 2024, at https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html*

2 Please refer to the "Essential Facts 2024" published by Entertainment Software Association, the trade association of the video game industry founded in 1994 in the United States, at https://www.theesa.com/wp-content/uploads/2024/05/Essential-Facts-2024-FINAL.pdf

Below is a breakdown of the intended use of the net proceeds of Rights Issue:

Intended use of the net proceeds of Rights Issue	**Net proceeds to be used**
Establishment of a wholly-owned subsidiary to be incorporated in a gaming-friendly jurisdiction and the hiring of operational staff for the gaming platform	HK$6.4 million
Marketing expense for capturing new customers to take part in the gaming platform	HK$15.4 million
General working capital in the operation of existing licensed and non-licensed business	HK$9.3 million
Total	HK$31.1 million

In view that the Company is estimated to maintain an increasing administrative expense and other operating expenses, in particular the estimated increase in the number of staff for the year ending 30 September 2025, the Directors intend to allocate the net proceeds within the scope of general working capital as below:

Intended use of the net proceeds within the scope of general working capital in the operation of existing licensed and non-licensed businesses	**Net proceeds to be used**
Staff costs	HK$7.9 million
Other general administrative expenses	HK$1.4 million
Total	HK$9.3 million

The size of the fundraising was determined based on the estimated budget for the Company to invest in the gaming and entertainment business, and divided in proportion to the details of the plan as disclosed above. The Company has no intention to dispose of, downsize or terminate any of its existing businesses, and will allocate as much time and effort as before in the maintaining and development of its existing businesses.

The total investment required for the gaming platform is US$5.0 million. Of this, approximately HK$21.8 million (approximately US$2.8 million) will be funded through a combination of the net proceeds from the Rights Issue, with the remaining balance to be funded by the Group's internal resources and other financing arrangements as appropriate.

To assess the fairness and reasonableness of the proposed use of Rights Issue proceeds, we have reviewed (i) the strategic cooperation plan in setting up the online gaming platform between the Company and the Target Company; (ii) operating plan and budget showing expected expenses and operating requirements for the gaming platform operations; and (iii) background information on the management team of the Target Company, including Mr. Grant Rosenthal, currently serving as the chief information officer at Omega Systems, an IT managed services provider, and as managing director at X Dragon Technologies, is a highly regarded expert with more than two decades of experience in the technology industry. He has also held the position of director of information technology at World Gaming PLC, a firm focused on the development and production of internet technologies for gaming applications. His vast experience and forward-thinking perspective on information technology are expected to greatly benefit the partnership in establishing the online gaming platform between the Company and Target Company. Based on our review of the documents, it is noted that (i) the HK$21.8 million of net proceeds cover the estimated operation expenses of approximately HK$10.8 million and marketing expense of approximately HK$11 million for capturing new customers to take part in the gaming platform of approximate 12 months; (ii) the operating plan demonstrates clear implementation timeline and resource requirements; and (iii) the management team of the Target Company possess the relevant knowledge and experience to provide technical expertise and industry know-how for the development of the gaming platform.

In relation to the investment funds required being more than the estimated proceeds from the Rights Issue, we have reviewed the Company's operating plan, implementation timeline and funding requirements of the gaming platform operations. While the total investment required of US$5.0 million (approximately HK$39.0 million) exceeds the Rights Issue proceeds by approximately HK$17.2 million, we understand that (i) the Rights Issue proceeds will cover the critical first phase and initial 12-month operations; (ii) revenue generation is projected from month 7 onwards; and (iii) the Company has access to debt financing if required. On this basis, we consider that it is not unreasonable that the Company has no equity fund-raising plans in the next 12 months, subject to successful implementation of the project and achievement of projected milestones.

From our discussion with the Company, we noted the following measures being undertaken to address its current lack of management expertise in the gaming industry: (i) the Company plans to identify and enter into service agreements with two suitable candidates, one specializing in operations and the other in marketing within the gaming sector, who possess the requisite expertise in managing gaming businesses; (ii) to build the necessary knowledge and skills within the organization, the Directors and existing senior management team will participate in weekly internal training sessions on gaming operations and management provided by the two suitable candidates following their employment; (iii) the Company seeks to establish internal controls and procedures to ensure that its online gaming operations are conducted professionally and in full compliance as a non-gambling activity; and (iv) the Company has sought legal opinion regarding the legal restrictions under the applicable laws and regulations (including but not limited to regulatory requirements, licensing requirements and anti-money laundering laws), as well as government policies that regulate gambling activities (the "**Applicable Laws**"). The Company has been advised that the business model and revenue stream of the Target Company, being the purchase of game credits in exchange for redeemable merchandise prizes in the form of clothing and soft toys, would not be categorized as a gambling activity in the target jurisdictions and would not be governed by gambling regulations under the Applicable Laws. Moreover, should the Company detect any deviation when setting out the business model of the Target Company, the Company would not allow any commencement of its business operations until necessary changes have been made in order to maintain compliance under the Applicable Laws. These measures demonstrate the Company's dedication to engaging qualified professionals and implementing effective internal controls to ensure a smooth and compliant entry into the gaming industry. Considering that (i) the Target Company's management team provides access to relevant expertise and operational know-how in the gaming sector, along with the growth potential of the global online gaming market. (ii) the legal opinion states that the business and the revenue steam of the Target Company, being the purchase of game credit in exchange for redeemable merchandise prizes in the form of clothing and soft toys, would not be categorised as a gambling activity in the jurisdictions of Cambodia, Indonesia, Singapore, Thailand or Vietnam as the purchase of game credit is not to be used as a direct redemption of credit with monetary value, but to be consumed by players in exchange for actual merchandise in the form of clothing and soft toys, or virtual in-game items, we are of the view that the use of proceeds to invest in the gaming industry is fair and reasonable.

Having considered that:

(i) the Group's strategic initiative to diversify its revenue streams beyond its existing SFC-licensed businesses, which is prudent given the Group's loss-making position in the past five financial years;

(ii) the gaming industry presents growth opportunities, as evidenced by the projected 47% global market size increase from US$227.6 billion in 2023 to US$334 billion in 2028, particularly in mobile gaming where user engagement has risen substantially from 33% to 78% over the past decade;

(iii) the strategic cooperation with Target Company and its management team provides access to relevant expertise and operational know-how in the gaming industry, potentially reducing execution risks;

(iv) the estimated net proceeds from the Rights Issue of over HK$30 million will strengthen the Group's working capital position; and

(v) the Rights Issue provides an opportunity for all Shareholders to participate in the Company's expansion on equal terms,

we concur with the view of the Board that the expansion into the gaming business, the Rights Issue, and the proposed use of the net proceeds of Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Fund-raising alternatives

As set out in the Board Letter, as at the Latest Practicable Date, save as disclosed in the Board Letter, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities; and (ii) has no other plan or intention to carry out any future corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Rights Issue.

Apart from the Rights Issue, the Board has considered the below debt/equity fund raising alternatives such as bank borrowings, placing or an open offer.

(i) Bank borrowing

As discussed with the Company, we understand the Board is of the view that additional bank borrowing will incur a further interest burden on the Group and negatively affect the gearing of the Group. Additional bank borrowing may also require the provision of security, and creditors rank before the Shareholders. In view of the current high-interest rate environment and the loss making position of the Company, it may also be difficult for the Group to obtain long term bank borrowings on favourable terms.

Given that the equity raised through the Rights Issue would not be interest-bearing, we agree that the Rights Issue would allow the Company to strengthen its capital base and liquidity without incurring interest costs as it would through bank borrowing.

(ii) Placing

The Board is of the view, and we concur, that a placing will dilute the interests of the Shareholders without giving them the opportunity to take part in the exercise.

(iii) Open offer

Finally, the Board considers, and we concur, in comparison to a rights issue, an open offer does not provide the flexibility to the Shareholders in dealing with the nil-paid rights attaching to the Rights Shares.

In view of the above, we concur with the Board that the Rights Issue is a more beneficial way of fund-raising when compared to alternative fund-raising methods and that the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, given that the Rights Issue (i) allows the Company to strengthen its capital base and liquidity without incurring interest costs; (ii) offers all the Qualifying Shareholders equal opportunity to subscribe for their pro-rata provisional allotments of the Rights Shares without diluting their shareholding interests and allows the Qualifying Shareholders to participate in the future development of the Company; and (iii) allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefits and allows others to acquire these nil-paid Rights Shares.

