

7 February 2025

To: The Independent Board Committee and the Qualifying Shareholders of Elife Holdings Limited

Dear Sirs/Madams,

**RESPONSE DOCUMENT RELATING TO
VOLUNTARY CONDITIONAL CASH PARTIAL OFFER
BY VBG CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE 67,808,588 SHARES IN
ELIFE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND PARTIES ACTING
IN CONCERT WITH HER)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Qualifying Shareholders in respect of the Partial Offer, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the response document dated 7 February 2025 (the “**Response Document**”) issued by Elife Holdings Limited (the “**Company**”, collectively with its subsidiaries as the “**Group**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Response Document unless the context requires otherwise.

Reference is made to the Rule 3.7 Announcement, whereby the Board was notified in writing by the Offeror on 30 September 2024 that the Offeror intended to make the Partial Offer for 67,808,588 Offer Shares, representing approximately 5.00% of the entire issued share capital of the Company as at the date of the Rule 3.7 Announcement, not already owned by the Offeror and parties acting in concert with her.

Head office 總辦事處:

Room A, 17/F, Fortune House, 61 Connaught Road Central, Central, Hong Kong
香港中環干諾道中61號福興大廈17樓A室

Branch office 分辦事處:

Unit B, 15/F, Two Chinachem Plaza, 68 Connaught Road Central, Central, Hong Kong
香港中環干諾道中68號華懋廣場二期15樓B室

Reference is also made to the announcement of the Offeror dated 1 November 2024, whereby the Offer Price and further details of the Partial Offer were announced by the Offeror. The Offer Document accompanied with the Form of Acceptance were despatched on 22 November 2024.

The making of the Partial Offer is subject to the obtaining of consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code. According to the announcement made by the Offeror on 5 November 2024, the consent from the Executive in respect of the Partial Offer has been obtained and the Pre-Condition has been fulfilled on 4 November 2024.

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising Mr. Chou Chiu Ho, Mr. Cho Ka Wing, Ms. Chan Lok Yin and Mr. Ma Kin Ling, being all independent non-executive Directors, who have no direct or indirect interest in the Partial Offer other than as holders of the Shares (if any), was formed to give advice to the Qualifying Shareholders as to whether the terms of the Partial Offer are fair and reasonable and as to the acceptance of the Partial Offer.

As Mr. Chiu Sui Keung, Mr. Zhang Shaoyan and Mr. Guo Wei, being non-executive Directors who shall be members of the Independent Board Committee under Rule 2.8 of the Takeovers Code, were re-designated from executive Directors to non-executive Directors with effect from 24 December 2024 during the Offer Period, Mr. Chiu Sui Keung, Mr. Zhang Shaoyan and Mr. Guo Wei shall not act as members of the Independent Board Committee for the purpose of the Partial Offer under Rule 2.8 of the Takeovers Code. In addition, the duties of Mr. Chiu Sui Keung and Mr. Zhang Shaoyan were suspended with effect from 23 January 2025.

Furthermore, as the duties of Mr. Lam Williamson, Mr. Wong Tsz Fung, Mr. Moy Yee Wo Matthew, being the independent non-executive Directors who shall be members of the Independent Board Committee under Rule 2.8 of the Takeovers Code, have been suspended with effect from 23 January 2025, Mr. Lam Williamson, Mr. Wong Tsz Fung, Mr. Moy Yee Wo Matthew are not members of the Independent Board Committee for the purpose of the Partial Offer under Rule 2.8 of the Takeovers Code.

With the approval of the Independent Board Committee, we have been appointed by the Company to act as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the Partial Offer, and in particular, as to whether the terms of the Partial Offer are fair and reasonable and as to the acceptance of the Partial Offer.

We are independent from and not connected with the Company, the Offeror, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date, save for this appointment as the Independent Financial Adviser in respect of the Partial Offer, Alpha Financial Group Limited has no significant connection, financial, business or otherwise with and there were no other engagements between Alpha Financial Group Limited and the Company, the Offeror, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Offeror and the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Partial Offer.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained in or referred to in the Response Document and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). Our review procedures include review of (a) the annual reports of the Group for the years ended 31 March 2023 and 2024 (the “**2023 Annual Report**” and “**2024 Annual Report**”, respectively); (b) the announcement of the Company dated 22 November 2024 in relation to, among other things, the profit warning of the Company for the six months ended 30 September 2024 (the “**Profit Warning**”); (c) the Offer Document; (d) the announcement of the Offeror dated 1 November 2024 and 12 December 2024, in relation to, among other things, details of the Partial Offer and the revised timetable of the Partial Offer; (e) the Response Document; (f) the announcement of the Company dated 21 August 2024, in relation to, among other things, the invalid purported requisition relating to the removal of certain Directors and appointment of Directors (the “**Invalid Purported Requisition**”) and the announcement of the Company dated 30 August 2024, in relation to, among other things, the Company not convening an extra ordinary general meeting pursuant to the Invalid Purported Requisition; (g) the announcements of the Company dated 4 November 2024, 17 November 2024, 20 December 2024, 27 December 2024, 5 January 2025 and 10 January 2025 and the circular of the Company dated 14 November 2024, in relation to, among other things, the purported requisition relating to the removal of certain Directors and appointment of Directors (the “**Purported Requisition**”); (h) the announcements of the Company dated 30 September 2024, 25 October 2024 and 21 November 2024, in relation to, among other things, the proposed issue by way of rights of the rights shares (the “**Rights Issue**”); (i) the announcements of the Company dated 29 November 2024, 12 December 2024, 7 January 2025 and 28 January 2025, in relation to, among other things, the delay in the publication of the interim results of the Company for the six months ended 30 September 2024 (the “**2024 Interim Results**”), the establishment of the independent investigation committee, the appointment of the independent forensic accountant and the suspension of trading in the Shares; (j) the announcements of the Company dated 26 November 2024, 29 November 2024, 2 December 2024 and 23 January 2025 in relation to, among other things, the resignation of key personnel of the Company and/or suspension of duties of certain Directors; (k) the announcement of the Company dated 16 January 2025 in relation to, among other things, the resumption guidance (the “**Resumption Guidance**”) for the resumption of trading in the Shares; (l) relevant announcements published by the Offeror; (m) other relevant announcements published by the Company; (n) the share price performance; (o) the trading liquidity of the Company; and (p) comparable companies to the Company. We have assumed that all information and representations that have been provided by the Directors and the Management are true, complete and accurate in all material respects at the time when they were made and up to the date throughout the Offer Period and should there be any material changes thereto, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Response Document were reasonably made after due enquiries and careful considerations.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have also assumed that all statements of opinion made by the Directors and the Management in the Response Document were reasonably made after due enquiries and careful consideration. The Directors have confirmed that, to the best of their information and knowledge, that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Response Document, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company as set out in the Response Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Partial Offer.

We have not considered the tax and regulatory implications on the Qualifying Shareholders of acceptance or non-acceptance of the Partial Offer since these depend on their individual circumstances. In particular, the Qualifying Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the Partial Offer, we have considered the principal factors and reasons as set out below:

1. Background of the Partial Offer

Reference is made to the Rule 3.7 Announcement, whereby the Board was notified in writing by the Offeror on 30 September 2024 that the Offeror intended to make the Partial Offer for 67,808,588 Offer Shares, representing approximately 5.00% of the entire issued share capital of the Company as at the date of the Rule 3.7 Announcement, not already owned by the Offeror and parties acting in concert with her.

