

4 September 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

**MANDATORY UNCONDITIONAL CASH OFFER BY
EMPEROR CORPORATE FINANCE LIMITED
ON BEHALF OF THE OFFEROR TO ACQUIRE ALL ISSUED SHARES
OF WUXI LIFE INTERNATIONAL HOLDINGS GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED
TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING
IN CONCERT WITH HIM)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committees and the Independent Shareholders in relation to the Offer, details of which are contained in the letter from the Board (the “Letter from the Board”) in the Composite Document jointly issued by the Offeror and the Company dated 4 September 2024, to which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

On 14 August 2024, the Offeror and the Company jointly announced that Emperor Corporate Finance, on behalf of the Offeror, make the Offer to acquire all the Offer Shares from the Shareholders at the Offer Price, being HK\$0.12 per Offer Share in cash.

References are also made to (i) the announcements of the Company dated 14 February 2024, 14 March 2024, 7 June 2024 and 14 August 2024; (ii) the circular of the Company dated 9 April 2024; and (iii) the prospectus of the Company dated 24 July 2024, in relation to, among others, the Rights Issue. Pursuant to the results of the Rights Issue, on 15 August 2024, a total of 232,458,150 Rights Shares (after the Final Allocation) were issued to the Offeror, comprising (i) 74,000,000 Rights Shares from provisional allotments; (ii) 60,900,000 Rights Shares as transferee of nil-paid Rights Shares; and (iii) 97,558,150 Rights Shares (after the Final Allocation) from excess application.

Immediately following the completion of the Rights Issue (after the Final Allocation) and as at the Latest Practicable Date, the Offeror and parties acting in concert with him are interested in an aggregate of 269,458,150 Shares (comprising 37,000,000 Shares held by the Offeror and 232,458,150 Rights Shares (after the Final Allocation) issued to the Offeror upon completion of the Rights Issue), representing approximately 70.58% of the total issued shares capital of the Company as enlarged by the issue of 254,528,000 Rights Shares. Accordingly, the Offeror is required to make a mandatory unconditional cash offer pursuant to Rule 26.1 of the Takeovers Code for all the issued Offer Shares.

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising Ms. Li Hui Ling, Mr. Fu Yan Ming and Ms. Lam Yuen Man Maria (being all of the non-executive Director and independent non-executive Directors), has been established to advise the Independent Shareholders in relation to the terms and conditions of the Offer, in particular as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the directors, chief executives and substantial shareholders of the Company or the Offeror or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years prior to the Latest Practicable Date, there was no engagement between the Group and/or the Offeror, and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Group or any director, chief executive or substantial shareholders of the Company or the Offeror, or their respective associates. Accordingly, we consider that we are eligible to give independent advice in respect of the Offer.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “Management”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Composite Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Composite Document are true at the time they were made and continue to be true as at the date of the Composite Document and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Composite Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the

Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Composite Document and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date. Should any subsequent major changes occur during the Offer Period that would affect or alter our opinion, we will notify the Independent Board Committee and the Shareholders as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

We consider that we have reviewed the relevant information currently available, including, but not limited to, (i) the announcements of the Company dated 14 February 2024, 14 March 2024, 7 June 2024 and 14 August 2024; (ii) the annual report of the Company for the year ended 31 December 2023 and the interim report of the Company for the six months ended 30 June 2024; (iii) the Composite Document; and (iv) other information contained in the Composite Document, to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Offer, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

The Group is principally engaged in (i) developing and marketing of patented server based technology and the provision of communications software platform and software related services (the “**Software Platform Business**”); (ii) developing and operating of advertising e-commerce platform “紫紅盒子”, a combination of social media and sales channel which aim to develop an interactive application to foster franchising and brand development, which provides a tailored product recommendations and incentives in the form of advertising rewards or discounts (the “**Advertising E-commerce Platform**”); (iii) sales of a wide spectrum of product categories, mainly including skin care products, agricultural products, gold jewelry, daily necessities, etc., in the platform “紫紅盒子” (the “**Sales of Products**”), and (iv) game publishing, development of mobile game and related intellectual property and platform, mobile applications and data solutions and provision of IT related solutions.

(a) *Financial performance of the Group*

Set forth below is the summary of the financial performance of the Group for the years ended 31 December 2022 and 2023 extracted from the annual report of the Company for the year ended 31 December 2023 (the “2023 Annual Report”), and for the six months ended 30 June 2023 and 2024 extracted from the interim report of the Company for the six months ended 30 June 2024 (the “2024 Interim Report”):

	For the year ended		For the six months ended	
	31 December		30 June	
	2022	2023	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
<i>Continuing operations:</i>				
Revenue	21,436	24,493	13,331	36,749
– Software Platform				
Business	21,436	24,493	13,331	17,925
– Advertising E-commerce				
Platform Business	–	–	–	15,647
– Sales of Products				
Business	–	–	–	3,177
Gross profit	12,700	15,642	8,218	16,278
(Loss)/Profit before taxation	(22,152)	(12,484)	(1,903)	3,035
(Loss)/Profit for the year/ period	(22,047)	(12,384)	(1,903)	2,954
<i>Discontinued operations:</i>				
Profit/(Loss) for the year/ period	76	3,049	(548)	–
Total (loss)/profit for the year/period	(21,971)	(9,335)	(2,451)	2,954

