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## **Wuxi Life International Holdings Group Limited**

**悟喜生活國際控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8148)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF ENTIRE EQUITY INTEREST IN TARGET COMPANY**

On 14 December 2023, the Vendor entered into the Sale and Purchase Agreement with the Purchaser in relation to the sale and purchase of the entire interest in the Target Company and the Vendor's loan due from the Target Company to the Vendor at a consideration of HK\$6.0 million.

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under the GEM Listing Rules.

#### **INTRODUCTION**

The Board announces that on 14 December 2023, the Vendor entered into the Sale and Purchase Agreement in relation to the sale and purchase of the Sale Share and the Sale Loan.

#### **THE SALE AND PURCHASE AGREEMENT**

The Vendor:                      The Company

The Purchaser:                Emperor Capital Investment

#### **Assets to be disposed of**

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share and the Sale Loan.

## Consideration and payment terms

The consideration for the Disposal payable by the Purchaser to the Vendor is HK\$6.0 million and shall be settled in cash in the following manner:

- (i) HK\$5.7 million, representing 95% of the total consideration, shall be paid by the Purchaser upon the Completion;
- (ii) the remaining balance of HK\$0.3 million (the “**Balance**”) shall be paid within 3 months after the Completion.

The consideration was arrived at arm’s length negotiations between the Company and the Purchaser on normal commercial terms with reference to the valuation report (the “**Valuation**”) prepared by an independent valuer (the “**Valuer**”), among which, (i) the market value of the Target Group of approximately HK\$2.2 million as at 13 December 2023; and (ii) assuming the Target Group had accepted all existing settlement proposals, the market value of the Target Group would have been amounting to approximately HK\$5.6 million as at 13 December 2023.

In order to assess the fairness and reasonableness of the consideration, the Company engaged the Valuer to perform the Valuation. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, it is not aware of any relationships or interests between the Valuer and the Group, the Purchaser, or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to the independence of the Valuer. Apart from normal professional fees payable to Valuer in connection with Valuation, no arrangement exists whereby the Valuer will receive any fees or benefits from the Company, the Purchaser, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, and it is not aware of the existence of or change in any circumstances that would affect their independence.

The Directors have assessed the qualification, experience and the track record of the Valuer and are of the view that the managing director of the Valuer, who is also the signor of the valuation report, has over 10 years of experience in the valuation profession and has been engaged as the valuer for a wide range of companies listed on the Stock Exchange, is qualified, experienced and competent in performing the Valuation.

The key assumptions of the Valuation mainly included (i) no material change to existing political, legal, fiscal, foreign trade, and economic conditions in Hong Kong, (ii) no significant deviation in the industry trend and market condition from the current market expectation; (iii) no significant change in the current taxation law and policies about financial service industry in Hong Kong; (iv) all relevant legal approvals, business certificates, or licenses for the ordinary course of operation are formally obtained, remain in good standing, and can be procured with no additional costs or fees; and (v) the Target Company does not have substantial assets or liabilities other than the investment in the Target Group.

The Valuer has considered three common approaches used to estimate the value of the Target Group, namely market approach, income approach and cost approach. However, the Valuer considered that market approach and income approach are not appropriate for the valuation of the Target Group.

For market approach, the Target Group has ceased its money lending business since 2021 and no new loan was granted since then. Therefore, regarding the operation status of the Target Group, the Valuer is of the view that, and the Board concurs, there may not be comparable companies to conduct the market approach. For income approach, the financial forecast of the Target Group was not available as majority of the loans granted by the Target Group were in default. Hence, income approach was unable to apply. For cost approach, as most of the Target Group's value was attributable to its existing loans receivable, it should be the best methodology to reflect the value of the Target Group.

The Valuer assessed the value of the loan receivable net of expected credit losses and applied the adjusted net asset value method under the cost approach to calculate the value of Target Group (i.e. the equity of the Target Company). Under the adjusted net asset value method, the value of the assets and liabilities of the subject company is assessed. Necessary adjustments are made to the book value of the assets and liabilities to reflect their value. In particular, (i) for assets, the loan receivables were adjusted according to the loan recovery progress and; (ii) for liabilities, the amounts due to the ultimate holding company and fellow subsidiaries were reduced in assessing the market value of the Target Group. The value of the subject company's equity is then derived by subtracting the adjusted value of the liabilities from the adjusted asset value.