References are also made to the announcements of the Offeror dated 1 November 2024 and 12 December 2024, whereby the Offer Price, further details of the Partial Offer and the revised timetable of the Partial Offer were announced by the Offeror.

The making of the Partial Offer is subject to the obtaining of consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code. According to the announcement made by the Offeror on 5 November 2024, the consent from the Executive in respect of the Partial Offer has been obtained and the Pre-Condition has been fulfilled on 4 November 2024.

2. Condition of the Partial Offer

As disclosed in the Offer Document, the Partial Offer is subject to the condition that valid acceptances are received (and not, where permitted, withdrawn) in respect of a minimum of 67,808,588 Offer Shares at or before 4:00 p.m. (Hong Kong time) on the First Closing Date, which shall be at least 28 days following the despatch date of the Offer Document, or such later date as may be extended by the Offeror in accordance with the requirements of the Takeovers Code.

In the event that valid acceptances are received:

- (i) for less than the required number of 67,808,588 Offer Shares by the First Closing Date, unless the First Closing Date is extended in accordance with the requirements of the Takeovers Code, the Partial Offer will not proceed and will lapse immediately; and
- (ii) for not less than the required number of 67,808,588 Offer Shares on or before the First Closing Date, the Offeror will declare the Partial Offer unconditional as to acceptances on or before the First Closing Date.

For the avoidance of doubt, the Company has no knowledge and information as to whether the condition above has been fulfilled as at the Latest Practicable Date.

Pursuant to the Offer Document, the Offeror will issue an announcement in relation to the revision, extension or lapse of the Partial Offer or the fulfilment of the condition above in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Offeror can declare the Partial Offer unconditional in all respects is 7:00 p.m. on Monday, 24 March 2025.

3. Background information of the Group

3.1 Principal business

As disclosed in the Letter from the Board, the Group is principally engaged in the supply chain business for branded goods and consumer products in the Greater China region. The Group's core activities encompass a comprehensive range of brand digitisation services, such as brand management, brand promotion and brand supply chain, thereby establishing an integrated industry chain. In addition, the Company is also engaged in the supply chain, sales and marketing, and brand building of daily cleaning, anti-epidemic and licensed branded consumer goods. The Group's provision of brand digitisation services, such as brand management, brand promotion and brand supply chain, which forms the Group's supply chain business, has only started during FY2024 (as defined below). As disclosed in the 2023 Annual Report, the Group was principally engaged in commodities trading, sales, marketing and brand building of anti-epidemic, daily cleaning products and licensed branded watches businesses during FY2023 (as defined below).

In summary, the Group principal business includes:

(a) Supply chain

The Group is engaged in the comprehensive supply chain business for commodities, branded goods and consumer products, focusing on assisting brand suppliers to expand their online and offline sales channels, establishing direct sales channels with end customers (B2C2C), and offering various value-added services such as brand building, management and promotion for brand owners (or their advertising agents) to form a complete industry chain. The brand promotion services that Group offers includes digital intelligent marketing plan to enhance customers' brand awareness and boost product sales through different online and offline platforms, including scenario-based digital media in hotel venues and various social media platforms such as TikTok, Kuaishou. etc.

(b) Daily cleaning and anti-epidemic products

The sales of daily cleaning, anti-epidemic and other consumable products business of Group is principally in relation to the sale, marketing and brand building of the products under the brand “易安生”/“E'ANSN” which the Group possesses and the supply chain including the formula, brand and package design of the anti-epidemic and daily cleaning products.

(c) Licensed branded consumer goods

The business in relation to sale of licensed branded consumer goods includes licensed branded watches and ladies' handbags through the established sales channels, including direct export sales, a self-operated e-commerce app and live video streaming television channels (covering several television networks in Beijing, Jiangxi, Shandong and Sichuan).

(d) Commodities trading business

The commodities sales business of the Group, which was discontinued during FY2024, mainly involved in the provision of sourcing domestic quality products as well as metals commodities for sale to retail channels or lower-tier agents in the PRC.

3.2 Historical financial information

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 March 2023 and 2024 (“FY2023” and “FY2024”, respectively) as extracted from the 2023 Annual Report and 2024 Annual Report:

Table 1: Historical financial information of the Group

	FY2023 <i>HK\$'000</i> (audited) (restated)	FY2024 <i>HK\$'000</i> (audited)
Revenue	238,840	184,086
– Provision of brand promotion services	–	122,408
– Commodities sales	223,759	51,903
– Sales of daily cleaning, anti-epidemic and other consumable products	8,191	8,055
– Sale of licensed branded consumer goods	6,890	1,720
Gross profit	1,867	31,860
Selling expenses	(1,898)	(4,211)
Other operating expenses	(22,485)	(24,096)
Loss for the year attributable to owners of the Company	(21,673)	(32,008)
	As at 31 March 2023 <i>HK\$'000</i> (audited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
Non-current assets	4,512	5,846
Current assets	73,638	249,813
Total assets	78,150	255,659
Non-current liabilities	13,615	2,015
Current liabilities	38,923	201,409
Total liabilities	52,535	203,424
Net current assets	34,715	48,404
Equity attributable to owners of the Company	98,825	124,095
Non-controlling interest	(73,213)	(71,860)
Total equity	25,612	52,235

FY2023 vs FY2024

The Group has recorded a revenue of approximately HK\$184.1 million for FY2024, representing a decrease of approximately HK\$54.8 million or approximately 22.9%, as compared to the Group's revenue of approximately HK\$238.8 million for FY2023. The decrease in revenue during the year was attributable to the scaling down of copper rod sales to approximately HK\$9.5 million (FY2023: approximately HK\$223.1 million) due to its low gross profit margin. On the other hand, the Group started to source raw materials for a manufacturer of wine, beverages and refined tea in China and generated revenue from commodity sales amounted to approximately HK\$40.7 million during FY2024 (FY2023: nil). The total revenue from sales of commodities amounted to approximately HK\$51.9 million for FY2024 (FY2023: approximately HK\$223.8 million). During FY2024, the additional headcount recruited by the Group generated revenues of approximately HK\$122.4 million (FY2023: nil) in the provision of brand promotion services.

For FY2024, the cost of sales of the Group amounted to approximately HK\$152.2 million (FY2023: approximately HK\$237.0 million), representing a decrease of approximately 35.8%. The drop was mainly caused by the decrease in cost of sales of commodities to approximately HK\$49.5 million (FY2023: approximately HK\$223.6 million) which is offset by the increase in cost of sales in the provision of brand promotion services of approximately HK\$94.2 million for FY2024 (FY2023: nil).

The Group's gross profit for FY2024 has increased to approximately HK\$31.9 million (FY2023: approximately HK\$1.9 million), representing an increment by approximately 16.1 times. A gross profit of approximately HK\$28.3 million was generated by the provision of brand promotion services that the Group started during FY2024 (FY2023: nil). The gross profit margin from sales of commodities has also improved to approximately 4.6% (FY2023: approximately 0.1%) due to a higher margin in sourcing of raw materials for a manufacturer of wine, beverages and refined tea in China.

Although the Group has achieved a gross profit of approximately HK\$31.9 million during FY2024, the Group has recognised net allowance for ECL on trade and other receivables which is of non-cash nature during FY2024 of approximately HK\$27.8 million (FY2023: approximately HK\$1.0 million). The significant increase was mainly due to the high level of impairment risk related to a loan with a total outstanding balance of approximately HK\$20.6 million as at 31 March 2024. An additional provision for ECL of approximately HK\$14.5 million was recognised during FY2024 that resulted in a provision allowance for the said loan in the amount of approximately HK\$16.2 million as at 31 March 2024 (31 March 2023: approximately HK\$1.8 million).