For the year ended 31 December 2023 (“FY2023”)

According to the 2023 Annual Report, the Group recorded revenue from continuing operations, Software Platform Business, of approximately HK\$24.5 million for FY2023, representing an increase of approximately 14.3% as compared to approximately HK\$21.4 million for the year ended 31 December 2022 (“FY2022”). The increase in revenue was mainly attributable to the increased sales orders from existing and new customers of Software Platform Business. Gross profit from continuing operations of the Group increased from approximately HK\$12.7 million for FY2022 to approximately HK\$15.6 million for FY2023, representing an increase of approximately 23.2%, mainly due to the combined effect on increase in revenue as aforementioned and a slight increase on cost of sales of approximately 1.3% in FY2023.

Loss for the year from continuing operations decreased by approximately 43.8%, from approximately HK\$22.0 million in FY2022 to approximately HK\$12.4 million in FY2023. Such decrease was mainly attributable to (i) the significant reduction in impairment loss on goodwill from approximately HK\$18.5 million in FY2022 to approximately HK\$1.7 million in FY2023; and (ii) the increase in revenue and gross profit of the Group as aforementioned, and partially offset by the increase in administrative and other operating expenses of approximately 38.3% from approximately HK\$17.4 million in FY2022 to approximately HK\$24.0 million in FY2023, mainly due to the increase in staff costs and professional fees in support of the Group’s business operations.

For six months ended 30 June 2024 (“1H2024”)

According to the 2024 Interim Report, the Group recorded revenue from continuing operations of approximately HK\$36.7 million for 1H2024, representing an increase of approximately 175.7% as compared to approximately HK\$13.3 million for the six months ended 30 June 2023 (“1H2023”). The increase in revenue was mainly attributable to (i) the increase in segment revenue from Software Platform Business from approximately HK\$13.3 million for 1H2023 to approximately HK\$17.9 million for 1H2024, representing an increase by approximately 34.5%, mainly due to the increased sales orders from existing and new customers of Software Platform Business; and (ii) the new segment revenue from Advertising E-commerce Platform Business and Sales of Products Business in relation to the newly launched e-commerce platform of the Group, namely 紫紅盒子. Gross profit from continuing operations of the Group increased from approximately HK\$8.2 million for 1H2023 to approximately HK\$16.3 million for 1H2024, representing an increase of approximately 98.1%,

mainly due to the increase in revenue as aforementioned and partially offset by the increase in cost of sales by approximately HK\$15.4 million as a result of the increase in purchases.

The Group recorded net profit from continuing operations of approximately HK\$3.0 million for 1H2024 and turned around from net loss of approximately HK\$2.5 million for 1H2023. This was mainly due to the increase in gross profit as a result of the increase in sales of the Software Platform Business and the revenue from new segments, the Advertising E-commerce Platform Business and the Sales of Products Business, and partly set off by the increase in the administrative and other operating expenses mainly due to the increase in staff costs and administrative expenses incurred for the new business operation in the PRC, during 1H2024.

(b) Financial position of the Group

Set forth below is the summary of the financial position of the Group as at 31 December 2022 and 2023 extracted from the 2023 Annual Report, and as at 30 June 2024 extracted from the 2024 Interim Report:

	As at 31 December		As at
	2022	2023	30 June
	HK\$'000	HK\$'000	2024
	(audited)	(audited)	(unaudited)
Total assets	19,570	8,703	37,828
Non-current assets	7,547	–	435
Current assets	12,023	8,703	37,393
Total liabilities	14,796	13,264	39,435
Non-current liabilities	870	1,378	985
Current liabilities	13,926	11,886	38,450
Net current (liabilities)	(1,903)	(3,183)	(1,057)
Net assets/(liabilities)	4,774	(4,561)	(1,607)

As at 31 December 2023

The Group recorded total assets of approximately HK\$8.7 million as at 31 December 2023, representing a decrease of approximately 55.5% from approximately HK\$19.6 million as at 31 December 2022. According to the 2023 Annual Report, the decrease was primarily attributable to (i) the full impairment on the aggregate net carrying amount of approximately HK\$3.3 million in relation to the property, plant and equipment, goodwill, and right-of-use assets of the Software Platform Business as a result of the impairment assessment conducted by the Management; (ii) the disposal of the money lending business of the Group in December 2023 and recorded loss allowance of respective loan receivables of approximately HK\$2.8 million; and (iii) a decrease of trade and other receivables of approximately HK\$2.1 million.