3.4. Principal terms of the Rights Issue

Set out below is a summary of the principle terms of the Rights Issue:

Issue price	:	three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Rights Subscription Price	:	HK$0.250 per Rights Share
Net price per Rights Share (i.e. Rights Subscription price less cost and expenses incurred in the Rights Issue)		Approximately HK$0.242 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	42,817,360 Existing Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 128,452,080 Rights Shares (assuming no further issue or repurchase of the Shares on or before the Record Date) and up to 130,264,080 Rights Shares (assuming no further issue or repurchase of the Shares on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options) The aggregate nominal value of the Rights Shares will be up to HK$1,302,640.80

Total number of Shares in issue upon completion of the Rights Issue	:	Up to 171,269,440 Shares (assuming no further issue or repurchase of Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before the completion of the Rights Issue) and up to 173,685,440 Shares (assuming no further issue or repurchase of Shares on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	Not less than approximately HK$32.1 million and not more than approximately HK$33.0 million before expenses
Right of excess applications	:	There will be no right of excess application in the Rights issue
Rights Shares subject to the Underwriting	:	Up to 88,452,080 Unsubscribed Rights Shares

As at the Latest Practicable Date, there were 604,000 outstanding Share Options granted by the Company exercisable into 604,000 Shares. Save for the foregoing, as at the Latest Practicable Date, the Company had no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares prior to the Record Date. Save for the Rights Issue and the CB Subscription, the Company has no further intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming no further issue or repurchase of Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 128,452,080 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent approximately 300% of the total number of issued Shares as at the Latest Practicable Date and 75% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

Assuming no further issue or repurchase of Shares on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of outstanding Share Options and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 130,264,080 Rights Shares proposed to be issued pursuant to the Rights Issue represents approximately 300% of the total number of issued Shares as at the Latest Practicable Date and 75% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

3.5. Our analysis of the principal terms of the Rights Issue

3.5.1. The Rights Subscription Price

The Rights Subscription Price of HK$0.250 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares. The Rights Subscription Price represents:

(i) a discount of approximately 31.5% to the closing price of HK$0.365 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 24.0% to the average closing price of HK$0.329 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 22.4% to the average closing price of approximately HK$0.322 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 24.6% to the average closing price of approximately HK$0.332 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 10.4% to the theoretical ex-rights price of approximately HK$0.279 per Share based on the closing price of HK$0.365 per Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) a discount of approximately 91.9% to the audited consolidated net asset value per Share of approximately HK$3.087 (based on the latest published audited consolidated net asset value of the Group of approximately HK$132.2 million as disclosed in the 2023–2024 Annual Result);

(vii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 23.6% represented by the theoretical diluted price of approximately HK$0.279 to the benchmarked price of approximately HK$0.365 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$0.365 and the average closing price of HK$0.329 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day); and

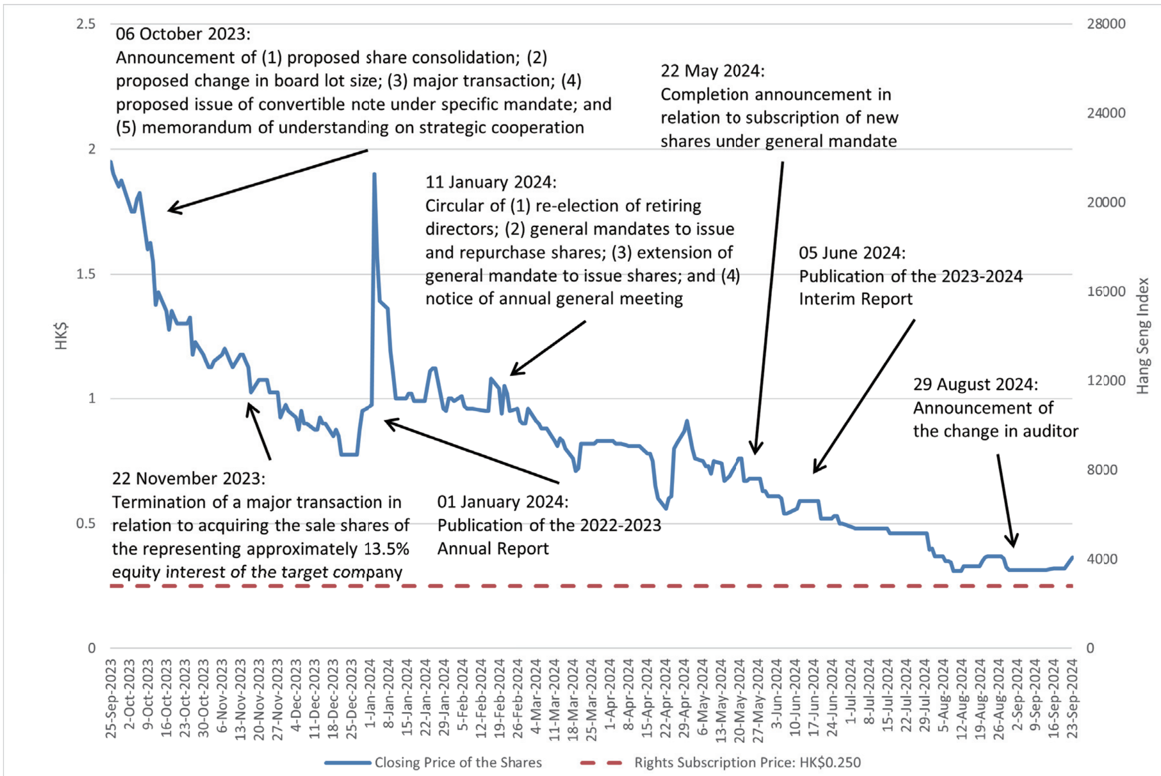
(viii) a discount of approximately 23.1% to the closing price of HK$0.325 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Rights Subscription Price was determined after arm's length negotiation between the Company, the Placing Agent and the Underwriter with reference to, among others, (i) the recent closing price of the Shares taking into consideration that the Company's average Share price per month experienced a month-by-month drop ranging 7.6% to 25.4% per month since 1 January 2024 up to the Last Trading Day; (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; (iii) the financial position of the Group taking into consideration that the Company recorded a loss of approximately HK$8.2 million and HK$14.3 million for the years ended 30 September 2022 and 2023 respectively; and (iv) the imminent funding and capital needs of the Company in Hong Kong taking into consideration the increase in administrative expenses and other operating expenses from approximately HK$69.9 million for the year ended 30 September 2023 to approximately HK$122.0 million for the year ended 30 September 2024, and the potential cost of the Company's expansion plan intended to turn around the Company's loss-making position as more particularly disclosed in the paragraph headed "3.5. Reasons for the Rights Issue and use of proceeds" in the Board Letter.

3.5.2. Historical Share price performance

In assessing the fairness and reasonableness of the Rights Subscription Price, we have taken into account the daily closing price of the Shares as quoted on the Stock Exchange commencing on 23 September 2023 up to and including the Last Trading Day (the "**Review Period**"). We consider that such sampling period of approximately 12-month is adequate as it (i) covers a complete annual trading cycle of the Shares; (ii) reflects both historical and recent trading patterns; and (iii) provides a representative range of trading prices for assessment of the Rights Subscription Price. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Chart: Historical closing prices of the Shares during the Review Period



Source: the website of the Stock Exchange

As illustrated in the chart above, during the Review Period, the Shares traded within the range of HK$0.310 and HK$1.950 per Share with an average of approximately HK$0.824 per Share.

The closing prices of the Shares demonstrated an overall downward trend during the Review Period. Before the publication of the 2022–2023 Annual Report on 2 January 2024, the Share price decreased from its highest at HK$1.950 per Share on 25 September 2023 to HK$0.775 per Share on 21, 22 and 27 December 2023. After the publication of the 2022–2023 Annual Report on 2 January 2024, the Share price experienced a surge and reached its second highest point at HK$1.9 on 3 January 2024. It then declined, settling at its lowest at HK$0.310 on 9 August 2024. Other than the release of the 2022–2023 Annual Report, we are not aware of any factors that would explain the significant increase in the Share price during this period. After our discussions with the Company and our review of the Company's announcements, we have not identified any events or information that led to the significant decrease after the surge.

Accordingly, the Rights Subscription Price of HK$0.250 per Rights Share represents (i) a discount of approximately 19.4% to the lowest closing price of the Shares; (ii) a discount of approximately 87.2% to the highest closing price of the Shares; and (iii) a discount of approximately 69.7% to the average closing price of the Shares during the Review Period.