Coupling with the increased selling expense, other operating expense and the taxation effect which affected the profit margin for the same period, the Group recorded a loss attributable to owners of the Company of approximately HK\$32.0 million (FY2023: approximately HK\$21.7 million), representing an increase of approximately 47.7%, which was mainly contributed by other operating expenses of approximately HK\$24.1 million (FY2023: approximately HK\$22.5 million). For FY2024, the Group also resulted in a negative net profit margin of approximately 17.4% (FY2023: negative net profit margin of approximately 9.1%) despite of the gross profit margin recorded, with the increment in negative net profit margin due to the reasons above.

During FY2024, the Group had net cash outflow from operating activities of approximately HK\$28.9 million (FY2023: approximately HK\$16.4 million), net cash inflow from investing activities of approximately HK\$2,000 (FY2023: net cash outflow of approximately HK\$41,000) and net cash inflow from financing activities of approximately HK\$54.3 million (FY2023: approximately HK\$8.0 million).

As at 31 March 2024, the Group had available cash and cash balances amounted to approximately HK\$27.1 million (31 March 2023: approximately HK\$2.3 million). Net current assets of the Group on 31 March 2024 amounted to approximately HK\$48.4 million (31 March 2023: approximately HK\$34.7 million). As at 31 March 2024, the Group's total current assets and current liabilities were approximately HK\$249.8 million (31 March 2023: approximately HK\$73.6 million) and HK\$201.4 million (31 March 2023: approximately HK\$38.9 million), respectively, while the current ratio was approximately 1.2 times (31 March 2023: approximately 1.9 times). As at 31 March 2024, the Group's assets liabilities ratio (total liabilities to total assets) was approximately 0.8 times (31 March 2023: approximately 0.7 times). The Group's total equity increased from approximately HK\$25.6 million as at 31 March 2023 to approximately HK\$52.2 million as at 31 March 2024, which was due to (i) the placing of new shares under general mandate on 27 June 2023; (ii) placing of new shares under general mandate on 1 November 2023; and (iii) rights issue of new shares on 15 February 2024.

Six months ended 30 September 2024 vs six months ended 30 September 2023

Reference is made to the announcement of the Company dated 22 November 2024, in relation to, among other things, the Profit Warning. As disclosed, the Group expected to record (i) a significant increase in revenue of approximately HK\$49.4 million; (ii) a significant decrease in gross profit of approximately HK\$4.9 million; and (iii) an increase in loss for the six months ended 30 September 2024 of approximately HK\$48.8 million compared to that of the previous corresponding period.

With the commencement of the Offer Period, pursuant to Rule 10 of the Takeovers Code, the Profit Warning constitutes a profit forecast and must be reported on by the Company's financial advisers and auditors in accordance with Rule 10.4 of the Takeovers Code. As disclosed in the Letter from the Board, as the Independent Forensic Accountant is still in the course of preparing its independent investigation report for the independent investigation committee of the Board as at the Latest Practicable Date, the Company was not able to appoint financial advisers and auditors for the preparation of the report on the Profit Warning. As such, there is uncertainty on whether the Profit Warning can be relied on.

References are made to the announcements of the Company dated 29 November 2024, 12 December 2024, 7 January 2025, 10 January 2025 and 28 January 2025 in relation to, among other things, the delay in the publication of the interim results of the Company for the six months ended 30 September 2024, the establishment of the independent investigation committee, the appointment of the independent forensic accountant and the suspension of trading in the Shares. According to the said announcements the Board (save and except for Ms. Qin, Mr. Zhao and Mr. Guo Wei) considered it to be inaccurate and misleading to publish the 2024 Interim Results at its present status. Accordingly, the recent business performance of the Company is unclear until the publication of the 2024 Interim Results and upon the investigation of the independent investigation committee. We are of the opinion that the Qualifying Shareholders should bear in mind of the aforesaid when taking into account of the financial information as disclosed in the Profit Warning.

4. Background and intention of the Offeror

4.1 Background of the Offeror

As set out in the “Letter from VBG Capital” contained in the Offer Document, the Offeror, aged 45, is a businesswoman based in Hong Kong and the PRC. The Offeror has been a vice president of 真健康(廣東橫琴)醫療科技有限公司 (True Health (Guangdong Hengqin) Medical Technology Co., Ltd*) since March 2022, which is a medical surgical robot technology company that blends robotics and artificial intelligence, and acts as legal representatives of several of its subsidiaries. Since August 2012, she has also been the general manager of 廣州獅馬龍藥業有限公司 (Guangzhou Shi Ma Long Drug Co., Ltd*), a company which sells traditional Chinese medicinal oil and cream consumer products.

Further details are set out in the “Letter from VBG Capital” contained in the Offer Document.

4.2 Intention of the Offeror

As set out in the “Letter from VBG Capital” contained in the Offer Document, the Partial Offer is conducted as part of the Offeror’s investment diversification efforts and the Offeror is familiar with the Group’s supply chain business for branded goods and consumer products in the Greater China region, having been personally involved in, among others, consumer pharmaceutical and medicine businesses for over 20 years.

Further details are set out in the “Letter from VBG Capital” contained in the Offer Document.

4.3 Public Float of the Company

As disclosed in the Letter from the Board, the Company had a public float of approximately 66.45% of the Shares in issue as at the Latest Practicable Date. Assuming (i) full acceptances of the Partial Offer by the Qualifying Shareholders; and (ii) that there are no changes to the issued share capital of the Company between the Latest Practicable Date and up to the Final Closing Date, the Company will have a public float in excess of 25% of the Shares in issue immediately following the close of the Partial Offer. Accordingly, the number of Shares in public hands will continue to meet the 25% minimum public float requirement under Rule 8.08 of the Listing Rules.

As disclosed in the Offer Document, the Offeror intends that the Company to remain listed on the Stock Exchange. Please refer to “Letter from VBG Capital” contained in the Offer Document.

4.4 Compulsory Acquisition

The Offeror will not have the power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Partial Offer after the close of the Partial Offer. Further details are set out in the "Letter from VBG Capital" contained in the Offer Document.

4.5 Response of the Company on the Offeror's intention in relation to the Partial Offer

The Partial Offer is uninvited and as at the Latest Practicable Date, the Offeror and the Board have not had any discussion on the long-term strategic and development plan on the Group. Further, no concrete or detailed plan was provided by the Offeror in the Offer Document for the business of the Group and its employees. As such, the Board is unable to form any view on the Offeror's intentions in respect of the Group and its employees.

4.6 Our view

Considering that (1) the Partial Offer is uninvited and as at the Latest Practicable Date, the Offeror and the Board have not had any discussion on the long-term strategic and development plan on the Group, and (2) while the Offeror is personally involved in, among others, consumer pharmaceutical and medicine businesses for over 20 years, the Offer Document lacks information as to the development plan in relation to the business industry of the Group, we are of the view that it is uncertain whether the background and intention of the Offeror are beneficial to the Company and in the interests of the Company and the Qualifying Shareholders as a whole.

5. Future prospects and recent developments of the Group

5.1 Business performance

As disclosed in the Letter from the Board, the Group is principally engaged in the supply chain business for branded goods and consumer products in the Greater China region.

As disclosed in the 2024 Annual Report, the Group recorded continuous loss attributable to owners of the Company of approximately HK\$76.9 million, HK\$26.4 million, HK\$40.8 million, HK\$21.7 million and HK\$32.0 million for each of the five years ended 31 March 2020, 2021, 2022, 2023 and 2024, respectively.