The Group recorded total liabilities of approximately HK\$13.3 million as at 31 December 2023, representing a decrease of approximately 10.3% from approximately HK\$14.8 million as at 31 December 2022. According to the 2023 Annual Report, the decrease was primarily attributable to the decrease in other payables and interest-bearing borrowings in an aggregate amount of approximately HK\$4.3 million due to the early repayment, and offset by the increase in amount due to a director of approximately HK\$2.9 million.

The Group recorded net liabilities of approximately HK\$4.6 million as at 31 December 2023, which was decreased from the net assets of approximately HK\$4.8 million as at 31 December 2022.

As at 30 June 2024

The Group recorded total assets of approximately HK\$37.8 million as at 30 June 2024, representing a significant increase of approximately 334.7% from approximately HK\$8.7 million as at 31 December 2023. According to the Management, the increase was primarily attributable to (i) the increase in trade and other receivables, and cash and cash equivalents of approximately HK\$15.6 million and HK\$7.0 million as a result of the increased revenue from the Software Platform Business for 1H2024; and (ii) the increase in inventories of the Group of approximately HK\$6.1 million from the Sales of Products Business of the Group commenced in March 2024.

The Group recorded total liabilities of approximately HK\$39.4 million as at 30 June 2024, representing a significant increase of approximately 197.3% from approximately HK\$13.3 million as at 31 December 2023. According to the Management, the increase was primarily attributable to (i) the increase in receipts in advance of approximately HK\$19.6 million from the new Advertising E-commerce Platform Business and Sales of Products Business of the Group; (ii)

the increase in contract liabilities as a result of increased IT service contracts entered during the period; and (iii) the increase in amount due to a director of approximately HK\$1.2 million.

(c) Our view on the financial information of the Group

Based on the foregoing, it is noted that the financial performance on continuing operations of the Group have been improved from net loss of approximately HK\$22.0 million for FY2022 to net profit of approximately HK\$3.0 million for 1H2024 with increased revenue from Software Application Business and the new businesses in relation to its e-commerce platform (紫紅盒子), namely the Advertising E-commerce Platform Business and Sales of Products Business. However, it is worth noting that while the financial performance for the first half of 2024 is positive, they are not a guarantee of future performance considering that the Group had remained in net loss and net current liabilities position for consecutive financial years/periods. The future performance of the Group will also depend on factors such as the overall market conditions, industry competition, and economic performance.

(d) Industry overview and business outlook of the Group

The information technology (IT) market in Hong Kong has been experiencing robust growth. Despite the Hong Kong economy fluctuates in the past decade, according to Statista, an international market and consumer data provider, market revenue from software-related industries in Hong Kong has been experiencing continuous growth from approximately US\$1.58 billion in 2017 to US\$1.96 billion in 2023, representing compound annual growth rate (CAGR) of approximately 3.66%. Statista expects market revenue from software-related industries in Hong Kong to achieve approximately US\$2.73 billion by 2029, representing CAGR of approximately 5.68% from 2024. In particular, the aggregated market revenue from enterprise and productivity software in Hong Kong is expected to achieve approximately US\$1.5 billion, representing CAGR of approximately 6.29% from approximately US\$1.04 billion in 2023.

According to the 2024 Interim Report, the Group will continue to strengthen its competitiveness and develop its software platform in the context of the advancement in technology. The Group will also continue to maintain a long-term relationship with the existing clients while actively participate in tendering for different projects with an aim of expanding its customer base as well as securing more sales orders from existing customers. However, facing the conditions in the fiercely competitive and ever-changing market, the Group will continue to put in enough resources to meet the increasingly innovative industry standards for customer demand. In navigating the post-pandemic landscape, the Company's strategy concentrates on expanding in high-growth sectors while maintaining a presence in slower growth areas.

With respect to the e-commerce market in the PRC, according to Statista, revenue of e-commerce market in the PRC has increased significantly from approximately US\$405.35 billion in 2017 to approximately US\$1,255.29 billion in 2023, representing CAGR of approximately 20.73%. Statista expects market revenue from e-commerce in the PRC to achieve approximately US\$2,360.77 billion by 2029, representing a CAGR of approximately 11.10%.

According to the 2024 Interim Report, the new platform of the Group strategically enables small and medium enterprises (SMEs) to expand their reach and efficiency in advertising. By providing a centralised digital marketplace, the platform can potentially lower marketing costs and increase rate of return for SMEs through targeted advertising and analytics. According to the 14th Five-Year Plan for E-Commerce Development released by China's Ministry of Commerce in October 2021, the 14th Five-Year Plan introduces seven major tasks to promote the development of e-commerce, including shaping a high-quality e-commerce industry, leading consumption upgrading, promoting business-industry integration, driving the quality and expansion of the sinking market, exploring international co-operation, promoting efficiency changes, and deepening the governance of e-commerce, thereby achieving the objective of achieving significant results in the high-quality development of e-commerce in China by 2025 and e-commerce becoming an important driving force for a significant leap in China's economic strength, scientific and technological strength, and comprehensive national power by 2035. Aligning with current IT trends worldwide, the new e-commerce platform of the Group could also offer innovative data-driven advertising solutions, tapping into the widespread use of data analytics and artificial intelligence to enhance ad relevance and engagement. This aligns with digital transformation, giving SMEs a resilient and forward-thinking advertising channel amid the evolving economic climate.