As further discussed in the sub-section below, we noted that it is a common market practice for listed issuers in Hong Kong to set the subscription price of their rights issues at a discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of the rights issue to existing shareholders. In this regard, while we noted that the Rights Subscription Price represents discounts of approximately 19.4% and 69.7% respectively to the lowest and average closing prices of the Shares during the Review Period, taking into account (i) the Group had been in a net loss position for five consecutive years since 2019; (ii) the closing prices of the Shares had demonstrated an overall downward trend during the Review Period; (iii) the Rights Subscription Price, which represents a discount of approximately 31.5% to the closing price per Share on the Last Trading Day and a discount of approximately 10.4% to the theoretical ex-rights price per Share on the Last Trading Day, show discounts that are within the ranges of those represented by the Rights Comparable Transactions (as defined hereinafter) as discussed in further details in the next sub-section headed "3.5.4. Comparable analysis of the Rights Issue" below; and (iv) a favourable discount to prevailing market prices of the Shares would attract the Qualifying Shareholders to participate in the Rights Issue and invest in the Company so as to enable the Company to satisfy its funding and capital needs, we are of the view that the Rights Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and also in alignment with market practice.

3.5.3. Historical trading volume and liquidity analysis

In order to understand the market demand for the Shares, we have studied the trading liquidity of the Shares. The following table sets out the total trading volume and average daily trading volume of the Shares, as well as the percentage of the average daily trading volume of the Shares to the total number of issued Shares for each month during the Review Period:

Table 3: Trading Liquidity of the Shares

Month	**Number of trading days** *(days)*	**Average daily volume** *(Shares)*	**% of average daily trading volume to total issued Shares held by public Shareholders** *(Note 1)* *(%)*	**% of average daily trading volume to total issued Shares** *(Note 2)* *(%)*
2023				
September	5	53,840	0.008%	0.006%
October	20	135,410	0.020%	0.015%
November	22	47,018	0.007%	0.005%
December	19	25,379	0.004%	0.003%
2024				
January	22	139,427	0.523%	0.391%
February	19	68,529	0.257%	0.192%
March	20	19,870	0.075%	0.056%
April	20	29,410	0.087%	0.069%
May	21	43,352	0.128%	0.101%
June	19	47,558	0.141%	0.111%
July	22	16,827	0.050%	0.039%
August	22	32,582	0.096%	0.076%
September	14	4,514	0.233%	0.011%
October	21	98,657	0.292%	0.230%
November	21	34,295	0.101%	0.080%
December	20	13,832	0.041%	0.032%
		Minimum	**0.004%**	**0.003%**
		Mean	**0.129%**	**0.099%**
		Maximum	**0.523%**	**0.391%**

Source: the website of the Stock Exchange

Note:

1. *Based on the number of Shares at the end of each respective month, with 666,564,000 Shares for September 2023 to December 2023, 26,662,560 Shares for January 2024 to March 2024, and 33,798,560 Shares on and after April 2024.*

2. *Based on the number of Shares at the end of each respective month, with 892,034,000 Shares for September 2023 to December 2023, 35,681,360 Shares for January 2024 to March 2024, and 42,817,360 Shares on and after April 2024.*

As illustrated in the above table, the average daily trading volume of the Shares per month to the total issued Shares ranged from approximately 0.003% to 0.391%, with the average daily trading volume of the Shares to the total issued Shares of approximately 0.099% during the Review Period. Similarly, the average daily trading volume of the Shares per month to the total issued Shares held by public Shareholders ranged from approximately 0.004% to 0.523%, with the average daily trading volume of the Shares to the total issued Shares of approximately 0.129% during the Review Period.

We noted from the above table that the liquidity of the Shares was thin during the Review Period. the average daily trading volume of the Shares during the Review Period was below 1% of (i) the total number of issued Shares held by the public; and (ii) the total number of issued Shares Given the thin trading volume of the Shares, we consider that the Company is unlikely to be able to raise equity funds without offering a discount to the prevailing Share price.

3.5.4. Comparable analysis of the Rights Issue

To further assess the fairness and reasonableness of the terms of the Rights Issue, we have considered recent rights issues of comparable listed on the Stock Exchange (the "**Rights Comparable Transactions**") announced since 23 March 2024 up to and including the Latest Trading Date, being a sampling period of approximately six months (the "**Rights Comparable Review Period**"). We consider the six-month review period appropriate as rights issue terms are sensitive to prevailing market conditions and investor sentiment, and using older transactions may not accurately reflect current market practices and funding costs. The Rights Comparable Transactions were selected on the basis that (i) they were conducted by companies that are listed on the GEM of the Stock Exchange; and (ii) they were conducted during a six-month Rights Comparable Review Period which provides a reasonable sample size of 12 transactions to reflect recent market practice regarding rights issue transactions. There was no artificial selection or filtering on our part so that the Rights Comparable Transactions would represent a reasonable reference to the recent market trends on similar rights issue transactions conducted by other issuers listed on the Stock Exchange. Nonetheless, it should be noted that the issue ratio of the Rights Comparable Transactions, as well as the market capitalisation, industry, financial performance and funding needs of the companies which conducted Rights Comparable Transactions, may not be the same as those of the Company. Since there is only one comparable involved in whitewash waiver within the Rights Comparable Review Period, we consider that the Rights Comparable Transactions can only serve as a general reference of the terms of recent rights issues transactions. Consequently, we have included the Rights Comparable Transactions as additional references for comparison purposes for Independent Shareholders to assess the fairness and reasonableness of the terms of the Rights Issue.

Based on the aforesaid criteria, we have identified an exhaustive list of the 12 Rights Comparable Transactions during the Rights Comparable Review Period. We consider that the aforesaid review period is adequate and appropriate to capture the recent market practice in relation to rights issue exercises under the prevailing market conditions, and provide a sufficient sample for comparison with the Rights Issue.

Table 4: Analysis of the Rights Comparable Transactions

Date of announcement	Company name	Stock code	Basis of provisional allotment	Premium/(Discount) of the Rights Subscription Price over/to the closing price per share on the last trading day (Approx. %)	Premium/(Discount) of the Rights Subscription Price over/to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	Premium/(discount) of theoretical dilution effect (Note 1) (Approx. %)	Premium/(discount) of subscription price per rights issue share over/to the latest published audited consolidated net asset value per share (Note 2)	Excess application/ Placing (Note 3)	Placing Commission (Approx. %)	Underwriting arrangement	Underwriting commission (Approx. %)	Minimum placing/ underwriting commission (HK$)	Maximum dilution on the shareholding (Approx. %)	Whitewash waiver application (Yes/No)
25 March 2024	Zijing International Financial Holdings Limited	8340	5 for 1	(20.53)	(4.00)	(20.25)	(55.60)	Placing	0.70	Non-underwritten	N/A	No	83.33	No
26 April 2024	Flying Financial Service Holdings Limited	8030	3 for 1	(24.20)	(7.40)	(23.70)	(64.80)	Placing	3.00	Non-underwritten	N/A	800,000	75.00	No
30 April 2024	Goldway Education Group Limited	8160	3 for 1	(27.50)	(8.66)	(20.90)	(18.56)	Placing	1.00	Non-underwritten	N/A	No	75.00	No
16 May 2024	Futian Holdings Limited	8196	1 for 2	0.00	0.00	(4.60)	8.70	Excess application	N/A	Non-underwritten	N/A	No	33.33	No
29 May 2024	Icon Culture Global Company Limited	8500	1 for 1	(36.71)	(22.84)	(18.59)	N/A	Placing	0.50	Non-underwritten	N/A	No	50.00	No
25 June 2024	Chong Fai Jewellery Group Holdings Company Limited	8537	3 for 1	(32.20)	(10.40)	(24.60)	(87.40)	Placing	1.00	Non-underwritten	N/A	130,000	75.00	No
27 June 2024	Hanvey Group Holdings Limited	8219	1 for 2	(59.30)	(49.20)	(19.80)	(7.40)	Placing	3.50	Non-underwritten	N/A	100,000	33.33	No
28 June 2024	Jiading International Group Holdings Limited	8153	3 for 1	(16.67)	(4.76)	(12.50)	(91.07)	Placing	3.00	Non-underwritten	N/A	No	75.00	No
2 July 2024	Tonking New Energy Group Holdings Limited	8326	1 for 2	(41.18)	(33.30)	(11.76)	(69.70)	Placing	1.00	Non-underwritten	N/A	100,000	33.33	No
22 July 2024	Roma (meta) Group Limited	8072	3 for 1	(23.08)	(7.41)	(18.18)	(97.23)	Placing	1.25	Non-fully underwritten	N/A	100,000	75.00	Yes
14 August 2024	Ziyuanyuan Holdings Group Limited	8223	1 for 5	(66.44)	(62.26)	(11.09)	36.38	Excess application	N/A	Fully-underwritten	7.07	No	16.67	No
4 September 2024	China New Consumption Group Limited	8275	1 for 2	(5.66)	(4.76)	(2.50)	(61.10)	Placing	3.50	Non-underwritten	N/A	250,000	33.33	No
			Maximum	**0.00**	**0.00**	**(2.50)**	**36.38**		**3.50**		**7.07**	**800,000**	**83.33**	
			Minimum	**(66.44)**	**(62.26)**	**(24.60)**	**(97.23)**		**0.50**		**0.00**	**100,000**	**16.67**	
			Average	**(29.46)**	**(17.92)**	**(15.71)**	**(46.16)**		**1.85**		**3.54**	**246,667**	**54.86**	
			Median	**(25.85)**	**(8.04)**	**(18.39)**	**(61.1)**		**1.13**		**3.54**	**115,000**	**62.50**	
23 September 2024	**The Company**	**8365**	**3 for 1**	**(31.50)**	**(10.40)**	**(23.60)**	**(94.6)**	**Placing**	**0.00**	**Non-fully underwritten**	**0.00**	**No**	**75.00**	**Yes**

Source: The website of the Stock Exchange

Notes:

(1) The theoretical dilution effect is calculated in accordance with Rule 10.44A of the GEM Listing Rules, or extracted from announcement, circular or prospectus in respect of the relevant rights issue.