Despite the improvement in gross profit of the Group for the year ended 31 March 2024, it is worth noting that (a) the improvement in gross profit was generated by the provision of brand promotion services which the Group only started in the same year; and (b) the revenue of the Group recorded a decline of approximately 22.9%. It is unsure as to whether the business in the provision of brand promotion services can sustain the prospects of the Group with the overall decline in the revenue of the Group as mentioned.

Further, as disclosed in the announcement of the Company dated 22 November 2024 in relation to the Profit Warning, despite the growth in revenue during the period concerned, the gross profit margin of the brand promotion businesses has reduced due to the unfavourable market conditions and increased market competition. With the commencement of the Offer Period, pursuant to Rule 10 of the Takeovers Code, the Profit Warning constitutes a profit forecast and must be reported on by the Company's financial advisers and auditors in accordance with Rule 10.4 of the Takeovers Code. As disclosed in the Letter from the Board, as the Independent Forensic Accountant is still in the course of preparing its independent investigation report for the independent investigation committee of the Board as at the Latest Practicable Date, the Company was not able to appoint financial advisers and auditors for the preparation of the report on the Profit Warning. As such, there is uncertainty on whether the Profit Warning can be relied on.

Evidenced by the continuous loss-making status of the Group, the Group has not been able to recover or turnaround its financial performance. Accordingly, we are of the view that the future prospects of the Group remain challenging and uncertain.

5.2 Delay in publication of 2024 Interim Results

References are made to the announcements of the Company dated 29 November 2024, 12 December 2024, 7 January 2025 and 28 January 2025, in relation to, among other things, the delay in the publication of the interim results of the Company for the six months ended 30 September 2024, the establishment of the independent investigation committee, the appointment of the independent forensic accountant and the suspension of trading in the Shares. According to the said announcements, the Board (save and except for Ms. Qin, Mr. Zhao and Mr. Guo Wei) considered it to be inaccurate and misleading to publish the 2024 Interim Results at its present status. The recent business performance of the Company is unclear until the publication of the 2024 Interim Results and upon the investigation of the independent investigation committee. As at the Latest Practicable Date, the investigation is still ongoing.

5.3 *Rights Issue*

References are made to the announcements of the Company dated 30 September 2024, 25 October 2024 and 21 November 2024, in relation to, among other things, the proposed issue by way of rights shares on the basis of one (1) rights share for every five (5) existing Shares held on the record date at the at the subscription price of HK\$0.10 per rights share. The rights issue is expected to result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) given the discount in nature of the subscription price to the prevailing market price of the Shares. Assuming no change in the number of Shares in issue, a maximum of 271,234,350 rights share may be issued at the subscription price of HK\$0.10 per rights share, which is below the Offer Price of HK\$0.11 per Share. It is also anticipated that the rights issue may exert a downward pressure on the market price of the Shares given the discount in nature. Accordingly, we are of the view that the Partial Offer presents an opportunity to exit at a fixed price above the subscription price of the rights issue for Qualifying Shareholders.

5.4 *Requisitions*

References are made to the announcements of the Company dated 21 August 2024 and 30 August 2024, in relation to, among other things, the Invalid Purported Requisition and the announcement of the Company dated 4 November 2024 and the circular of the Company dated 14 November 2024, in relation to, among other things, the Purported Requisition (together with the Invalid Purported Requisition, the “**Requisitions**”).

The Invalid Purported Requisition dated 20 August 2024 requested the Board to convene an extraordinary general meeting for considering, among others, the removal of certain existing Directors and appointment of Directors. The Invalid Purported Requisition was considered invalid as disclosed in the announcement of the Company dated 30 August 2024.

Subsequently, the Purported Requisition dated 25 October 2024 requested the Board to convene an extraordinary general meeting for considering, among others, the removal of certain existing Directors and appointment of Directors. As a result, the extraordinary general meeting was expected to be convened and held on 24 December 2024 or any adjournment thereof, to consider and, if thought fit, to approve the resolutions in the notice.

References are also made to the announcements of the Company dated 20 December 2024, 27 December 2024, 5 January 2025, 7 January 2025 and 10 January 2025 in relation to, among other things, the postponement of the extraordinary general meeting and the application for interlocutory injunction. The Board has resolved to postpone the extraordinary general meeting sine die (i.e. without a future date affixed). One of the requisitionists has made an application for interlocutory injunctions in relation to, among other things, the postponement of the extraordinary general meeting. Subsequently, the High Court of Hong Kong ordered that the hearing be adjourned to 21 February 2025. Accordingly, such issue, which casts uncertainty on the future of the Board, has not been resolved as at the Latest Practicable Date.

Whilst we are not in the position to provide any views as to how the Shareholders should vote in the extraordinary general meeting for consideration the resolutions in the notice of the Purported Requisition, the passing of the resolutions, especially in relation to the removal of certain existing Directors, may affect the operations of the business of the Group during the transitional period and cast uncertainty as to the stability of the operations of the Group.

Regardless of the outcome of the voting at the extraordinary general meeting, we are of the view that the management of the Company may be unstable with activism from the Shareholders casting doubts on the Board.

5.5 Notice and request from China Innovation Investment Limited

References are made to the announcement of China Innovation Investment Limited (Stock code: 1217) ("**China Innovation**") dated 4 November 2024 and the announcement of the Company dated 4 November 2024 in relation to, among other things, the notice issued to the Company by China Innovation where China Innovation stipulated that the proposed removal of certain Directors who were nominated to the Board pursuant to the nomination rights of China Innovation under the Subscription Agreement (as defined in the announcement of the Company dated 4 November 2024) if approved by the Shareholders at the extraordinary general meeting of the Company, would seriously affect the rights of China Innovation under the Subscription Agreement. Within the same announcement, China Innovation also claimed such to have potentially violate the Subscription Agreement and it declares and reserves all its rights under the Subscription Agreement.

References are also made to the announcement of China Innovation dated 11 December 2024 and the announcement of the Company 12 December 2024 in relation to, among other things, requesting for an investigation into the legality of the purchase of the shares of the Company of certain shareholders of the Company.

Accordingly, with the looming uncertainty which may lead to further disputes or in turn, disruptions to the Company's operations, we are of the view that the future of the Company may be susceptible to conflicts and in turn, hinder the prospects of the Company.

5.6 Resignation of key personnel of the Company and suspension of duties of certain Directors

References are made to the announcements of the Company dated 26 November 2024, 29 November 2024 and 2 December 2024, in relation to, among other things, the resignation of Mr. Chow Chi Fai from the position of company secretary and chief financial officer of the Company; the resignation of Mr. Chiu Sui Keung from the position of chief executive officer of the Company; and the resignation of Mr. Zhang Shaoyan from the position of chief investment officer of the Company.

Reference is also made to the announcement of the Company dated 29 November 2024, in relation to, among other things, the suspension of duties and powers of executive Directors of the Company. The duties of Ms. Qin Jiali and Mr. Zhao Zhenzhong as the Directors has been suspended until further notice pending the results of the investigation of the Independent Investigation Committee. As referred to within the same announcement, the Board (save and except for Ms. Qin Jiali, Mr. Zhao Zhenzhong and Mr. Guo Wei) considers that the suspension would not affect the daily operation of the Group in any material respects.