The Valuer further performed a scenario analysis assuming the existing settlement proposals received by the Target Group from the borrowers had been accepted. Under the same assessment method and basis, the value of the Target Group would have been amounting to approximately HK\$5.6 million as at 13 December 2023.

In light of the above, the Directors believed that the Valuation is an appropriate reference for determining the consideration of the Disposal. Given that the consideration of HK\$6.0 million represents (i) a premium of approximately 172.7% over the market value of the Target Group of approximately HK\$2.2 million; and (ii) a premium of approximately 7.1% over the value of the Target Group (assuming all settlement proposals had been accepted) of approximately HK\$5.6 million, the Board is of the view that the consideration is fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

### **Adjustment of the consideration**

In the event that there is any outstanding expenses and fees (including but not limited to the unsettled legal fee incurred by the Company immediately prior to the Completion), the Purchaser has the right to deduct the same from the Balance. In the event of the Vendor's breach of any representation, warranty, undertaking or the terms of the Sale and Purchase Agreement, the deed of assignment and/or the deed of tax indemnity, the Purchaser has the right to withhold and/or set-off all the liabilities, loss, damages, costs and expenses which the Purchaser and/or the Group may suffer arising from or in connection with such breach from the Balance. For the avoidance of doubt, should the Balance is not sufficient to cover the required amount of deduction as specified above, the Purchaser is still entitled to claim against the Vendor for the shortfall. As at the date of this announcement, the outstanding legal cost incurred but unsettled is estimated to be approximately HK\$134,000.

## **Conditions precedent**

Completion shall be conditional upon the following conditions precedent:

- (a) each of the warranties remaining true and accurate in all respects up to Completion pursuant to the terms of the Sale and Purchase Agreement;
- (b) the performance and observance by the Vendor of all its undertakings and obligations under the Sale and Purchase Agreement;
- (c) the Purchaser, at its sole discretion, is satisfied with the results or progress of the due diligence on, among others, the Sale Share, the Sale Loans, and the Target Group; and
- (d) the compliance by the Company with all requirements under the GEM Listing Rules for entering into the Sale and Purchase Agreement and the transactions contemplated thereunder.

In the event that any of the foregoing conditions is not fulfilled (or otherwise waived by the Purchaser, except condition (d) above) in accordance with the terms of Sale and Purchase Agreement on or before the Long Stop Date, either the Vendor and the Purchaser may agree to defer the Long Stop Date to a later date at its absolute discretion and the Purchaser shall be entitled to terminate the Sale and Purchases Agreement by notice in writing to the Vendor.

## **Completion**

As at the date of this announcement, all the above conditions precedent are fulfilled. The Completion took place on the Completion Date. Immediately after Completion, the Target Group will cease to be subsidiaries of the Company and the Company will cease to have any equity interest in the Target Group.

## **INFORMATION OF THE COMPANY AND THE VENDOR**

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; and (ii) game publishing, development of mobile game and related intellectual property and platform, mobile applications and data solutions and provision of IT related solutions.

## **INFORMATION OF THE PURCHASER**

The Purchaser is a company incorporated in BVI and its principal business is investment holding. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties and not connected with the Company under the GEM Listing Rules.

## **INFORMATION OF THE TARGET GROUP**

The Target Company is a company incorporated in BVI and a direct wholly-owned subsidiary of the Company. The principal business of the Target Company is investment holding and the Target Group was principally engaged in provision of money lending business until the Group ceased the operation of the money lending business with effect from September 2021.