(2) "N/A" denotes that the net asset value of the relevant comparable that has net liabilities according to its latest published audited consolidated financial statements.

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

The Rights Subscription Price

As shown in the above table, it is a common market practice that the pricing of a rights issue represents a discount to both the closing share prices on the last trading day and to the theoretical ex-entitlement prices of the shares. The subscription prices of the Rights Comparable Transactions ranged from a discount of approximately 66.44% to nil, with an average discount of approximately 29.46 and a median discount of approximately 25.85 as compared to their respective closing prices per share on the last trading day prior to/on the dates of the relevant announcements of the Rights Comparable Transactions. The discount of approximately 31.50% as represented by the Rights Subscription Price to the closing price per Share on the Last Trading Day, therefore is within the range of those of the Rights Comparable Transactions and higher than the average discount of that of the Rights Comparable Transactions.

It is also noted that the subscription prices of the Rights Comparable Transactions ranged from a discount of approximately 62.26% to nil, with an average discount of approximately 17.92% and a median discount of approximately 8.04% as compared to their respective average theoretical ex-rights prices per share based on the closing prices on the last trading day prior to/on the dates of the relevant announcements of the Rights Comparable Transactions. The discount of approximately 10.40% as represented by the Rights Subscription Price to the theoretical ex-rights price per Share on the Last Trading Day therefore also falls within the range of those of the Rights Comparable Transactions and smaller than the average discount of that of the Rights Comparable Transactions.

In addition, the theoretical dilution effect of the Rights Comparable Transactions ranged from a discount of approximately 24.60% to a discount of approximately 2.50%, with an average discount of approximately 15.71% and a median discount of approximately 18.39%. Despite being higher than the average and median discounts of the theoretical dilution effect of the Rights Comparable Transactions, the discount of the theoretical dilution effect of the Rights Issue of approximately 23.60% (i) falls within the range of those of the Rights Comparable Transactions; and (iii) is in compliance with Rule 10.44A of the GEM Listing Rules as such theoretical dilution effect is less than 25%.

It is noted that the subscription prices of the Rights Comparable Transactions ranged from a discount of approximately 97.23% to a premium of approximately 36.38%, with an average discount of approximately 46.16% and a median discount of approximately 61.10% as compared to their respective latest published audited consolidated net asset value per share. The discount of approximately 94.60% as represented by the Rights Subscription Price to the audited consolidated net asset value per Share, therefore also falls within the range of those of the Rights Comparable Transactions is close to the high end of the range of the Rights Comparable Transactions.

In respect of the maximum dilution effect of the Rights Comparable Transactions, it is noted that the maximum dilution effect of the Rights Comparable Transactions ranged from approximately 16.67% to approximately 83.33%, with an average of approximately 54.86% and a median of approximately 62.50%. As such, the maximum dilution effect of the Rights Issue of approximately 75% falls within the range of those of the Rights Comparable Transactions despite being higher than the average and median maximum dilution effect of the Rights Comparable Transactions.

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. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, where all Qualifying Shareholders do not accept the Rights Issue and thus the Underwriter is obligated to take up the unsubscribed Rights Shares, the Qualifying Shareholders' shareholding interest of the Qualifying Shareholders in the Company will be diluted by a maximum of approximately 75%. Meanwhile, Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may subject to availability, acquire additional nil-paid rights in the market.

We are aware of the aforementioned potential dilution to the Independent Shareholders' shareholding interests in the Company. However, we consider the interest of Independent Shareholders should be balanced against by (i) the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue and the Underwriting Agreement through their votes at the EGM; (ii) the Qualifying Shareholders have the choice whether to accept the Rights Issue or not; (iii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market; (iv) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market price of the Shares; and (v) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after completion of the Rights Issue.

Despite this wide range of discounts/premiums observed in the Rights Comparable Transactions, of which the pricing of rights issues is influenced by various company-specific factors including: financial position and immediate funding needs, market conditions at the time of issue, trading liquidity of the shares, historical share price performance and industry sector conditions, these Rights Comparable Transactions remain meaningful as they represent actual market transactions completed under different market circumstances. In this regard, although some of the pricing metrics have deeper discounts than those of the Rights Comparable Transactions, we have taken into account the following factors in determining whether the Rights Subscription Price (together with its dilution effect) is fair and reasonable so far as the Independent Shareholders are concerned:

(i) it is common for listed issuers in Hong Kong to issue rights shares at a discount to prevailing market prices in order to enhance the attractiveness of a rights issue as illustrated in this sub-section;

(ii) the higher discount of the Rights Subscription Price could enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders to participate in the Rights Issue;

(iii) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares under the Rights Issue and are offered the same discounts of the Rights Subscription Price to the closing price of the Share on the Last Trading Day and to the theoretical ex-rights price and the same potential maximum dilution;

(iv) having assessed Group's need to develop the gaming and entertainment business and strengthen its working capital base as discussed in the above section headed "3.3. Reasons for and benefits of the Rights Issue and the intended use of proceeds", which we consider reasonable given the Group's financial performance in the past few years;

(v) having evaluated the reasons for and benefits of the Rights Issue and the intended use of proceeds, which is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole as discussed in the above section headed "3.3. Reasons for and benefits of the Rights Issue and the intended use of proceeds";

(vi) the Rights Issue is considered to be a better financing alternative over bank borrowings, placing or an open offer; and

(vii) the Group had been in a net loss position for the five consecutive financial years ended 30 September 2023 and the closing prices of the Shares had demonstrated an overall downward trend.

In light of the above, we are of the view that the Rights Subscription Price (together with its dilution effect) is fair and reasonable so far as the Independent Shareholders are concerned.

3.5.5. The Underwriting Agreement

On 23 September 2024 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite the Underwritten Shares on a best effort basis subject to the terms and conditions of the Underwriting Agreement as below:

Date	:	23 September 2024
Underwriter	:	Tanner Enterprises Group Limited. Please refer to the section headed "3.1. Information on the Underwriter" above
Number of Rights Shares underwritten	:	Up to 88,452,080 Rights Shares
Underwriting commission	:	No underwriting commission will be payable by the Company to the Underwriter under the Underwriting Agreement

It is not in the ordinary course of business for Tanner Enterprises to act as an underwriter or enter into underwriting agreements.

For further details of the underwriting arrangement, please refer to the section headed "THE UNDERWRITING AGREEMENT" of the Board Letter.

As mentioned in the Board Letter, the terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Directors (including the members of the Independent Board Committee after taking into account the Independent Financial Adviser's opinion) consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Subject to the fulfilment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe for, pursuant to the terms of Underwriting Agreement and the Prospectus Documents (insofar as the same are applicable), the Underwritten Shares.

In assessing the principal term of the Underwriting Agreement, namely the underwriting commission, we have reviewed the underwriting commissions of the Rights Comparable Transactions, if any, and noted that their underwriting commissions ranged from nil to 7.07%, with an average of about 3.54%. Given that the Underwriter will not charge any underwriting commission for the Rights Issue, such underwriting arrangement is favourable to the Group.