Reference is also made to the announcement of the Company dated 23 January 2025, in relation to, among other things, the suspension of duties and powers of executive Directors of the Company. Mr. Chiu Sui Keung, Mr. Zhang Shaoyan, Mr. Lam Williamson, Mr. Wong Tsz Fung and Mr. Moy Yee Wo, Matthew applied to the Board to voluntarily suspend their duties as Directors. As referred to within the same announcement, the Board considers that the suspension would not affect the daily operation of the Group in any material respects.

We are of the view that the management of the Company may be disrupted with the resignation of multiple key personnel of the Company and suspension of duties arising from vacuum in leadership and uncertainty in operational directions.

5.7 The suspension of trading and the Resumption Guidance

References are made to the announcements of the Company dated 29 November 2024, 12 December 2024, 7 January 2025 and 28 January 2025, in relation to, among other things, the suspension of trading in the Shares and the announcement of the Company dated 16 January 2025, in relation to, among other things, the Resumption Guidance.

As a result of the delay in publication of the 2024 Interim Results, the trading of the Shares has been suspended with effect from 2 December 2024.

On 15 January 2025, the Company received a letter from the Stock Exchange setting out the following resumption guidance for the resumption of trading in the Shares:

- (a) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (b) conduct an independent forensic investigation into the issues about certain operating subsidiaries of the Company during the 2024 Interim Period, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;
- (c) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group's management and/or any person with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;

- (d) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules;
- (e) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and
- (f) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

The Stock Exchange requires the Company to meet all Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 1 June 2026. If the Company fails to remedy the issues causing its trading suspension, fulfill the resumption guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 1 June 2026, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period or to cancel the listing of the Company immediately, where appropriate.

We remind the Qualifying Shareholders that if the listing status of the Company is eventually cancelled by the Stock Exchange, they will be holding the Shares of an unlisted public/private company, where trading of the Shares will no longer be easily accessible and no information transparency as compared to the platform offered by the Stock Exchange.

Accordingly, we are of the view that the Partial Offer presents an opportunity for Qualifying Shareholders to exit at a price which is at premium to the closing price of the Shares prior to the suspension of trading of the Shares since 2 December 2024, with the suspension of the trading in the Shares in place until the Company meets all Resumption Guidance and remedies the issues causing its trading suspension and fully complies with the Listing Rules to the Stock Exchange's satisfaction.

6. Evaluation on the Offer Price

6.1 The Offer Price

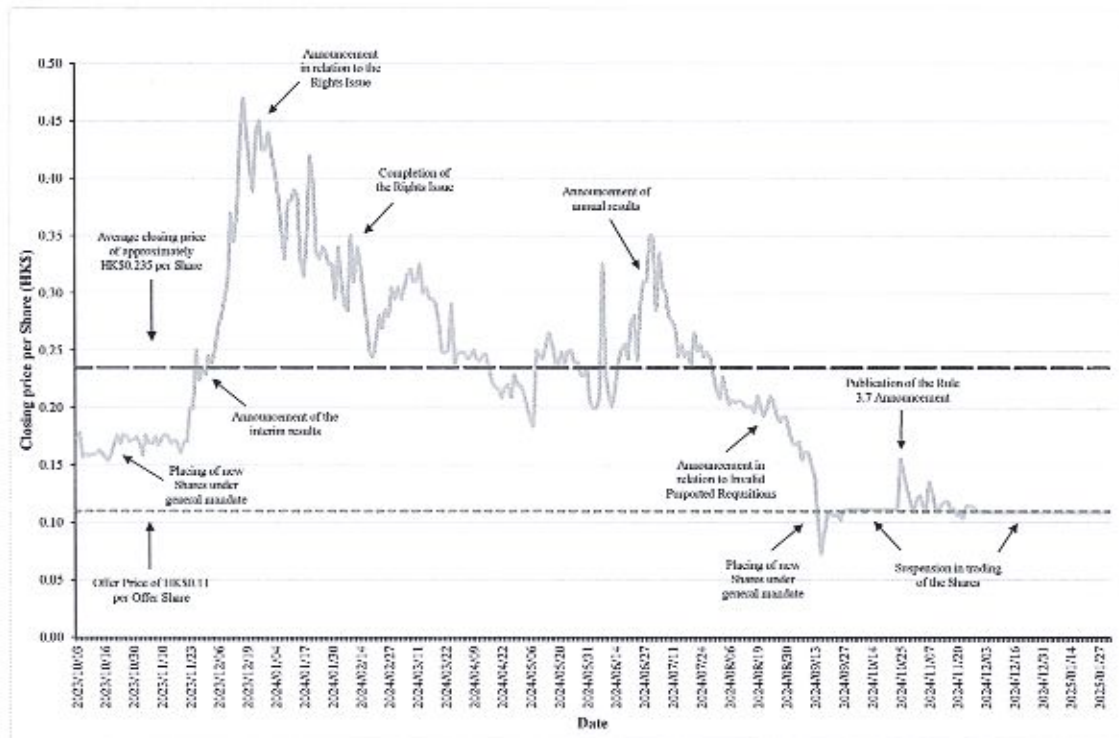
The Offer Price of HK\$0.11 per Offer Share represents:

- (i) a premium of approximately 0.9% over the closing price of HK\$0.109 per Share as quoted on the Stock Exchange on 29 November 2024, being the last trading day prior to the suspension in trading of the Shares since 2 December 2024 and up to the Latest Practicable Date;
- (ii) a discount of approximately 7.6% to the closing price of HK\$0.119 per Share as quoted on the Stock Exchange on 1 November 2024, being the last trading day as defined in the Offer Document (the “**Last Trading Day**”);
- (iii) a discount of approximately 11.3% to the average closing price of approximately HK\$0.124 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 9.1% to the average closing price of approximately HK\$0.121 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 22.0% to the average closing price of approximately HK\$0.141 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 20.2% to the consolidated net asset value attributable to owners of the Company of approximately HK\$0.0915 per Share, calculated based on the audited consolidated net asset value attributable to owners of approximately HK\$124.1 million as at 31 March 2024 and 1,356,171,754 Shares in issue as at the Latest Practicable Date.

6.2 Historical performance of the Shares

We have reviewed the movements in the closing price of the Shares for the Review Period. We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer Price and is also a common approach when assessing historical performance of Shares in a general offer. Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 3 October 2023, being the twelve-month period prior to the Offeror notified the Board in writing that she intends to make the Partial Offer, and up to the Latest Practicable Date, where the trading of the Shares has been suspended (i) from 2 October 2024 to 24 October 2024 pending the release of the Rule 3.7 Announcement; and (ii) since 2 December 2024 (the “Review Period”):

Daily closing price of the Shares



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

Note: Trading of the Shares has been suspended from 2 October 2024 to 24 October 2024 pending the release of the Rule 3.7 Announcement. Trading of the Shares has also been suspended from 2 December 2024.

We noted from the above charts that, during the Review Period, the Shares closed on the Stock Exchange within the range of the lowest of HK\$0.073 per Share on 17 September 2024 to the highest of HK\$0.47 per Share on 18 December 2023. The Offer Price is lower than the average closing price of approximately HK\$0.235 per Share during the Review Period, which represents a discount of approximately 53.3% over the average closing price per Share during the Review Period.

We observed that the closing price of the Shares fluctuated between HK\$0.15 to HK\$0.2 from the start of the Review Period until around late November 2023. Subsequent to the publication of the interim announcement on 29 November 2023, the closing price of the Shares then experienced a surge and reached the highest of HK\$0.47 per Share on 18 December 2023.

After the announcement in relation to the rights issue on 28 December 2023 and the announcement in relation to the completion of the rights issue on 9 February 2024, the closing price of the Shares subsequently exhibited a downward trend and sustained for a long period of time until early May 2024, reaching a low point of HK\$0.184 per Share on 7 May 2024.