Set out below is a summary of the unaudited financial information of the Target Group for the years ended 31 December 2021 and 2022:

|                          | <b>For the year ended</b> |                    |
|--------------------------|---------------------------|--------------------|
|                          | <b>31 December</b>        |                    |
|                          | <b>2022</b>               | <b>2021</b>        |
|                          | <i>(unaudited)</i>        | <i>(unaudited)</i> |
|                          | <i>HK\$'000</i>           | <i>HK\$'000</i>    |
| Profit/(Loss) before tax | 76.2                      | (85,849)           |
| Profit/(Loss) after tax  | 76.2                      | (85,849)           |

As at 13 December 2023, the unaudited consolidated total assets value and net liabilities of the Target Group were approximately HK\$2.3 million and HK\$117.3 million respectively. The value of the Sale Loan as at 13 December 2023 was approximately HK\$119.5 million.

### **FINANCIAL EFFECT OF THE DISPOSAL**

Upon Completion, the Company will not hold any equity interest in the Target Group and they will cease to be subsidiaries of the Company.

Taken into account (i) the consideration for the Disposal of HK\$6.0 million; (ii) the unaudited consolidated net liabilities of the Target Group of approximately HK\$117.3 million as at 13 December 2023; (iii) the amount of Sale Loan of approximately HK\$119.5 million as at 13 December 2023, the gain on the Disposal is expected to be approximately HK\$3.8 million.

The aforesaid estimation is for illustrative purpose only and does not purport to represent the financial position of the Group after Completion. The actual financial effects of the Disposal shall be determined with reference to the financial status of the Target Group as at the Completion Date.

The net proceeds from the Disposal is estimated to be approximately HK\$3.4 million, which will be used as repayment of indebtedness of the Group.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

As disclosed in the interim report of the Company for the six months ended 30 June 2023, due to the keen market competition and the challenging environment, together with the risks associated with the possible default by the loan borrowers owing to prolonged impact of COVID-19 pandemic, the Group ceased the operation of the money lending business with effect from September 2021. Despite the fact that no loan was granted since the cessation of the money lending business, as at 30 June 2023, the aggregate outstanding principal amount of loans and interest receivable amounted to approximately HK\$104.6 million, out of which approximately 94.9% were unsecured and/or merely backed by personal guarantees, and the loan receivable net of expected credit losses was amounting to approximately HK\$4.9 million.

Balancing the resource to be allocated, the immediate funds available from the consideration, and the ongoing uncertainty in respect of the recoverability of the outstanding loans and interest receivable, the Directors consider that the Disposal not only eliminates unnecessary costs but also allows the management to focus on driving growth in the core operations. The timeframe for the legal proceedings may be varied on a case-by-case basis, typically in years, and there is no guarantee on the amount recovered. Disposing of the Target Group provides immediate funds for the Group to improve its overall financial position, in particular the net current liabilities of the Group as at 30 June 2023 amounted to approximately HK\$3.8 million. Moreover, since the Board has ceased its money lending business, the Group did not retain any industry talents in this field. The resources dedicated, in terms of both financial and human resources, to manage the Target Group and recovering the loan could be better utilised in areas where the management excel. Conversely, continuing to pursue the legal proceedings at the Group's expense presents a higher uncertainty and ongoing costs without a guaranteed return.

Since the second half of 2021, the Board has been performing all necessary measures to recover the outstanding loans, including but not limited to (i) concluding settlement plans with debtors; (ii) issuing demand letters; (iii) engaging external debt collector for small amount personal loan; and (iv) taking legal proceedings for sizable loan.

Unproportioned with the substantial investments of time, effort, and resources, only limited portion of loans and interest receivables has been recovered. The Group has taken legal proceedings on certain sizeable loans and had obtained court judgements in favour of the Target Group. Nevertheless, since most of the defendants did not respond to the legal proceedings and the Group lacks the information on their assets, the Group is facing difficulties to recover the outstanding loans and interest receivable.

On the other hand, although the Group received a few settlement proposals offered by the borrowers after taking legal actions, such proposals usually involve an extension of the repayment terms for an extensive period and a substantial discount to the outstanding balances. The Board has been carefully examined these settlement proposals on a case-by-case basis and, given their history of non-payment and default, the Board is of the view that the reliability of these proposals remained questionable and the likelihood of these borrowers fulfilling their commitments over a longer term seems low.