2. Information on the Offeror

Mr. Liu Guanzhou (“**Mr. Liu**”), aged 42, has been appointed as an executive Director and chairman of the Board of the Company with effect from 14 April 2023. He has over 13 years of experience in business directory publishing and strategic consultancy, and over 10 years of experience in digital marketing and software business, including rich sales channels and business network in the People's Republic of China. Mr. Liu is the shareholder and authorised representative of several private companies which are engaging in electromechanical equipment, advertising, investment management and brand operation management. Mr. Liu has been a publisher and strategic consultant. Mr. Liu is mainly responsible for the general management and business development in the Greater China.

3. Intentions of the Offeror in relation to the Group

It is the intention of the Offeror to continue the existing businesses of the Group and the Offer has no intention to put forward any major changes to the businesses of the Group after the close of the Offer. As at the Latest Practicable Date, the Offeror has not entered and does not intend to enter into any agreement, arrangements, understanding (i) to acquire and/or develop any new business nor (ii) to dispose of or downsize the existing businesses and/or material operating assets, of the Group unless appropriate opportunities arise.

The Offeror will, following the close of the Offer, review the operations of the Group from time to time in order to enhance a long-term growth potential for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. Subject to the result of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. Should such corporation actions materialize, further announcement(s) will be made by the Company in accordance with the GEM Listing Rules.

As at the Latest Practicable Date, the Offeror has no intention to discontinue any employment of the employees of the Group or to dispose of or re-allocate the Group's assets which are not in the ordinary and usual course of business of the Group.

As at the Latest Practicable Date, the Board comprises Mr. Liu, Ms. Liu Xingmei, Mr. Choi Pun Lap as executive Directors, Ms. Li Hui Ling as non-executive director, and Mr. Fu Yan Ming and Ms. Lam Yuen Man Maria as independent non-executive Directors. The Offeror does not have any intention to nominate new Directors to the Board but may do so in the future. If the Offeror in the future wishes to nominate new Directors to the Board it shall be with effect from the earliest time permitted under the Takeovers Code. Further announcement(s) will be made by the Company in compliance with the requirements of the GEM Listing Rules as and when there are changes in the composition of the Board.

4. Maintaining the listing status of the Company and sufficient public float of the Company

If, at the close of the Offer, less than the minimum prescribed percentage applicable to, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

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

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

The Offeror intends the Company to remain listed on the Stock Exchange. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer. The Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. The Offeror considers that the appropriate actions to be taken after the close of the Offer shall include placing down of sufficient number of accepted Offer Shares by the Offeror where appropriate. The Offeror and the Company will issue a further announcement as and when necessary in this regard.

5. Principal terms of the Offer

As set out in the “Letter from the Emperor Corporate Finance” contained in the Composite Document, Emperor Corporate Finance, on behalf of the Offeror, make the Offer to acquire all the Offer Shares in compliance with the Takeovers Code on the basis set out below:

For every Offer Share HK\$0.12 in cash

The Offer Price of HK\$0.12 per Offer Share is equivalent to the Subscription Price of HK\$0.12 per Rights Shares paid by the Offeror under the Rights Issue.

As at the Latest Practicable Date, the Company has 381,792,000 Shares in issue and there is no outstanding options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

As at the Latest Practicable Date, the Offeror and parties acting in concert with him are interested in an aggregate of 269,458,150 Shares (comprising 37,000,000 Shares held by the Offeror as at the Latest Practicable Date and 232,458,150 Rights Shares (after the Final Allocation) issued to the Offeror upon completion of the Rights Issue). A total of 112,333,850 Offer Shares are subject to the Offer. In the event that the Offer is accepted in full by the Independent Shareholders, the aggregate amount payable by the Offeror under the Offer will be HK\$13,480,062.

6. Analysis of the Offer Price

The Offer Price of HK\$0.12 represents:

- (a) a discount of approximately 36.17% to the closing price of HK\$0.188 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 13.04% to the closing price of HK\$0.138 per Share as quoted on the Stock Exchange on the Last Trading Day;