After the announcement of the annual results for the year ended 31 March 2024 on 28 June 2024, the closing price of the Shares then slightly recovered and reached HK\$0.35 per Share on 3 July 2024. Since then, the closing price of the Shares continued to experience a downward pressure until mid-September 2024 while reaching the lowest of HK\$0.073 per Share on 17 September 2024 after the announcement of the placing of new shares under general mandate on 15 September 2024. The closing price of Shares recovered to HK\$0.09 per Share on 19 September 2024, being the next trading day after 17 September 2024, and stabilized around HK\$0.103 to HK\$0.111 per Share up to the trading halt pending the release of the Rule 3.7 Announcement, which might have been driven by the surge in trading volume in the same period.

During the period from 25 October 2024 (from the resumption of trading after the release of the Rule 3.7 Announcement) up to and including the Latest Practicable Date (the "**Post-Announcement Period**"), the Offer Price of HK\$0.11 per Share represents (i) a premium of approximately 5.8% over the lowest closing price of HK\$0.104 per Share; and (ii) a discount of approximately 29.0% to the highest closing price of HK\$0.155 per Share during the Post-Announcement Period. We believe that the aforesaid recovery in closing prices of the Share prior to the suspension of trading in the Shares was likely linked to the market reaction to the Offer Announcement, which might be a temporary and unsustainable market reaction to the Partial Offer.

Subsequently, the trading of the Shares has been suspended from 2 December 2024. Prior to the suspension, the closing price of the Shares closed at HK\$0.109 per Share on 29 November 2024.

6.3 Historical trading volume of the Shares

Set out below is the table showing the daily trading volumes of the Shares on the Stock Exchange during the Review Period:

Month/Period	No. of trading days	Average daily number of trading volume	% of total issued shares ⁽²⁾	% of public float ⁽³⁾
Oct 2023 (from 3 October 2023)	20	887,650	0.0983%	0.1231%
Nov 2023	22	2,159,036	0.1992%	0.2370%
Dec 2023	19	5,680,163	0.5241%	0.6866%
Jan 2024	22	8,711,399	0.8037%	1.0536%
Feb 2024	19	5,191,789	0.4594%	0.6286%
Mar 2024	20	1,444,260	0.1278%	0.1759%
Apr 2024	20	1,648,870	0.1459%	0.2009%
May 2024	21	968,352	0.0857%	0.1180%
Jun 2024	19	7,273,684	0.6436%	0.8861%
Jul 2024	22	2,014,657	0.1783%	0.2454%
Aug 2024	22	535,836	0.0474%	0.0653%
Sep 2024	19	5,614,421	0.4140%	0.6756%
Oct 2024 ⁽¹⁾	5	5,826,600	0.4296%	0.7012%
Nov 2024	21	912,443	0.0673%	0.1014%
Dec 2024 ⁽⁴⁾	–	–	–	–
Jan 2025 ⁽⁴⁾	–	–	–	–
Feb 2025 (up to the Latest Practicable Date) ⁽⁴⁾	–	–	–	–

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

Notes:

- (1) Trading of the Shares has been suspended from 2 to 24 October 2024 pending the release of the Rule 3.7 Announcement.
- (2) Calculated based on average daily trading volume over the month/period divided by the total number of shares at each month/period end according to the monthly returns filed by the Company.
- (3) Calculated based on average daily trading volume over the month/period divided by the total number of public shares at each month/period end according to the announcements of the Company disclosing relevant information regarding the public float of the Company.
- (4) Trading of the Shares has been suspended from 2 December 2024.

Trading volume of the Shares during the Review Period

The number of issued shares of the Company was 903,208,712 Shares at the start of the Review Period. On 1 November 2023, 180,640,000 Shares were allotted and issued to not less than six places under general mandate pursuant to the terms and conditions of the placing agreement dated 13 October 2023. On 15 February 2024, 46,323,042 rights shares were issued and allotted pursuant to the rights issue as detailed in the prospectus of the Company dated 22 January 2024 and the announcement of the Company dated 9 February 2024. On 25 September 2024, 226,000,000 Shares were allotted and issued to China Innovation under general mandate pursuant to the Subscription Agreement dated 15 September 2024 entered into between the Company and China Innovation as the subscriber.

The average daily trading volume of the Shares on the Stock Exchange amounted to approximately 3.3 million Shares during the Review Period, representing a range from approximately 0.5 million Shares in August 2024 to approximately 8.7 million Shares in January 2024, or approximately 0.0474% in August 2024 to approximately 0.8037% in January 2024 in terms percentage to the total number of total issued Shares as at the end of the respective month and approximately 0.0653% in August 2024 to approximately 1.0536% in January 2024 in terms of percentage to the public float of the Company as at the end of the respective month.

There are only 43 out of 271 trading days during the Review Period which recorded trading volume of more than 0.5% of the issued share capital of the Company and only 7 out of 271 trading days during the Review Period which recorded trading volume of more than 1% of the issued share capital of the Company. This indicates that the liquidity of the Shares had been generally thin during the Review Period.

As discussed above in the paragraphs headed “5.7 The suspension of trading and the Resumption Guidance” in this letter, the Partial Offer presents an opportunity for Qualifying Shareholders to exit at a price which is at premium to the closing price of the Shares prior to the suspension of trading of the Shares since 2 December 2024, with the suspension of the trading in the Shares in place until the Company meets all Resumption Guidance and remedies the issues causing its trading suspension and fully complies with the Listing Rules to the Stock Exchange’s satisfaction.

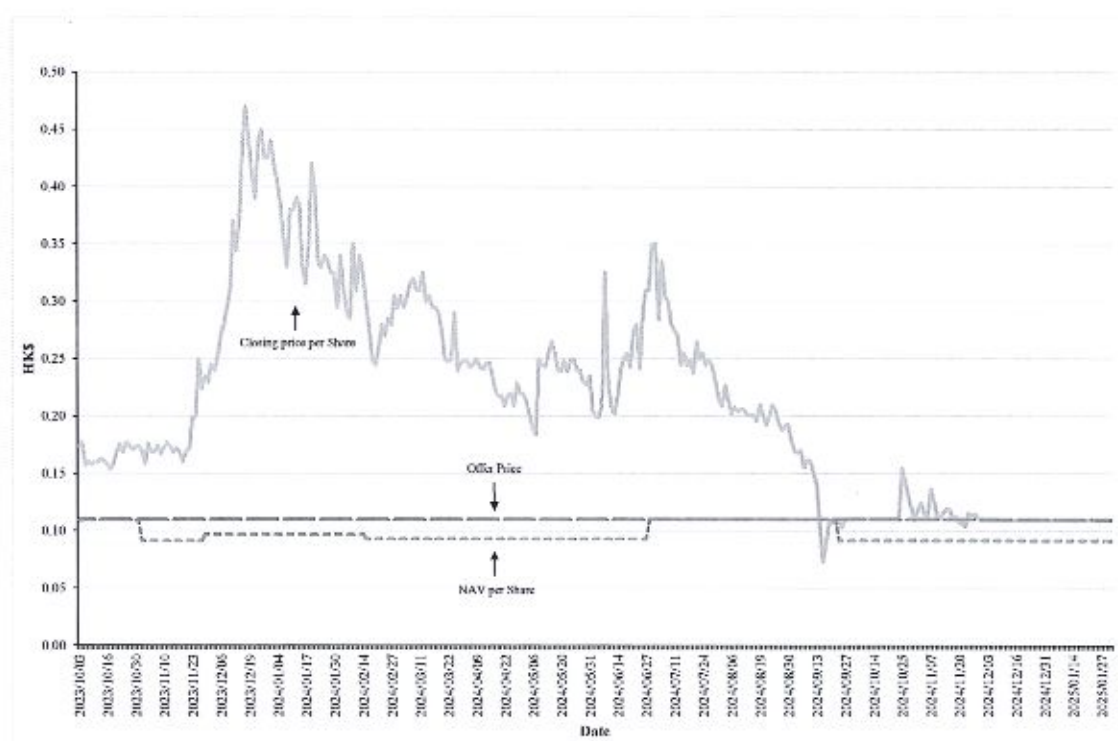
Nonetheless, given the thin historical daily trading volume of the Shares during the Review Period, it is uncertain as to whether there is sufficient liquidity for the Qualifying Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the Share price on the market when the trading in the Shares resumes after the Company meets all Resumption Guidance and remedies the issues causing its trading suspension and fully complies with the Listing Rules to the Stock Exchange’s satisfaction.

