

As depicted in the table above, during the Review Period, the average daily trading volume represented approximately (i) 0.0012% to 3.8391% of the total issued share capital; and (ii) 0.0026% to 12.0786% of the total number of Shares in issue held by public Shareholders at the end of the respective month. We note that the trading volume was significantly higher in January 2025 and February 2025, coinciding with the recent developments regarding the Offers, which likely stimulated investor interest and trading activities. This surge in trading liquidity on 27 January 2025 reflects market reaction and anticipation following the Joint Announcement. However, after this initial increase, trading activity has gradually declined by February 2025, although it remains relatively high compared to historical levels. There is no assurance that liquidity will continue to remain at a level equal to or above that observed after the Latest Practicable Date. In contrast, for most months in the Review Period, the average daily trading volume remained below 0.3% of the total issued share capital and below 0.80% of the total number of Shares held by public Shareholders, indicating generally low liquidity.

Before the surge in trading activity in January 2025 and February 2025, trading in the Shares had been particularly thin, with an average daily trading volume of below 0.1% of the total issued share capital in most months of 2024. Notably, in August 2024 and September 2024, the average daily trading volume fell to as low as 2,727 Shares and 3,526 Shares, representing only 0.0012% and 0.0016% of the total issued share capital, respectively, and 0.0026% and 0.0034% of the total number of Shares held by public Shareholders, respectively. Given this persistently thin liquidity, it is uncertain whether Offer Shareholders who wish to exit their investment in the open market would be able to do so without depressing the market price of the Shares.

Although the trading volume spiked in early 2025 following the publication of the Joint Announcement regarding the Offers, it remains uncertain whether such liquidity will be sustained in the foreseeable future. It is noted that there is a general decreasing trend in trading volume from 154,828,570 Shares on 27 January 2025 after the publication of Joint Announcement to 466,000 Shares as of the Latest Practicable Date. As such, for Offer Shareholders, particularly those holding sizeable shareholdings, the Share Offer presents a readily available exit opportunity to realize part or all of their investment in the Shares and redeploy the cash received from accepting the Share Offer into other investment opportunities, if they so choose.

However, Offer Shareholders who wish to realize their investment in the Shares may consider disposing of their Shares in the open market or to potential purchasers at a price higher than the Share Offer Price. In such cases, they may decide not to accept the Share Offer but instead sell their Shares in the market or to these purchasers, depending on their individual circumstances and if the net proceeds from the sales exceed the net amount receivable under the Share Offer.

Offer Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully assess the risks and uncertainties based on their individual risk preferences and tolerance. Those opting to retain part or all of their investment should also monitor the Group's financial performance and the Offeror's future intentions regarding the Company, as well as the potential challenges they may face in disposing of their Shares at the Share Offer Price after the close of the Share Offer.

### 3.5 *Market comparable analysis*

In assessing the fairness and reasonableness of the Share Offer Price, we have considered the price-to-earnings ratio (the "**P/E Ratio**"), the price-to-book ratio (the "**P/B Ratio**") and the price-to-sale ratio (the "**P/S Ratio**"), which are the most commonly adopted valuation benchmarks in comparing the valuation of a company's shares. However, given that the Company is principally engaged in provision of data transmission and processing services for IoT applications, which is not an asset-based business, P/B Ratio analysis may not yield any conclusive meaning and the comparison on P/B Ratio was not adopted.

To conduct a valuation benchmarking analysis, based on our search on the website of the Stock Exchange and on a best effort basis, we identified comparable companies based on the following criteria: (i) companies engaged in IT infrastructure solutions (including data transmission and processing services for IoT applications and telecommunication equipment) operating primarily in the PRC; (ii) companies with shares that were actively trading (i.e. not suspended) as at the Latest Practicable Date; (iii) companies with a market capitalisation lower than HK\$1 billion; and (iv) companies that did not report net loss and/or net liabilities in their latest annual reports (the "**Market Comparables**").

To ensure meaningful comparison, we focused on companies with positive net asset positions, as companies with net liabilities may face going concern issues, which could distort valuation multiples. Additionally, the Group has consistently strengthened its net asset position in FY2021, FY2022, and FY2023, with auditors issuing unqualified opinions for these years, reinforcing its financial stability. Based on our screening criteria, we identified an exhaustive list of three Market Comparables.

While the Market Comparables do not have identical operations to the Group, they are engaged in broader segments, including enterprise IT solutions, cloud computing, and data processing services that facilitate communication between hardware and software systems. These companies may provide a wider range of IT infrastructure, integration services, and data management solutions that support various industries, including IoT-related applications. Given the limited number of listed companies focused solely on IoT data transmission and processing, we selected Market Comparables with overlapping business models and technological capabilities, making them a reasonable benchmark for valuation purposes.