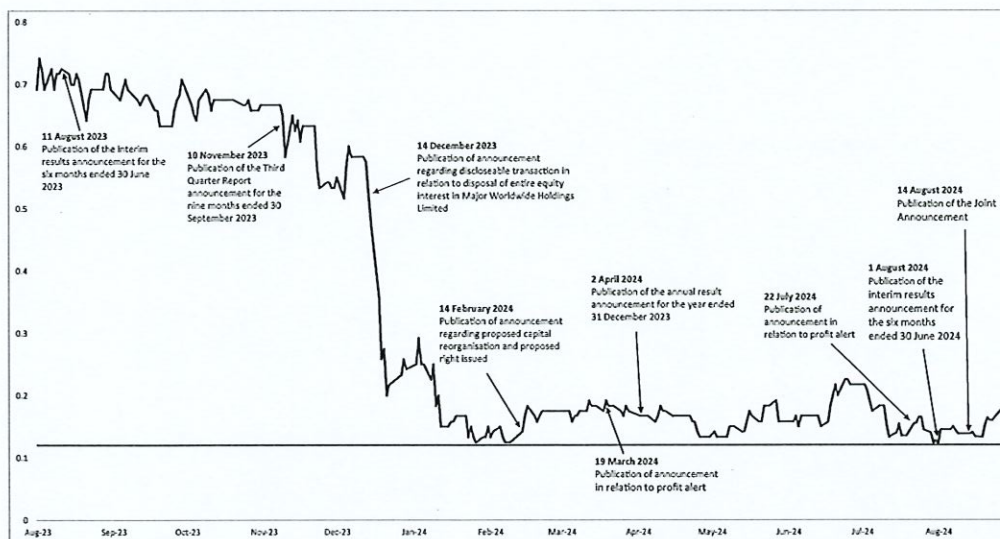
- (c) a discount of approximately 16.67% to the average closing price of approximately HK\$0.144 per Share as quoted on the Stock Exchange over the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 13.04% to the average closing price of approximately HK\$0.138 per Share as quoted on the Stock Exchange over the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 23.57% to the average closing price of approximately HK\$0.157 per Share as quoted on the Stock Exchange over the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a discount of approximately 28.14% to the average closing price of approximately HK\$0.167 per Share as quoted on the Stock Exchange over the sixty (60) consecutive trading days immediately prior to and including the Last Trading Day;
- (g) a premium of approximately HK\$0.132 over the net liabilities of the Company of approximately HK\$0.012 per Share based on the audited net liabilities of the Company of approximately HK\$4,561,000 as at 31 December 2023 as disclosed in the 2023 Annual Report and 381,792,000 Shares as enlarged by the Rights Issue;
- (h) a premium of approximately 1,100% over the unaudited consolidated net asset value attributable to Shareholders of approximately HK\$0.01 per Share (based on the unaudited consolidated net asset value of the Company attributable to Shareholders of approximately HK\$3.76 million as at 30 June 2024 and 381,792,000 Shares in issue as enlarged by the Rights Issue as at the Latest Practicable Date); and
- (i) a premium of approximately 41.18% over the unaudited consolidated net asset value attributable to Shareholders of approximately HK\$0.085 per Share (based on the unaudited consolidated net asset value of the Company attributable to Shareholders of approximately HK\$3.76 million as at 30 June 2024 as adjusted by net proceeds from the Rights Issue of approximately HK\$28.74 million and 381,792,000 Shares in issue as enlarged by the Rights Issue as at the Latest Practicable Date).

As illustrated above, notwithstanding the Offer Price represents a discount to the recent closing prices of the Shares on the Stock Exchange in general, it represents a considerable premium over the unaudited consolidated net asset value attributable to Shareholders as at 30 June 2024 and 381,792,000 Shares in issue as enlarged by the Rights Issue as at the Latest Practicable Date.

For the purpose of assessing the fairness and reasonableness of the Offer Price, we have performed analyses on (i) the historical Share price performance; (ii) the liquidity of the Shares; and (iii) the Comparable Companies (as defined below) as follows:

(i) Historical Share price performance

Set out below is a chart showing the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 1 August 2023 up to the Latest Practicable Date (the “Review Period”). We consider that the duration of the Review Period of approximately one year would be reasonable and sufficient to illustrate the relationship between the recent price movement of the closing prices of the Shares and the Offer Price.



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

As illustrated in the chart above, the closing prices of the Shares were traded above the Offer Price during the Review Period, with the highest closing price at HK\$0.742 per Share on 2 August 2023 and the lowest closing price at HK\$0.122 per Share on 1 August 2024. The average closing price of the Share was approximately HK\$0.340 per Share. Accordingly, the Offer Price of HK\$0.12 per Share represents a discount of approximately 83.8% and 1.6% to the highest closing price and lowest closing price of the Share, respectively, and a discount of approximately 64.7% to the average closing price of the Shares of approximately HK\$0.340, during the Review Period.

It is noted that the closing price of the Shares dropped significantly from HK\$0.60 per Share on 6 December 2023 to HK\$0.24 per Share on 21 December 2023. Based on the public information on the website of the Stock Exchange, save for the disposal of a wholly-owned subsidiary of the Company as illustrated in the chart above, we did not notice any specific reason for the aforementioned Share price movement. In this regard, we have further discussed with the Company regarding the Share price movement in concern and we were given to understand from the Management that they are not aware of any specific factor (including disposal of the subsidiary in concern) which would have led to such drop. Subsequent to 21 December 2023 and up to the Latest Practicable Date, the Shares were traded within the range between HK\$0.122 per Share to HK\$0.292 per Share.