As such, we are of the view that the prevailing market price of the Shares may not necessarily reflect the actual proceeds that the Qualifying Shareholders (especially those with more sizeable holdings) may receive if they elect to dispose of their Shares on the open market when the trading in the Shares resumes after the Company meets all Resumption Guidance and remedies the issues causing its trading suspension and fully complies with the Listing Rules to the Stock Exchange's satisfaction. Therefore, we are of the view that the Partial Offer presents an opportunity for Qualifying Shareholders to exit at a price which is at premium to the closing price of the Shares prior to the suspension of trading of the Shares since 2 December 2024.

6.4 Historical discounts to net asset value per Share

The Offer Price represents a premium of approximately 20.2% to the audited consolidated net asset value attributable to owners of the Company per Share ("NAV") of approximately HK\$0.0915 as at 31 March 2024. The chart below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the Review Period, and up to the Latest Practicable Date against the Offer Price and latest available NAV of the Company at the relevant time.

NAV per Share



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

Note: The NAV per Share was calculated based on the net assets as set out in the respective interim or annual results of the Company divided by the total number of Shares in issue based on latest published monthly return or next day return of the Company at the time.

For reference of the Qualifying Shareholders, as shown in the chart above, the Shares have been trading at a substantial premium to the NAV per Share for most of the time during the Review Period. The Shares have been trading at an average premium of approximately 141.3% to the NAV over the Review Period, which is substantially higher than the premium of approximately 20.2% that the Offer Price represents. As the Offer Price still represents a substantial premium to the NAV, on this basis, we are of the view that the Offer Price is fair and reasonable from the perspective of the NAV per share so far as the Qualifying Shareholders are concerned.

6.5 Peer Comparables

In order to further assess the fairness and reasonableness of the Offer Price, we have considered the price-to-book ratio (the “**P/B Ratio**”), the price-to-earnings ratio (the “**P/E Ratio**”), price-to-sales ratio (the “**P/S Ratio**”) and dividend yield which are commonly adopted trading multiple analyses. Given that the Group was loss-making for the years ended 31 March 2022, 2023 and 2024 and no dividend was distributed for the years ended 31 March 2022, 2023 and 2024, we were unable to analyse with reference to P/E Ratio and dividend yield. As fluctuation in revenue for the Company and/or any of the Peer Comparables would distort the results of analysis on P/S Ratio, and P/S Ratio does not reflect the cost structure differences between different companies. Given the aforesaid limitations, P/S Ratio analysis is not included in our analysis below. Accordingly, we consider the P/B Ratio to be an appropriate indicator of the fair values of the comparable companies.

Based on the Offer Price of HK\$0.11 per Offer Share and the total number of issued Shares of 1,356,171,754 as at the Latest Practicable Date, the Company is valued at approximately HK\$149.2 million. The P/B Ratio of the Company implied by the Offer Price is approximately 1.2 times (the “**Implied P/B Ratio**”) based on the audited consolidated net asset value attributable to owners of the Company of approximately HK\$124.1 million as at 31 March 2024.

For the purpose of comparison, we have identified an exhaustive list of 3 other listed companies on the Stock Exchange based on the criteria that more than 50% of the revenue for the latest full financial year was generated from the provision of supply chain business in the Greater China region, which is similar to that of the Company (the “**Peer Comparable(s)**”). Based on the above, having considered the exhaustive list of Peer Comparables having met the selection criteria, we are of the view that the Peer Comparables are representative samples and it is fair and reasonable for the Peer Comparables to represent companies similar to that of the Company for comparison purpose.

We have included our search of the Peer Comparables with companies listed on GEM and regardless of the size of the market capitalisation as the number of the Peer Companies were limited. Although the number of the Peer Comparables were limited and that we have broadened our search as mentioned above, we are of the view that the valuation of the peer listed companies is comparable to that of the Company because the Peer Comparables also engage in the provision of supply chain business in the Greater China region and we consider that the Peer Comparables represent the companies operating in the same business segment and in the same geographical location to that of the Company. Based on the above, having considered the exhaustive list of Peer Comparables having met the selection criteria, we are of the view that the Peer Comparables are representative samples and it is fair and reasonable for the Peer Comparables to represent

companies similar to that of the Company for comparison purpose and thus provide a meaningful reference of the valuation based on market trading prices of companies for the Qualifying Shareholders to take reference of.

The table below illustrates the market capitalisation and net asset value of the Peer Comparables as well as the calculated P/B Ratio:

Company name (Stock code)	Principal activities	Market capitalisation as at the Last Trading Day	Net asset value (Note 1)	P/B ratio
Sinopharm Tech Holdings Limited (8156)	Principally engaged in internet services, mainly involved in the provision of supply chain services including operation of supply chain technology platform, provision of supply chain management, data analysis and trading of goods	HK\$62.1 million	Net liability (Note 3)	N/A (Note 3)
China Ocean Group Development Ltd (8047)	Principally engaged in the provision of supply chain management services	HK\$205.4 million	HK\$485.5 million	0.4 times
Zall Smart Commerce Group Ltd. (2098)	Principally engaged in the provision of (i) supply chain management and trading business and (ii) sales of properties and related services	HK\$4,091.8 million	HK\$15,133.4 million (Note 4)	0.3 times
The Company	Principally engaged in the supply chain business for branded goods and consumer products in the Greater China region	HK\$149.2 million (Note 2)	HK\$124.1 million	1.2 times

Source: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Peer Comparables

Notes:

1. The P/B Ratios of the Peer Comparables are calculated based on the market capitalisation of the respective Peer Comparables as at the Last Trading Day divided by the net assets value of the respective Peer Comparables as extracted from their respective latest published interim or annual results as at the Last Trading Day.
2. The Implied P/B Ratio is calculated based on the theoretical market capitalisation of the Company with reference to the Offer Price.
3. Net asset value is not applicable due to the net liabilities position of Sinopharm Tech Holdings Limited (8156) as at 31 December 2023.
4. For the purpose of this table, the translation of RMB into HK\$ is based on the exchange rate of RMB0.915 to HK\$1 as quoted by China Foreign Exchange Trade System & National Interbank Funding Center on the Last Trading Day.