Having considered (i) the underwriting arrangement will enable the Group to secure funding if the level of subscription of the Rights Issue is low; (ii) the underwriting arrangement by the Underwriter is in compliance with Rule 10.31(1)(b) of the GEM Listing Rules and demonstrates the Underwriter's continuous support to the Company's development; (iii) the zero-commission arrangement under the Underwriting Agreement which is more favourable to the Group, and (iv) the Underwriter (i.e. Tanner Enterprises), Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun and Ms. Chan Hiu Shan, parties acting in concert with any of them and shareholders who are interested in and involved in the Underwriting Agreement, have abstained from voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Although the underwriting is not in the ordinary and usual course of business of the Group, we concur with the Board that the terms of the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

3.5.6. The Compensatory Arrangements

As stated in the Board Letter, pursuant to Rule 10.31(1)(b) of the GEM Listing Rules, the Company must make arrangements to dispose of any Unsubscribed Shares not validly applied for by the No Action Shareholders by offering such Unsubscribed Shares to independent placees for the benefit of those Shareholders. There will be no excess application arrangements in relation to the Rights Issue as stipulated by Rule 10.31(1)(a) of the GEM Listing Rules.

The Company therefore has appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Rights Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing will be paid to the relevant No Action Shareholders and Non-Qualifying Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, seek to procure, by not later than 4:00 p.m. on Monday, 10 March 2025, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Rights Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Among the Rights Comparable Transactions, we noted that 10 out of 12 of the Rights Comparable Transactions did not allow for application of excess rights shares. Hence, we consider that it is common for rights issues to not allow for excess application. Based on our review, we are also not aware of any unusual arrangement of the Rights Issue as compared to those of the Rights Comparable Transactions which do not offer excess application. Accordingly, we consider that the arrangement of the Rights Issue is consistent with normal market practice.

The Placing Agreement

On 23 September 2024 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure placee(s), on a best effort basis, to subscribe for up to 40,000,000 Unsubscribed Rights Shares with consideration that a maximum of 88,452,080 Unsubscribed Rights Shares have been fully taken up by the Underwriter. The Placing of a maximum of 40,000,000 Unsubscribed Rights Shares will be subject to the Underwriter having taken up 88,452,080 Unsubscribed Rights Shares which is the maximum number it may be required to take up under the Underwriting Agreement.

If there are fewer than 88,452,080 Unsubscribed Rights Shares, the Underwriter will take them up in full and there will be no Unsubscribed Right Shares to be placed in the Placing.

If there are more than 88,452,080 Unsubscribed Rights Shares but less than 128,452,080 Unsubscribed Rights Shares, the Underwriter will take up 88,452,080 Unsubscribed Rights Shares and the remaining Unsubscribed Rights Shares will be subject to the Placing.

The principal terms of the Placing Agreement are summarised below:

Date	:	23 September 2024 (after trading hours of the Stock Exchange)
Issuer	:	The Company
Placing Agent	:	Redbridge Global Strategies Limited. Please refer to the section headed "3.2. Information on the Placing Agent" above
Placing fee	:	No placing commission will be payable by the Company to the Placing Agent for the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
Placing price of the Unsubscribed Rights Shares	:	The placing price of the Unsubscribed Rights Shares shall be not less than the Rights Subscription Price. The price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement.
Placees	:	The Unsubscribed Rights Shares shall only be offered (i) to institutional, corporate or individual investor(s) who and whose ultimate beneficial owner(s) shall be Independent Third Parties and whom are not acting in concert with the Underwriter and its concert parties; (ii) such that no Placee shall become a Substantial Shareholder immediately following the Placing; and (iii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.
Ranking of the Unsubscribed Rights Shares	:	The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
Placing condition	:	The Placing is subject to and conditional upon: (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Rights Shares;

(b) all necessary consents and approvals (including but not limited to the approvals from the respective board of directors of each the Company and the Placing Agent) to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated under the Placing Agreement having been obtained; and

(c) the Placing Agreement not having been terminate in accordance with the terms of the Placing Agreement.

None of the above conditions can be waived by the Company or the Placing Agent. If any of the conditions precedent above is not fulfilled by the Latest Time for Termination (or such later time or date as may be agreed between the Placing Agent and the Company in writing), all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and terminate and none of the parties shall have any claim against the other in relation to the Placing Agreement.

Completion date of the Placing : Tuesday, 21 January 2025 or such other date as the Company and the Placing Agent may agree.

In assessing the principal terms of the Placing Agreement, we have considered the following key aspects:

(a) Placing Place

Pursuant to the Placing Agreement, the placing price (the "*Placing Price*") of the Unsubscribed Rights Shares shall be not less than the Rights Subscription Price. The final price determination depends on the demand and market conditions of the Unsubscribed Rights Shares during the process of the Placing.

Given that (i) the Placing Price shall be not less than the Rights Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (ii) the Rights Subscription Price is fair and reasonable as discussed in the paragraph headed "3.5.4. Comparable analysis of the Rights Issue" above, we consider that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned.

(b) Placing Commission

We have reviewed the placing commissions of the Rights Comparable Transactions, if any, and noted that their underwriting commissions ranged from about 0.50% to 3.50%. Given that no placing commission will be payable by the Company to the Placing Agent for the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, such placing arrangement is more favourable to the Group than those to the Rights Comparable Transactions.

We have also reviewed other major terms of the Placing Agreement, including but not limited to the conditions of the Placing Agreement (details of which are set out in the Board Letter) and we are not aware of any term which is unusual. As such, we are of the view that the terms of the Placing Agreement are fair and reasonable so far as the Shareholders are concerned.

3.6. Whitewash waiver

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it (being Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan for the purposes of the Takeovers Code), taken together, in aggregate, hold 9,018,800 Shares, representing approximately 21.06% of the issued share capital of the Company.

Upon completion of the Rights Issue, assuming (i) there is no change in the number of issued Shares from 23 September 2024, being the date of the first Previous Announcements, up to and including the closing date of the Rights Issue; (ii) none of the Qualifying Shareholders have taken up their entitlements under the Rights Issue; and (iii) a maximum of 88,452,080 Unsubscribed Rights Shares have been taken up by Tanner Enterprise, the aggregate shareholding of Mr. Li Man Keung Edwin, Tanner Enterprises and parties acting in concert with any of them in the Company (comprising Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan, upon the close of the Rights Issue will increase from the current level of approximately 21.06% to approximately 56.91% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Tanner Enterprises will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it pursuant to Rule 26.1 of the Takeovers Code.

An application has been made by Tanner Enterprises to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution in relation to the Whitewash Waiver must be approved by at least 75% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the EGM by way of poll. The Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder will be subject to, among other things, the approval by more than 50% of the Independent Shareholders at the EGM by way of poll.

The Executive may or may not grant the Whitewash Waiver. As it is a condition precedent to the Rights Issue that the Whitewash Waiver is granted by the Executive, the Rights Issue will not proceed if the Whitewash Waiver is not granted by the Executive or if any other condition precedent under the Underwriting Agreement is not fulfilled.

If the Whitewash Waiver is granted by the Executive and approved by Independent Shareholders and the voting rights of the Company held by Mr. Li Man Keung Edwin and parties acting in concert with him (being Tanner Enterprises, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan) exceeds 50% as a result of Tanner Enterprises taking up Rights Shares under the Underwriting Agreement, then Mr. Li Man Keung Edwin, Tanner Enterprises and parties acting in concert with either of them may further increase their voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

In view that (i) it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue for the Group's expansion and operation needs; (ii) the Rights Issue is currently the most appropriate and equitable fund raising method available to the Company; and (iii) the terms of the Rights Issue, the Underwriting Agreement and the Compensatory Arrangements, including the Rights Subscription Price and underwriting commission, are fair and reasonable so far as the Independent Shareholders are concerned as analyzed in the above section headed "3.5. Our analysis of the principal terms of the Rights Issue" of this letter, (iv) the Rights Issue is conditional on the conditions precedent (including the grant of the Whitewash Waiver and the satisfaction of all condition (if any) attached to the Whitewash Waiver) with most of the core conditions (including the grant of the Whitewash Waiver and the satisfaction of all conditions (if any) attached to the Whitewash Waiver) cannot be waived, we are of the opinion that the Whitewash Waiver, is fair and reasonable so far as the Independent Shareholders are concerned.

4. Proposed Subscription of convertible bonds under specific mandate

4.1. Information on the CB Subscriber

The CB Subscriber is an open-ended fund company ("**OFC**") with CR No. OF107 which was incorporated with variable capital, limited liability and segregated liability between the sub-funds in Hong Kong under the SFO and registered with the SFC under section 112D of the SFO on 15 November 2022 with the objective to operate as a collective investment scheme. The fund is a private OFC for the purposes of the Takeovers Code and is an umbrella OFC for the purposes of all applicable laws and regulations including the SFO, the Securities and Futures (Open-ended Fund Companies) Rules (Cap. 571AQ), the Code and the SFC's Fund Manager Code of Conduct, in all cases as may be amended from time to time.