In such regards, the Group has engaged the Valuer to perform scenario analysis assuming all existing settlement proposals have been accepted and the value of the Target Group as at 13 December 2023 would have been amounting to approximately HK\$5.6 million. As the consideration of the Disposal of HK\$6.0 million, which represents a premium of approximately 7.1%, or HK\$0.4 million, over the value of the Target Group (assuming all settlement proposals had been accepted) of approximately HK\$5.6 million, the Board is of the view that there is no significant difference in terms of the financial impact in accepting these settlement proposals and disposing of the Target Group under the Sale and Purchase Agreement.

Taken into account the above, the Directors consider that the Disposal represents an opportunity to shift its focus back on the development of Group's core business and free up both capital and human resources for any business opportunities arise in the future and, hence, consider the terms and conditions of the Sale and Purchase Agreement is on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.



## **GEM LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under the GEM Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

|                       |  |
|-----------------------|--|
| “associate(s)”        | has the same meaning ascribed thereto under the GEM Listing Rules  |
| “Board”               | the board of Directors   |
| “Business Day”        | a day (excluding Saturdays and public holidays or a day on which a tropical cyclone No.8 or above or a “black” rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. on weekdays) on which banks in Hong Kong are generally open for normal banking business |
| “BVI”                 | the British Virgin Islands   |
| “Company” or “Vendor” | Wuxi Life International Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM of the Stock Exchange   |
| “Completion”          | completion of the Disposal in accordance with the Sale and Purchase Agreement  |
| “Completion Date”     | 14 December 2023   |
| “connected person(s)” | has the meaning ascribed to it in the GEM Listing Rules  |
| “Director(s)”         | the director(s) of the Company   |
| “Disposal”            | the Disposal of the Sale Share and the Sale Loan by the Vendor to the Purchaser under the Sale and Purchase Agreement  |

|   |   |
|---|---|
| “Emperor Capital Investment” or “Purchaser” | Emperor Capital Investment Holdings Limited, a company incorporated in BVI and is a wholly-owned subsidiary of Emperor Capital Group Limited (Stock Code:717), being an Independent Third Party   |
| “GEM Listing Rules”                         | the Rules Governing the Listing of Securities on the GEM of the Stock Exchange  |
| “Group”                                     | the Company and its subsidiaries from time to time, including but not limited to the Target Group   |
| “HK\$”                                      | Hong Kong dollar(s), the lawful currency of Hong Kong   |
| “Hong Kong”                                 | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| “Independent Third Party(ies)”              | person who is not a connected person of the Company and is independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates |
| “Long Stop Date”                            | 13 March 2024 or any other date as agreed by the Vendor and the Purchaser   |
| “Sale and Purchaser Agreement”              | the sale and purchase agreement dated 14 December 2023 entered into between the Vendor and the Purchaser in relation to the Disposal  |
| “Sale Loan”                                 | all loans and other amounts (whether principal, interest or otherwise) due from any members of the Group to the Vendor as at Completion, which shall be assigned to the Purchaser upon Completion pursuant to the terms of the Sale and Purchase Agreement                  |
| “Sale Share”                                | 1 share of US\$1.00 in the Target Company being the entire issued share in the Target Company   |
| “Shareholder(s)”                            | holder(s) of the ordinary shares of the Company   |
| “Stock Exchange”                            | The Stock Exchange of Hong Kong Limited   |
| “subsidiary(ies)”                           | has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)   |
| “Target Company”                            | Major Worldwide Holdings Limited, a company incorporated in the BVI and direct wholly-owned subsidiary of the Company   |



“Target Group” Target Company and its subsidiaries

“%” per cent

By order of the Board  
**Wuxi Life International Holdings Group Limited**  
**Liu Guanzhou**  
*Chairman*

Hong Kong, 14 December 2023

*As at the date of this announcement, the Board comprises the following Directors:*

*Executive Directors:*

Mr. Liu Guanzhou (*Chairman*)

Ms. Liu Xingmei

Mr. Choi Pun Lap

*Non-executive Director:*

Ms. Li Hui Ling

*Independent non-executive Directors:*

Mr. Tai Man Tai

Ms. Lam Yuen Man Maria

Mr. Fu Yan Ming

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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