As illustrated in the table above, the Implied P/B Ratio of the Company calculated based on the theoretical market capitalisation of the Company with reference to the Offer Price is approximately 1.2 times, which is higher than that of China Ocean Group Development Ltd (8047) of approximately 0.4 times and Zall Smart Commerce Group Ltd. (2098) of approximately 0.3 times. Accordingly, this indicates the implied valuation of the Company based on the Offer Price is higher than the valuations of the Peer Comparables based on their respective closing share prices from the perspective of P/B Ratio. On this basis, for the Qualifying Shareholders' reference, we are of the view that the Offer Price is fair and reasonable from a price-to-book valuation standpoint.

6.6 Partial offer precedents

We are of the view that past partial offer transactions of companies listed on the Stock Exchange may not be a good reference for assessing the fairness and reasonableness of the Offer Price considering these companies are from different industries and looking to acquire different percentages of the respective offeree companies, which therefore have different market fundamentals and prospects. Accordingly, we consider the analysis in the sections above to be more relevant for the Qualifying Shareholders.

6.7 Conclusion

In conclusion, we noted that:

- (i) notwithstanding the Offer Price represents a discount of approximately 7.6% to the closing price as quoted on the Stock Exchange on the Last Trading Day, the Offer Price represents a premium of approximately 20.2% of the audited consolidated net assets attributable to owners of the Company of approximately HK\$0.0915 per Share as at 31 March 2024, as discussed in paragraphs headed "6.1 The Offer Price" in this letter;

- (ii) despite the average closing price of the Shares during the Review Period was approximately HK\$0.235 per Share, the closing price of the Shares has demonstrated a downward trend since mid-December 2023 until mid-September 2024, where the closing price of the Shares as low as HK\$0.073 per Share on 17 September 2024, which is below the Offer Price, as discussed in paragraphs headed “6.2 Historical performance of the Shares” in this letter; and
- (iii) the P/B Ratio of the Company implied by the Offer Price of approximately 1.2 times is higher than the P/B Ratios of the Peer Comparables, as discussed in the paragraphs headed “6.5 Peer Comparables” in this letter.

On balance, we are of the view that the Offer Price is fair and reasonable so far as the Qualifying Shareholders are concerned.

7. Public float and maintaining the listing status of the Company

The Stock Exchange has stated that if, upon close of the Partial Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

According to the Letter from the Board, the Company had a public float of approximately 66.45% of the Shares in issue as at the Latest Practicable Date. Assuming (i) full acceptances of the Partial Offer by the Qualifying Shareholders; and (ii) that there are no changes to the issued share capital of the Company between the Latest Practicable Date and up to the Final Closing Date, the Company will have a public float in excess of 25% of the Shares in issue immediately following the close of the Partial Offer. Accordingly, the number of Shares in public hands will continue to meet the 25% minimum public float requirement under Rule 8.08 of the Listing Rules.

RECOMMENDATION

Based on the foregoing, having considered the aforementioned principal factors and reasons for the Partial Offer, we noted that:

- (i) the Group recorded continuous loss attributable to owners of the Company for each of the five years ended 31 March 2020, 2021, 2022, 2023 and 2024, which demonstrates that the Group has been operating in a challenging environment and has not been able to recover or turnaround its financial performance, as discussed in the paragraphs headed “5.1 Business performance” in this letter;
- (ii) the recent business performance of the Company is yet to be made available for assessment pending the publication of the 2024 Interim Results for the six months ended 30 September 2024, as discussed in the paragraphs headed “5.2 Delay in publication of 2024 Interim Results” in this letter;
- (iii) the proposed issue by way of rights of the rights shares on the basis of one (1) rights share for every five (5) existing Shares at the at the subscription price of HK\$0.10 per rights share which is lower than the Offer Price of HK\$0.11 per Share, which is expected exert a downward pressure on the market price of the Shares given the discount in nature, as discussed in the paragraphs headed “5.3 Rights Issue” in this letter;
- (iv) the Requisitions and notice from China Innovation casts doubts on the continued management and looms uncertainty as to the future of the Company, as discussed in the paragraphs headed “5.4 Requisitions”, “5.5 Notice and request from China Innovation” and “5.6 Resignation of key personnel of the Company and suspension of duties of certain Directors” in this letter;
- (v) the Partial Offer presents an opportunity for Qualifying Shareholders to exit at a price which is at premium to the closing price of the Shares prior to the suspension of trading of the Shares since 2 December 2024, with the suspension of the trading in the Shares in place until the Company meets all Resumption Guidance and remedies the issues causing its trading suspension and fully complies with the Listing Rules to the Stock Exchange’s satisfaction, as discussed in the paragraphs headed “5.7 The suspension of trading and the Resumption Guidance” in this letter;
- (vi) notwithstanding the Offer Price represents a discount of approximately 7.6% to the closing price as quoted on the Stock Exchange on the Last Trading Day, the Offer Price represents a premium of approximately 20.2% of the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$0.0915 as at 31 March 2024, as discussed in paragraphs headed “6.1 The Offer Price” in this letter;

- (vii) despite the average closing price of the Shares during the Review Period was approximately HK\$0.235 per Share, the closing price of the Shares has demonstrated a downward trend since mid-December 2023 until mid-September 2024, where the closing price of the Shares as low as HK\$0.073 per Share on 17 September 2024, which is below the Offer Price, as discussed in paragraphs headed “6.2 Historical performance of the Shares” in this letter;
- (viii) the P/B Ratio of the Company implied by the Offer Price of approximately 1.2 times is higher than the P/B Ratios of the Peer Comparables, as discussed in the paragraphs headed “6.5 Peer Comparables” in this letter; and
- (ix) there are only 43 out of 271 trading days during the Review Period which recorded trading volume of more than 0.5% of the issued share capital of the Company and only 7 out of 271 trading days during the Review Period which recorded trading volume of more than 1% of the issued share capital of the Company, which indicates that the liquidity of the Shares had been generally thin during the Review Period, and implies uncertainty as to whether there would be sufficient liquidity in the Shares for the Qualifying Shareholders to dispose of a large volume of the Shares in the open market without depressing the Share price when the trading in the Shares resumes after the Company meets all Resumption Guidance and remedies the issues causing its trading suspension and fully complies with the Listing Rules to the Stock Exchange’s satisfaction, as discussed in the paragraphs headed “6.3 Historical trading volume of the Shares” in this letter.

On balance, we are of the view that the Partial Offer are fair and reasonable so far as the Qualifying Shareholders are concerned. On this basis, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Qualifying Shareholders to accept the Partial Offer.

Notwithstanding our recommendations, the Qualifying Shareholders are strongly advised that the decision to accept the Partial Offer or to dispose their investments in the Shares is subject to individual circumstances and investment objectives. As different Qualifying Shareholders would have different investment criteria, objectives, risk preferences and tolerance levels and/or circumstances, we would recommend any Qualifying Shareholder who may require advice in relation to any aspect of the Offer Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Partial Offer.


The Qualifying Shareholders also should note that acceptance of the Partial Offer may result in their holding odd lots of Shares. Furthermore, the Qualifying Shareholders are also reminded to read carefully the procedures for accepting the Partial Offer as detailed in the Offer Document, the appendices to the Offer Document and the Form of Acceptance, if they wish to accept the Partial Offer.

Yours faithfully,
For and on behalf of
Alpha Financial Group Limited



Cheng Chi Ming, Andrew
Managing Director

Yours faithfully,
For and on behalf of
Alpha Financial Group Limited



Irene Ho
Vice President

Mr. Cheng Chi Ming, Andrew is the Managing Director of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheng has over 21 years of experience in the corporate finance industry in Hong Kong.

Ms. Irene Ho is the Vice President of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Ms. Ho has over 10 years of experience in the corporate finance industry in Hong Kong.