The fund's investment objective is long-term capital appreciation through a combination of dividend income and capital appreciation of a sub-fund's underlying securities. A sub-fund can invest globally in a mix of listed and private equity investments with no particular geographic or sector focus. A sub-fund may invest in a portfolio of large, medium, and small capitalization stocks. The percentage of a sub-fund's assets invested in listed equity, private equity, fixed income, other funds or cash equivalents will vary from time to time based on the Investment Manager's outlook for the market. A sub-fund may have large weightings in a relatively few numbers of industries and/or individual securities.

The ultimate beneficial owner of the CB Subscriber is Dr. Zhe Zhang, who is the founder and CEO of SIFT Capital Partners Limited, a licensed corporation to carry out type 9 (asset management) under the SFO.

To the best of the Directors' knowledge and having made all reasonable enquiries, each of the CB Subscriber and its ultimate beneficial owner is a third party independent of the Company and its connected persons and do not hold any Shares as at the date of the CB Subscription Agreement and the Latest Practicable Date.

Redbridge Capital Management Limited, a company incorporated with limited liability in Hong Kong, and licensed with the SFC with CE No. BAU760 to carry out Types 4 and 9 regulated activities pursuant to the SFO, has been appointed to provide discretionary investment management services, to give investment advice and provide other services to the fund with respect to each sub-fund. Redbridge Capital Management Limited is the investment manager of the CB Subscriber and is indirect wholly-owned by Mr. Michael Stockford, who has been the executive Director of the Company since 1 October 2024.

4.2. Reasons for and benefits of the proposed CB Subscription and use of proceeds

The proceeds from the CB Subscription will be HK$5,670,000. The Company intends to apply the proceeds from the CB Subscription as general working capital of the Group. Pursuant to ongoing development strategies, the Directors anticipates the Company would be able to create synergy with the CB Subscriber by utilizing its financial expertise and building from the CB Subscriber's networking with consideration that (i) the net proceeds from the CB Subscription would relieve the Group of its potential growing operation and administrative expenses following its development strategies; and (ii) any potential increase in the Share price will provide value in the CB Subscriber's Conversion Shares, and will therefore act as an incentive for the Subscriber to enter into any active role by providing potential networking or financial support in contribution to the continuous growth of the Group.

4.3. The CB Subscription Agreement

The principal terms of the CB Subscription Agreement and Convertible Bonds are summarised below:

Date	:	23 September 2024
Parties	:	(i) the Company as issuer; and(ii) the CB Subscriber
CB Subscription Price	:	HK$5,670,000
Conversion Price	:	The Conversion Price per Conversion Share shall be HK$0.315, subject to the customary adjustments in certain events including share consolidation, share sub-division, capitalisation issue, capital distribution, rights issue and issue of other securities.
Interest Rate	:	The Convertible Bonds bear no interest
Conversion Shares	:	Based on the principal amount of the Convertible Bonds of HK$5,670,000, the Convertible Bonds are convertible into 18,000,000 Conversion Shares at the initial conversion price of HK$0.315 per Conversion Share (subject to adjustments)
Conversion Period	:	The period commencing from one (1) month from the date of the completion of the Rights Issue, or subject to the mutual agreement between the Company and the Bondholder(s) from the date of the issue of the Convertible Bond, and ending on the maturity date (both dates inclusive)
Conversion Rights andRestrictions	:	The holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares provided further the exercise of the conversion rights attached to the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules

Ranking	:	The Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date
Maturity date	:	The date falling twenty-four (24) months after the date of the issue of the Convertible Bonds
Voting rights	:	The holder(s) of the Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company
Transferability	:	Subject to compliance with the GEM Listing Rules, the Convertible Bond shall not be assigned or transferred in whole or in part except with the prior written consent of the Company, which consent shall not be unreasonably withheld
Security	:	The obligations of the Company under the Convertible Bonds are unsecured

Based on the initial Conversion Price of HK$0.315 per Conversion Share, a maximum number of 18,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent: (i) approximately 42.0% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 29.6% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds in full. The maximum aggregate nominal value of the Conversion Shares is HK$4,500,000.

For further details of the CB Subscription Agreement, please refer to the section headed "PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE" of the Board Letter.

4.4. Our analysis of the principal terms of the CB Subscription

4.4.1. The Conversion Price

As stated in the Board Letter, the Conversion Price per Conversion Share shall be HK$0.315, subject to the customary adjustments in certain events including share consolidation, share sub-division, capitalisation issue, capital distribution, rights issue and issue of other securities.

The initial Conversion Price of HK$0.315 per Conversion Share represents:

(i) a discount of approximately 13.7% from the closing price of HK$0.365 per Share as quoted on the Stock Exchange on the date of the CB Subscription Agreement; and

(ii) a discount of approximately 4.3% from the average closing price of HK$0.329 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the CB Subscription Agreement.

The net Conversion Price, after deduction of relevant expenses, is approximately HK$0.315 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the CB Subscriber, taking into account of, (i) the recent trading performance of the Shares and the financial position of the Group; and (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.

With a view to assessing the reasonableness of the Conversion Price, we have considered the historical Share prices and the trading liquidity of the Shares as quoted on the Stock Exchange during the Review Period (i.e. from 23 September 2023 up to and including the Last Trading Day, being approximately 12-month prior the Last Trading Day) as discussed in previous section in this letter. It is noted that the Shares were traded within the range of HK$0.310 and HK$1.950 per Share with an average of approximately HK$0.824 per Share, during the Review Period. The Conversion Price of HK$0.315 per Conversion Share is within the range. While the Conversion Price of HK$0.315 per Conversion Share is near the lower end of the range, one should also consider the trading liquidity of the Shares, which, as illustrated in Table 3 above, was relatively thin during the Review Period. The low trading liquidity potential difficulties in attracting investor interest in the Shares.

The Directors consider that the Conversion Price and the terms and conditions of the CB Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4.4.2. Comparable analysis of the Conversion Price

In assessing whether the Conversion Price is fair and reasonable, we have also identified, to the best of our knowledge and as far as we are aware of, 14 transactions of companies listed on the Stock Exchange which involved placing or subscription of convertible bonds/notes from 23 March 2024 up to the date of the CB Subscription Agreement (being the approximate six-month period from the date of the CB Subscription Agreement) to demonstrate the relevant market practice (the "**CB Comparables**"). We consider the six-month review period appropriate as terms of convertible bonds are sensitive to prevailing market conditions, interest rate environment and investor sentiment, and using older transactions may not accurately reflect current market practices and funding costs. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the CB Comparables. However, for the purpose of providing a general reference for the common market practice in placing or subscription of convertible bonds/notes by listed companies in Hong Kong, we consider the CB Comparables to be sufficient and exhaustive, and are fair and representative. The table below summarises our relevant findings:

Table 5: Comparable Transactions with CB Subscription

Date of initial announcement	Company name	Stock code	Principal amount *(HK$)*	Annual interest rate *(%)*	Maturity *(Note 1)* *(Year(s))*	Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to announcement/the date of agreement in relation to the respective issue of convertible bonds *(%)*	Premium/(Discount) of the conversion price over/(to) average closing price per share on the last five consecutive trading days immediately prior to announcement/the date of agreement in relation to the respective issue of convertible bonds *(%)*	Potential dilution effects on the shareholding interests of the public shareholders upon full conversion of the convertible bonds at the respective conversion price
25 March 2024	China Biotech Services Holdings Limited	8037	88,000,000	8.00	2.00	34.15	53.63	6.40
24 April 2024	Legendary Education Group Limited	8195	15,000,000	10.00	1.00	(18.70)	(14.00)	1.70
30 April 2024	Prosperity Investment Holdings Limited	310	4,000,000	8.00	2.00	66.00	67.70	12.21
30 April 2024	Sinolink Worldwide Holdings Limited	1168	200,000,000	0.00	3.00	0.00	10.10	12.90
14 May 2024	Vobile Group Limited	3738	159,997,000	3.00	2.00	15.00	14.00	2.99
22 May 2024	Tibet Water Resources Limited	1115	90,000,000	10.00	0.33	9.09	2.39	4.89
7 June 2024	Future Data Group Limited	8229	2,000,000	8.00	1.00	0.00	0.20	1.02
21 June 2024	China Ruifeng Renewable Energy Holdings Limited	527	259,701,000	5.50	3.00	(21.28)	(21.28)	26.60
27 June 2024	New Focus Auto Tech Holdings Limited	360	400,000,000	8.00	3.00	43.56	29.00	5.43
12 July 2024	China Baoli Technologies Holdings Limited	164	6,000,000	5.00	3.00	370.59 *(Note 2)*	335.73 *(Note 2)*	13.63
4 August 2024	Millennium Pacific Group Holdings Limited	8147	6,800,000	5.00	2.00	17.24	7.26	8.02
19 August 2024	China Healthwise Holdings Limited	348	16,800,000	6.00	2.00	57.14	54.93	14.04
2 September 2024	Ev Dynamics (Holdings) Limited	476	5,000,000	4.00	2.00	25.00	23.46	4.15
9 September 2024	Value Convergence Holdings Limited	821	30,000,000	2.00	2.00	194.12 *(Note 2)*	190.70 *(Note 2)*	9.19
	Minimum		**2,000,000**	**0.00**	**0.33**	**(21.28)**	**(21.28)**	**1.02**
	Average		**91,664,143**	**5.89**	**2.02**	**18.93**	**18.95**	**8.80**
	Maximum		**400,000,000**	**10.00**	**3.00**	**66.00**	**67.70**	**26.60**
23 September 2024	The Company	8365	5,670,000	0.00	2.00	(13.70)	(4.30)	6.16