Shareholders should note that the information set out above is not an indicator of the future performance of Shares and that the price of Shares in the future may increase or decrease from its closing price as at the Latest Practicable Date.

(ii) Liquidity of the Shares

The table below sets out the monthly statistics of the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares during the Review Period:

Month	Total trading volume of the Shares (Shares)	Number of trading days in the month (days)	Average daily trading volume of the Shares (Shares) (Note 1)	Percentage of average daily trading volume over total number of issued Shares	Percentage of average daily trading volume over total number of issued Shares
				(Note 2)	(Note 3)
2023					
August	2,713,680	23	117,986	0.009%	0.016%
September	813,600	19	42,821	0.003%	0.006%
October	228,000	20	11,400	0.001%	0.002%
November	429,600	22	19,527	0.002%	0.003%
December	4,613,521	19	242,817	0.019%	0.032%
2024					
January	10,834,323	22	492,469	0.039%	0.065%
February	2,660,076	19	140,004	0.011%	0.018%
March	752,640	20	37,632	0.003%	0.005%
April	2,004,480	20	100,224	0.008%	0.013%
May	578,760	21	27,560	0.002%	0.004%
June	953,040	19	50,160	0.004%	0.007%
July	1,861,060	22	84,594	0.066%	0.111%
August	3,605,896	21	171,709	0.135%	0.226%
September (up to the Latest Practicable Date)	4,000	1	4,000	0.003%	0.005%

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

Note:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. The calculation is based on the average daily trading volume of the Shares divided by the total number of Shares in issue at the end of each month/period.
3. The calculation is based on the average daily trading volume of the Shares divided by the total number of Shares in issue held by public Shareholders at the Latest Practicable Date.
4. The Company has conducted its capital reorganisation on 9 July 2024. For avoidance of doubt, relevant information from 9 July 2024 up to the Latest Practicable Date represents the historical Share trading record of the Company after the capital reorganisation. Please refer to the announcements of the Company dated 14 February 2024 and 14 March 2024 and the next day disclosure return published on 9 July 2024, for details of the capital reorganisation.

As illustrated in the above table, the average daily trading volume of the Shares during the Review Period was generally low, ranging from (i) approximately 0.001% to approximately 0.135% of the total number of Shares in issue; and (ii) approximately 0.002% to approximately 0.226% of the total number of Shares in issue held by public Shareholders, as at the end of the relevant month/period. Having considered the prevailing condition of the Hong Kong stock market and the overall low liquidity of the Shares, it is uncertain that the overall liquidity of Shares could be maintained and that there would be sufficient liquidity in Shares for the Shareholders to dispose of a significant number of Shares over a prolonged period in the open market without exerting downward pressure on the Share price. We, therefore, consider that the Offer provides the Shareholders with an assured exit at the Offer Price if they wish to realise their investments in Shares.

(iii) Comparable Companies analyses

In order to assess the fairness and reasonableness of the Offer Price, we have carried out analyses on the trading multiples of the comparable companies (the “Comparable Companies”) on the Stock Exchange. In this connection, (a) the implied price-to-earnings ratio (the “P/E Ratio”); (b) the implied price-to-sales ratio (the “P/S Ratio”); and (c) the implied price-to-book ratio (the “P/B Ratio”) of the Offer. However, having considered (i) the loss-making position of the Group for FY2023; and (ii) the non-assets intensive characteristics of the principal businesses of the Group, we are of the view that the P/E Ratio and P/B Ratio would not be the appropriate trading multiples in analysing the Offer. Hence, we have conducted the research based on the P/S Ratio, being a common valuation benchmark for loss-making and/or non-assets intensive companies, as part of our analysis.

In addition, we noted that the Company has commenced its own e-commerce platform and related business in March 2024 which has contributed approximately 51.2% of the total revenue for 1H2024. However, having considered (i) the e-commerce businesses of the Group were newly launched with a relatively short track record, and future business performance, sustainability and viability of which may need more time to observe; (ii) according to the 2024 Interim Report, the segment results (before unallocated corporate expenses) of the e-commerce businesses, namely the Advertising E-commerce Platform Business and Sales of Products Business, was insignificant of approximately HK\$1.2 million for 1H2024; and (iii) the financial performance of the Group for 1H2024 has not been audited which may cast uncertainties on the assurance of respective financial information, hence, we are of the view that the audited annual financial performance of the Group for FY2023 would be more reliable and appropriate to reflect the value of the Company in comparing the trading multiples with the Comparable Companies.

Having considered the principal businesses of the Group, for the purpose of our analysis, we have identified an exhaustive list of six comparable companies (the “**Comparable Companies**”) based on the selection criteria that (i) shares of the companies being listed and traded on GEM of the Stock Exchange as at the Last Trading Day (i.e. 9 August 2024); (ii) principally engaged in development and provision of software or related IT services in Hong Kong; (iii) over 50% of the total revenue of the listed issuer was generated from the development and provision of software or related IT services based on its latest financial report; and (iv) market capitalisation of the listed issuer between HK\$30.0 million to HK\$100.0 million as at the Last Trading Day, having considered the implied market capitalisation of the Offer of approximately HK\$45.8 million.