The following table set out the details of the Market Comparables and that of the Company based on the Share Offer Price:

Company name (Stock code)	Principal business(es)	Market capitalization (Note 1) HK\$ million	P/S Ratio (Note 2)	P/E Ratio (Note 3)
SIM Technology Group Limited (2000.HK)	Provision of handsets and Internet of Things (IOT) terminals in the PRC and globally.	814.47	1.50	2.36
Hengxin Technology Ltd. (1085.HK)	Provision of telecommunications and technological products, digital technology and digital security services, and telecommunications services in the PRC.	628.56	0.26	7.03
Maiyue Technology Limited (2501.HK)	Provision of integrated information technology (IT) solutions and services in the education and government markets in the PRC.	440.00	1.60	14.47
The Company		Average	1.12	7.95
		Median	1.50	7.03
		Maximum	1.60	15.30
		Minimum	0.26	2.36
		208.00	0.44 (Note 4)	7.68 (Note 5)

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

Notes:

1. Being the market capitalisations of the respective Market Comparables as at the Latest Practicable Date as extracted from the Stock Exchange.
2. The P/S Ratio of the Market Comparables are calculated by dividing the respective market capitalisation as at the Latest Practicable Date by their revenue as extracted from the respective latest annual report.
3. The P/E Ratio of the Market Comparables are extracted from the Stock Exchange.
4. Calculated based on (i) the Share Offer Price of HK\$0.889 per Offer Share; (ii) 233,974,000 Shares in issue as at the Latest Practicable Date; and (iii) the revenue of the Group in FY2023.
5. Calculated based on (i) the Share Offer Price of HK\$0.889 per Offer Share; (ii) 233,974,000 Shares in issue as at the Latest Practicable Date; and (iii) net income of the Group in FY2023.



As depicted from the above table, the P/S Ratio of the Market Comparables ranged from approximately 0.26 times to approximately 1.60 times, with a median and average of approximately 1.50 times and 1.12 times. Despite so, the implied P/S Ratio of the Company (based on the Share Offer Price) of approximately 0.44 times is below the median and average of the P/S Ratio of the Market Comparables and is within the range of the Market Comparables.

In respect of the P/E Ratio, the P/E Ratio of the Market Comparables ranged from approximately 2.36 times to approximately 14.47 times, with a median and average of approximately 7.03 times and 7.95 times. Despite so, the implied P/E Ratio of the Company (based on the Share Offer Price) of approximately 7.68 times is above the median and close to the average of the P/E Ratio of the Market Comparables and is within the range of the Market Comparables.

Despite the variations in valuation multiples among the Market Comparables, we believe they provide relevant insights into industry valuation trends and market perceptions of similar businesses. The fact that the implied P/S and P/E Ratios of the Company fall within the observed range suggests that the Share Offer Price is in line with market expectations. Given that the Market Comparables operate within the broader IT infrastructure industry rather than being identical to the Group's business, we consider that the P/S Ratio and P/E Ratio of the Market Comparables should serve as references rather than definitive valuation indicators.

#### **4 The Option Offer**

With reference to the section headed "2. Share Capital" in Appendix IV to the Composite Document, as at the Latest Practicable Date, save for the 13,376,000 outstanding Share Options granted pursuant to the Share Option Scheme, pursuant to the Share Option Scheme conferring rights to subscribe for 13,376,000 new Shares, the Company had no outstanding convertible securities, options, warrants, derivatives or any other conversion rights in issue affecting the Shares. The Company had no intention to grant any new share awards under the Share Award Scheme during the Offer Period.

Given that the exercise price of the outstanding Share Options (being HK\$1.56 per Share Option) is higher than the Share Offer Price, the "see-through" price is negative and the outstanding Share Options are deeply out of the money. We consider that the Option Offer Price of a nominal value of HK\$0.0001 for the cancellation of each Option is fair and reasonable as far as the Optionholders are concerned.