Source: the website of the Stock Exchange

Note:

1. *For the term of maturity, either it is specified in the announcement or it is counted from the announcement date to the maturity date specified in the announcement.*

2. *It is considered as outlier. As such, it is excluded from the analysis.*

Interest rate per annum

As shown in the above table, the interest rates of the CB Comparables range from nil to 10.00%, with an average interest rate of approximately 5.89%. Given (i) the interest-free of the Convertible Bonds is within the range of the CB Comparables; and (ii) the interest-free nature is favourable to the Group and would not increase the Group's interest burden or affect its cash flow position, we consider that the interest rate of the Convertible Bonds is justifiable.

Maturity

As shown in the above table, the terms to maturity of the CB Comparables range from 0.33 year to 3.00 years with an average of approximately 2.02 years. The term to maturity of the Convertible Bonds falls within the market range and is comparable to the average maturity period observed in the CB Comparables. Accordingly, we consider the term to maturity of the Convertible Bonds to be fair and reasonable.

Conversion Price

Despite this wide range of discounts/premiums of conversion prices observed in the CB Comparables, of which the pricing of rights issues is influenced by various company-specific factors including risk profile of the issuer, conversion incentives, market conditions at the time of issue, and the trading liquidity of the shares, these CB Comparables remain meaningful as they represent actual market transactions completed under different market circumstances.

As shown in the above table, we noted that (i) the discount of approximately 13.70% represented by the Conversion Price over the closing price per Share on the Last Trading Day is within the range of the CB Comparables, which ranges from a discount of approximately 21.28% to a premium of approximately 66.00% of the CB Comparables; and (ii) the discount of approximately 4.30% represented by the Conversion Price over the average closing price per Share on the last five trading days up to and including the Last Trading Day is within the range of the CB Comparables, which ranges from a discount of approximately 21.28% to a premium of approximately 67.70%. Taking into account (i) both discounts are within market ranges observed in the CB Comparables; (ii) the Company's loss-making position for the past five years; (iii) its decreasing cash position; (iv) the zero-coupon feature reduces future cash flow pressure; and (v) the relatively small principal amount of HK$5.67 million which limits dilution impact, we consider the discount reasonable as it reflects the Company's current financial position and provides necessary incentive for potential investors, hence we are of the view that the Conversion Price of the Convertible Bonds is justifiable.

Other terms of the CB Subscription Agreement

Furthermore, we have also reviewed other terms of the CB Subscription Agreement, including, among others, the conditions, and nothing has come to our attention that they are not on normal commercial terms. Please refer to the paragraph headed "Conditions of the CB Subscription Agreement" in the Board Letter for further details of the conditions.

Our view

Having considered (i) the comparable analysis on the principal terms of issue of convertible bonds/notes as mentioned above in this section, nothing has come to our attention to make us consider that the principal terms of the CB Subscription Agreement are not on normal commercial terms and not fair and reasonable; and (ii) the recent relatively thin trading performance of the Shares, we concur with the Directors that the terms and conditions of the CB Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4.5. Section conclusion of the CB Subscription

Having considered that (i) the reasons for and benefits of the issue of the Convertible Bonds as mentioned in the paragraph headed "5.2. Reasons for and benefits of the proposed Subscription of Convertible Bonds and use of proceeds" above in this letter; (ii) the Group has been in a net loss position for five consecutive years since 2019; (iii) the bank balances of the Group as at 31 March 2024 according to the 2023-2024 Interim Report decreased by approximately 59% to HK$8.9 million; (iv) the CB Subscription will not result in immediate dilution to the shareholding of existing Shareholders unless and until the conversion rights are exercised; (v) the zero-coupon feature of the Convertible Bonds would not create additional pressure on the Group's cash flow position; (vi) the CB Subscription represents a more advantageous fundraising method compared to bank borrowings or other debt financing, given the current high interest rate environment and the Group's financial position; and (vii) the strengthened working capital position would provide additional financial flexibility for the Group's business operations and development plans, we consider the CB Subscription are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

5. Our view on Mr. Michael Stockford and relationship with the Placing Agent and CB Subscriber

As stated in the Board Letter, Mr. Michael Stockford beneficially owns approximately 34.0% of Redbridge Global Strategies Limited, which acts as the Placing Agent. Additionally, Mr. Stockford is the sole ultimate beneficial owner of Redbridge Capital Management Limited, the investment manager of the CB Subscriber. Neither the Placing Agent nor Mr. Michael Stockford has any side arrangements, agreements, understanding or undertaking (whether formal or informal and whether express or implied) with the Company, the Underwriter and its concert parties.

Having considered (i) the terms of both the Rights Issue and the CB Subscription Agreement are benchmarked against recent transactions and are in line with market norms; (ii) the Rights Subscription Price and the Conversion Price are fair and reasonable based on our analysis of pricing parameters and market comparables as discussed above; (iii) despite Mr. Stockford's interests in the relevant entities, the zero-placing commission arrangement under Placing Agreement and the discount of the Conversion Price under the CB Subscription were arrived at after arm's length negotiations between the Company and the respective parties; and (iv) neither Mr. Stockford, any companies controlled by him, nor any parties acting in concert with him are shareholders of the Company. Although the Rights Issue and CB Subscription are not in the ordinary and usual course of business of the Group, we are of the view that the Rights Issue and the CB Subscription Agreement are conducted on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned.

6. Potential dilution effects on the interests of the Independent Shareholders

Set out below is the shareholding structure of the Company (assuming no further issue or repurchase of the Shares and no exercise of any outstanding Share Options on or before the Record Date) (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming all Qualifying Shareholders take up their respective entitlements; (iii) immediately after completion of the Rights Issue assuming no Qualifying Shareholders take up their respective entitlements and the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are underwritten by the Underwriter; (iv) immediately after completion of the Rights Issue assuming the maximum Unsubscribed Rights Shares is underwritten by the Underwriter and no remaining Unsubscribed Rights Shares are placed to the placees under the Compensatory Arrangements; and (iv) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bonds):

Table 6: Effect on the Shareholding Structure of the Company

Substantial Shareholders and Directors	As at the date of the Latest Practicable Date		Assuming all Qualifying Shareholders take up their respective entitlements		Assuming no Qualifying Shareholders take up their respective entitlements under the Rights Issue and the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are underwritten by the Underwriter and placed under the Compensatory Arrangements		Assuming the maximum Unsubscribed Shares and the NQS Unsold Rights Shares are underwritten by the Underwriter and no Unsubscribed Rights Shares are placed under the Compensatory Arrangements		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price *(Note 4)*	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*
Tanner Enterprises *(Note 1)*	4,549,200	10.62%	18,196,800	10.62%	93,001,280	54.30%	93,001,280	70.85%	93,001,280	49.14%
Mr. Li Man Keung Edwin *(Note 1)*	2,049,600	4.79%	8,198,400	4.79%	2,049,600	1.20%	2,049,600	1.56%	2,049,600	1.08%
Mr. Yeung Chun Yue David *(Note 2)*	1,520,000	3.55%	6,080,000	3.55%	1,520,000	0.89%	1,520,000	1.16%	1,520,000	0.80%
Mr. Hui Ringo Wing Kun *(Note 3)*	900,000	2.10%	3,600,000	2.10%	900,000	0.53%	900,000	0.69%	900,000	0.48%
Total Shares held by Tanner Enterprises and concert parties	9,018,800	21.06%	36,075,200	21.06%	97,470,880	56.91%	97,470,880	74.25%	97,470,880	51.50%
Public Shareholders										
Mr. Gan Fanglun	7,416,000	17.32%	29,664,000	17.32%	7,416,000	4.33%	7,416,000	5.65%	7,416,000	3.92%
Placees	–	0.00%	–	0.00%	40,000,000	23.36%	–	0.00%	40,000,000	21.13%
CB Subscriber	–	0.00%	–	0.00%	–	0.00%	–	0.00%	18,000,000	9.51%
Other public shareholders	26,382,560	61.62%	105,530,240	61.62%	26,382,560	15.40%	26,382,560	20.10%	26,382,560	13.94%
Total	42,817,360	100.00%	171,269,440	100.00%	171,269,440	100.00%	131,269,400	100.00%	189,269,440	100.00%