It should be noted that the Comparable Companies may have different principal activities, market capitalisations, financial performance and financial positions as compared to those of the Company, and that none of the Comparable Companies has recently been involved in any general offer pursuant to the Takeovers Code. However, in light of our selection criteria, we consider that the Comparable Companies (i) adequately represents the prevailing capital market conditions and sentiments in Hong Kong stock market; and (ii) provide a fair, sufficient and meaningful reference on trading multiples of listed issuers on GEM of the Stock Exchange with similar principal business activities as the Group for comparison purpose.

Set forth below is the table illustrating detailed information of the Comparable Companies:

Company name	Stock code	Principal business	Market capitalisation HK\$' million (note 1)	Revenue HK\$' million	Net profit	Net assets	P/S ratio times (note 2)	P/E ratio times (note 3)	P/B ratio times (note 4)
					attributable to shareholders HK\$' million	attributable to shareholders HK\$' million			
Finsoft Financial Investment Holdings Ltd	8018	Provision of financial trading software solutions, other IT and internet financial platforms services, money lending business, and assets investments in Hong Kong	35.80	52.33	Net loss	37.54	0.68	n/a	0.95
abc Multiactive Limited	8131	Sales of computer software licenses, computer software license leasing and provision of related services, provision of maintenance services, sales of computer hardware and related products, provision of fintech resources services and overseas mortgage loan consultancy services	39.97	26.20	Net loss	3.01	1.53	n/a	13.28
Novacoa Technology Group Limited	8635	Development and provision of financial trading solutions; development and supply of resource allocation, planning, scheduling and management of software and services; and provision of bullion trading services	30.00	22.79	Net loss	106.33	1.32	n/a	0.28
eBroker Group Limited	8036	Provision of financial software solution services in Hong Kong, including front office solution services, back office solution services, installation and customization services, managed cloud services and other services	61.50	37.63	1.92	62.57	1.63	32.05	0.98
Vodatel Networks Holdings Limited	8033	Design, supply, implementation and maintenance of turnkey solutions in the areas of IT, networks and surveillance and development of customised software for its customers	86.26	528.07	6.53	216.77	0.16	13.21	0.40
ECI Technology Holdings Limited	8013	Provision of consultation, design, integration, implementation and maintenance services of extra-low voltage solutions in Hong Kong, which covers CCTV, fire alarm systems, public address systems, audio/video solutions, access control, car park systems and clubhouse management systems	88.00	174.01	5.62	82.78	0.51	15.65	1.06
		Maximum	88.00	528.07	6.53	216.77	1.63	32.05	13.28
		Minimum	30.00	22.79	1.92	3.01	0.16	13.21	0.28
		Average	56.92	140.17	4.69	84.83	0.97	20.30	2.83
		Median	50.73	44.98	5.62	72.68	1.00	15.65	0.97
The Offer			45.82 (note 5)	24.49	Net loss	3.76	1.87 (note 6)	n/a (note 7)	12.18 (note 7)

Notes:

1. In respect of the Comparable Companies, market capitalisation is calculated based on respective closing share prices as at the Last Trading Day and on the latest available monthly return on movements in securities of the respective listed issuers.
2. The P/S Ratio of respective listed issuers is calculated based on the market capitalisation as at the Last Trading Day divided by the total revenue as disclosed in their latest published annual reports.

3. The P/E Ratio of respective listed issuers is calculated based on the market capitalisation as at the Last Trading Day divided by the net profit attributable to the owners of the company as disclosed in their latest published annual reports.
4. The P/B Ratio of respective listed issuers is calculated based on the market capitalisation as at the Last Trading Day divided by the net assets attributable to the owners of the company as disclosed in their latest published annual reports or interim reports.
5. The implied market capitalisation of the Offer is calculated based on the Offer Price multiplied by 381,792,000 Shares in issue as at the Last Trading Day (immediately following the completion of the Rights Issue).
6. The implied P/S Ratio of the Offer is calculated based on the implied market capitalisation (see note 5 above) divided by the total revenue of the Group as disclosed in the 2023 Annual Report.
7. The P/E Ratio and P/B Ratio are not applicable for the Offer as the Company recorded net loss for FY2023 and the non-assets intensive characteristics of the principal businesses of the Group, and for illustrative purposes only.

As illustrated in the table above, the P/S Ratio of the Comparable Companies ranged from approximately 0.16 times to approximately 1.63 times, with an average and median of approximately 0.97 times and 1.00 times, respectively. Accordingly, the implied P/S Ratio of the Offer is higher than the upper range, average and median of the P/S Ratio of the Comparable Companies.