## RECOMMENDATION

Taking into consideration of the aforementioned principal factors and reasons, in particular, the following:

- (i) the significant deterioration in the financial performance of the Group for the 1H2024, which marked a shift from profit-making in 1H2023 to a loss-making position in 1H2024 despite the significant growth of the IoT industry in the PRC. Based on the Group's Profit Warning Announcements, this downturn has persisted into the second half of 2024, indicating that its financial performance has not improved even as the industry continues to expand. While the Group was profitable from FY2021 to FY2023 and only turned loss-making in 2024, there remains uncertainty as to whether the Management will be able to restore profitability in the future;
- (ii) as at the Latest Practicable Date, (i) no investment or business opportunities have been identified; and (ii) the Offeror is in the course of identifying candidates for the Board and has not reached any final decision as to who will be nominated and the final composition of the Board, we are of the opinion that there remains uncertainty in the future performance of the Group;
- (iii) the closing prices of the Shares largely trended downward during the Review Period, only increasing significantly after the publication of the Joint Announcement and remaining above the Share Offer Price as of the Latest Practicable Date. Therefore, there is no guarantee that the Share price will remain above the Share Offer Price after the Latest Practicable Date or following the close of the Offer Period;
- (iv) the historical closing prices in the Review Period have largely been traded at discounts to the NAV during the Review Period;
- (v) the trading volume of the Shares was exceptionally thin during most of the Review Period, with a notable increase only after the publication of the Joint Announcement. However, it is uncertain whether such active trading volume will be sustained. There is also a general decreasing trend in trading volume from 154,828,570 Shares on 27 January 2025 to 466,000 Shares as of the Latest Practicable Date. Consequently, it remains uncertain whether there will be sufficient liquidity in the Shares in the foreseeable future for Offer Shareholders to dispose of their Shares in the open market without negatively impacting the market price. We therefore consider that the Share Offer provides Offer Shareholders, particularly those with sizeable shareholdings, with a readily available exit opportunity to realise part or all of their investment in the Shares and redeploy the cash received from accepting the Share Offer into other investment opportunities, if so they choose; and

- (vi) the exercise prices of the outstanding Share Options are all greater than the Share Offer Price, the “see-through” price for the outstanding Share Options is therefore nil and the Share Options are out-of-money, the Option Offer Price at a nominal value of HK\$0.0001 is considered to be fair and reasonable so far as the Optionholders are concerned,

we are of the view that the Offers (including the Share Offer Price and the Option Offer Price) are fair and reasonable so far as the Offer Shareholders and Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to (1) advise the Offer Shareholders to accept the Share Offer; and (2) advise the Optionholders to accept the Option Offer.


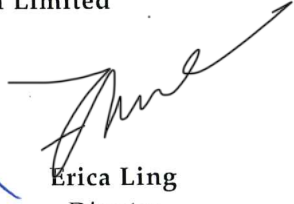
Notwithstanding the above, we note that the Shares have traded above the Share Offer Price after the Joint Announcement was published, closing at HK\$3.10 as at the Latest Practicable Date. In this connection, we would like to remind the Offer Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period and consider disposing of their Shares in the open market, where possible, instead of accepting the Share Offer, if the net proceeds from such sale of Shares would be higher than the receivable under the Share Offer, and only to accept the Share Offer if the Offer Shareholders (especially those with relatively sizeable shareholdings) encounter difficulties to dispose of their Shares in the open market due to the liquidity issue at the Share Offer Price or a price higher than the Share Offer Price. In any event, the Offer Shareholders should note that there is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Share Offer Price during and after the period for the acceptance of the Share Offer.

As for the Optionholders, as the exercise price of the outstanding Share Options (HK\$1.56) is above the Share Offer Price (HK\$0.889), the Share Options are out of the money with reference to the Share Offer Price. However, we note that the Shares have traded above the exercise price of HK\$1.56 of the outstanding Share Options after the Joint Announcement was published, closing at HK\$3.10 as at the Latest Practicable Date. In this connection, we recommend the Optionholders to closely monitor market price movement and consider to exercise their Share Options and sell those Shares in the open market, instead of accepting the Option Offer, if the sale proceeds (after deducting transaction costs and exercise price) exceed the amount receivable under the Option Offer. However, if the market price of Shares falls below the exercise price toward the end of the Offer Period, they may consider tendering all or part of their holdings for cancellation under the Option Offer, should they wish to realize their investment. The Optionholders should note that the Share Options will expire after the Offer Period, if no action (exercising the Share Options or accepting the Option Offer) is taken, their Share Options will lapse automatically.



As different Offer Shareholders and Optionholders would have different investment criteria, objectives and/or circumstances, we would recommend any Offer Shareholders and Optionholders who may require advice in relation to any aspect of the Composite 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.

Yours faithfully,  
For and on behalf of  
**Innovax Capital Limited**

	
<b>Alvin Kam</b>	<b>Erica Ling</b>
<i>Managing Director</i>	<i>Director</i>

*Notes:* Mr. Alvin Kam is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has around 22 years of experience in investment banking and corporate finance.

Ms. Erica Ling is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has around 14 years of experience in investment banking and corporate finance.