Notes:

1) *4,549,200 Shares are held by Tanner Enterprises Group Limited which is wholly owned by Mr. Li Man Keung Edwin, an executive Director. Mr. Li Man Keung Edwin also directly holds 2,049,600 Shares. The aggregate Shares beneficially owned by Mr. Li Man Keung Edwin is 6,598,800 Shares.*

2) *1,520,000 Shares are held by Great Win Global Limited, which is wholly owned by Mr. Yeung Chun Yue David, an executive Director.*

3) *900,000 Shares are held by Bright Music Limited, which is wholly owned by Mr. Hui Ringo Wing Kun, an executive Director.*

4) *Under the terms of the Convertible Bonds, the conversion rights attached to them cannot be exercised to the extent that the public float of the Company will be less than 25% of the issued share capital of the Company following such exercise, or such exercise will result in the Company being in breach of any provision of the GEM Listing Rules.*

The above table is for illustration purposes only and the actual changes to the shareholding structure of the Company upon completion of the Rights Issue may be different for various reasons, including the results of the Rights Issue.

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interest in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe to the Rights Shares in the market. The maximum dilution effect of the Rights Issue was approximately 75%.

Among the Rights Comparable Transactions as set out in the sub-section headed "3.5.4. Comparable analysis of the Rights Issue" under the above section headed "3.5. Our analysis of the principal terms of the Rights Issue" of this letter, the maximum dilution effect of the Rights Issue of approximately 75% is above the average and median maximum dilution effect of the rights issues conducted by the Rights Comparable Transactions are approximately 45.20% and 33.33% respectively.

However, having considered that (i) the shareholding interests of the Qualifying Shareholders who take up their provisional allotments of the Rights Issue in full will not be diluted; (ii) the proposed Rights Issue offers the Qualifying Shareholders an equal opportunity to subscribe for the Rights Shares for the purpose of maintaining their proportionate interests in the Company at a discount as compared to the prevailing market prices of the Shares; (iii) the Qualifying Shareholders who do not wish to take up the Rights Shares would have the opportunity to sell their nil-paid Rights Shares in the market; (iv) the Compensatory Arrangements would provide adequate safeguard to protect the interest of the Company's minority Shareholders and ensure the Underwriter will not be in a more favorable position than the Shareholders as they would provide (1) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (2) a channel of participation in the Rights Issue for independent investors; and (3) a compensatory mechanism for No Action Shareholders, and (v) the capital raised through the Rights Issue for the Group's expansion and operation needs, we are of the view that the dilution effect of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned.

As depicted by the Table 6 above, the shareholding interests of the existing public Shareholders in the Company would be further reduced by approximately 6.16 percent points immediately upon full conversion of the Convertible Bonds at the initial Conversion Price. As shown in Table 5 above, the potential dilution effects of CB Comparbales on the shareholding interests of the public shareholders upon full conversion of the convertible bonds at its respective conversion price range from 1.02% to 26.60% with an average of approximately 8.98%. The potential dilution effect of the CB Subscription on the shareholding interests of the public Shareholders of 6.16% falls within the market range and is lower than the average dilution effect observed in the CB Comparables. Given (i) the dilution level is below market average; (ii) its deferred nature only materializing upon conversion; and (iii) the funding benefits to support the Company's development, we consider the potential dilution effect on the shareholding interests of the existing public Shareholders to be fair and reasonable.

Taking into account (i) the dilution effect is within the market ranges and lower than the average of that observed in the CB Comparables; (ii) the reasons for and possible benefits of the CB Subscription as mentioned in the paragraph headed "5.2. Reasons for and benefits of the proposed CB Subscription and use of proceeds" above in this letter; and (iii) the terms of the CB Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the aforementioned levels of dilution to the shareholding interests of the existing public Shareholders are acceptable.

7. Financial effects of the Rights Issue

It should be noted that the analysis below is for illustrative purposes only and does not purport to represent how the financial position of the Company would be upon the completion of the Rights Issue and the CB Subscription.

7.1. Working capital

According to the 2023–2024 Annual Result, the bank balances of the Group amounted to approximately HK$36.8 million as at 30 September 2024. As part of the net proceeds from the Rights Issue and the CB Subscription will be applied as additional working capital of the Group, the Group's liquidity position would be improved upon completion of Rights Issue and the CB Subscription.

7.2. NAV

According to the 2023-2024 Annual Result, the net assets value of the Group as at 30 September 2024 amounted to approximately HK$132.2 million and the audited consolidated net tangible assets of the Group attributable to owners of the Company per share as at 30 September 2024 was HK$3.04. According to the unaudited pro forma financial information of the Group as set out in Appendix II of this Circular, the estimated net proceeds from the Rights Issue will be approximately HK$31.4 million and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Rights Issue will be approximately HK$161.7 million, which contributing to the unaudited pro forma adjusted consolidated net tangible assets of Group attributable to owners of the Company per share as immediately after completion of the Rights Issue of HK$0.94.

7.3. Gearing

According to the 2023–2024 Annual Result, the Group's gearing ratio, which is calculated on the basis of the Group's total liabilities compared to the total assets, was approximately 0.21 times as at 30 September 2024. The capital base of the Group is expected to be enlarged by the Rights Shares and the conversion of the Convertible Bonds. Accordingly, the gearing ratio of the Group will be improved to approximately 0.20 times as a result of the Rights Issue and the CB Subscription.

Based on the above analysis, we noted that the Rights Issue and the CB Subscription are expected to have a positive effect on the Group's working capital, NAV and gearing position. As certain group entities are regulated by the SFC and are required to maintain minimum paid-up share capital capital requirements and liquid capital requirements under the SF(FR)R. The Rights Issue and CB Subscription would strengthen the Company's capital base. Accordingly, we are of the view that the Rights Issue and the CB Subscription is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into consideration the below principal factors and reasons, particularly:

(i) the reasons for and benefits of the Rights Issue and the intended use of proceeds is fair and reasonable so far as the Independent Shareholders are concerned considering (a) the Group's strategic initiative to diversify its revenue streams beyond its existing businesses, which is prudent given the Group's loss-making position in the past five financial years; (b) the growing market opportunities in the global gaming industry; (c) the strategic cooperation with Target Company and its management team provides access to relevant expertise and operational know-how in the gaming industry, potentially reducing execution risks; and (d) the need to strengthen the Group's working capital position;

(ii) the Rights Issue is currently the most appropriate fund raising method available to the Company as (i) it strengthens capital without incurring interest costs; (ii) offers all the Qualifying Shareholders equal opportunity to subscribe for their pro-rata provisional allotments of the Rights Shares without diluting their shareholding interests and allows the Qualifying Shareholders to participate in the future development of the Company; and (iii) allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefits and allows others to acquire these nil-paid Rights Shares;

(iii) the principal terms of the Rights Issue, in particular the Rights Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned for the reasons set out in section headed "3.5 Our analysis of the principal terms of the Rights Issue";

(iv) the terms of the Underwriting Agreement are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned given that (a) the underwriting arrangement will enable the Group to secure funding if the level of subscription of the Rights Issue is low; (b) the underwriting arrangement by the Underwriter is in compliance with Rule 10.31(1)(b) of the GEM Listing Rules and demonstrates the Underwriter's continuous support to the Company's development; (c) the zero-commission arrangement under the Underwriting Agreement which is more favourable to the Group, and (d) the Underwriter (i.e. Tanner Enterprises), Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford, Ms. Chan Hiu Shan and parties acting in concert with any of them and shareholders who are interested in and involved in the Underwriting Agreement, have abstained from voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver;

(v) The Compensatory Arrangements and the Placing Agreement are on better commercial terms and are fair and reasonable so far as the Shareholders are concerned given that (a) the Placing Price shall be not less than the Rights Subscription Price; and (b) no placing commission will be payable to the Placing Agent;

(vi) the CB Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole as discussed in section headed "4.5 Section conclusion of the CB Subscription";

(vii) The potential dilution to the shareholding interests of the existing public Shareholders of 6.16 percentage points upon full conversion of the CB Subscription is comparable with CB Comparables, and the dilution is deferred as it only occurs upon conversion; and

(viii) the Rights Issue and the CB Subscription are expected to have a positive effect on the Group's working capital, net tangible asset value and gearing position,

we are of the view that the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) relating to the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited

Charles Li*
Managing Director

* *Mr. Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*