In addition, it is noted that the revenue level of the Group of approximately HK\$24.49 million for FY2023 is in the lower range of the Comparable Companies and the Group has been in a loss-making and net liabilities position with liquidity concerns. Accordingly, we are of the view that the Offer avails Independent Shareholders who have concerns over the financial position and performance of the Group with an opportunity to divest part or all of their investment in the Shares which the price is considered reasonable based on the above P/S Ratio analysis.

7. Shareholding structure of the Company

The table below sets out the shareholding structure of the Company (i) immediately before completion of the Rights Issue; and (ii) immediately after completion of the Rights Issue and as at the Latest Practicable Date:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	No. of Shares (Note 2)	% (Note 2)	No. of Shares (Note 2)	% (Note 2)
Mr. Liu Guanzhou (Note 1)	<u>37,000,000</u>	<u>29.07</u>	<u>269,458,150</u>	<u>70.58</u>
Offeror and parties acting in concert with him	37,000,000	29.07	269,458,150	70.58
Mr. Zhang Dong (Note 3)	14,356,595	11.28	14,356,595	3.76
Other public Shareholders	<u>75,907,405</u>	<u>59.65</u>	<u>75,907,405</u>	<u>25.66</u>
Total	<u><u>127,264,000</u></u>	<u><u>100.00</u></u>	<u><u>381,792,000</u></u>	<u><u>100.00</u></u>

Notes:

1. Mr. Liu Guanzhou is the chairman of the Board and an executive director of the Company.
2. Certain percentages included in the above table have been subject to rounding adjustments.
3. Based on publicly available information, as at the Latest Practicable Date, Mr. Zhang Dong directly held approximately 3.76% of the issued share capital of the Company. Mr. Zhang Dong is an Independent Third Party and the 14,356,595 Shares held by him are regarded as Shares held by public Shareholders.

RECOMMENDATION

Based on the foregoing, having considered the aforementioned principal factors and reasons for the Offer, in particular:

- (i) Notwithstanding the Offer Price represents a discount of approximately 64.7% to the average closing prices of Shares of approximately HK\$0.340 during the Review Period, the Offer Price of HK\$0.12 represents (i) a premium of approximately 41.18% over the unaudited consolidated net asset value attributable to Shareholders of approximately HK\$0.085 per Share (based on the unaudited consolidated net asset value of the Company attributable to Shareholders of approximately HK\$3.76 million as at 30 June 2024 as adjusted by net proceeds from the Rights Issue of approximately

HK\$28.74 million and 381,792,000 Shares in issue as enlarged by the Rights Issue as at the Latest Practicable Date); and (ii) the equivalent amount of the Subscription Price of HK\$0.12 per Rights Shares paid by the Offeror under the Rights Issue;

- (ii) the implied P/S Ratio of the Offer of approximately 1.87 times is higher than the upper range of the P/S Ratio of the Comparable Companies of 1.63 times, and is higher than the average and median of the P/S Ratio of the Comparable Companies of approximately 0.97 times and 1.00 times, respectively;
- (iii) as discussed in the section headed “6. Analysis of the Offer Price – (ii) Liquidity of the Shares” in this letter above, having considered the thin historical trading volume of the Shares on the Stock Exchange, the Independent Shareholders shall also consider and monitor the trading volume of Shares during the Offer Period, as they may experience difficulty in disposing significant number of their Shares in the open market without creating downward pressure on the price of Shares and that there is no assurance on whether the Share price and liquidity can maintain at the prevailing level beyond the Offer Period. The Offer provides the Independent Shareholders with an assured exit if they wish to realise their investments in Shares; and
- (iv) notwithstanding that the Group recorded unaudited net profit of approximately HK\$3.0 million for 1H2024, we are of the view that it remains to be seen whether the turnaround of financial performance is sustainable having considered the net losses recorded by the Group over the past five consecutive financial years.


we are of the opinion that terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. However, in view of the recent volatility of the closing share price during the Review Period, those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price of Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer. On this basis, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to accept the Offer if the amount they can receive under the Offer is higher than the net proceeds from the sale of such Shares in the open market.

Those Independent Shareholders who have a positive view of the prospects of the Group after the change of control and wish to retain part or all of their investment in the Shares should note that the prospects of the Group are uncertain given that no specific committed development plans for the Group have been given by the Offeror at this time. Accordingly, these Independent Shareholders should carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level and should also closely monitor the financial performance of the Group and the intentions of the Offeror as and when there is more information available in this regard.

Independent Shareholders should also be aware that, if the number of Shares held by the public, as defined in the GEM Listing Rules, comprises less than 25% of the issued Shares of the Company at the close of the Offer, trading in the Shares may be suspended. Should this happen, the Independent Shareholders who choose not to accept the Offer will not be able to sell their Shares on the Stock Exchange until trading in the Shares resumes.

Independent Shareholders are strongly recommended to read carefully the terms and procedures for accepting the Offer set out in the Letter from Emperor Corporate Finance of the Composite Document, Appendix I to the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
For and/on behalf of
Lego Corporate Finance Limited



Joshua Liu
Managing Director

Mr. Joshua Liu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 25 years of experience in the securities and investment banking industries.