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9 April 2024

To the Independent Board Committee and
the Independent Shareholders

Wuxi Life International Holdings Group Limited
Room H, 2/F
Manson Industrial Building
8, A Kung Ngam Village Lane
Shaukeiwan, Hong Kong

Dear Sir and Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 9 April 2024 (the "**Circular**"). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 9 February 2024, the Company announced that it proposes, subject to the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK$0.12 per Rights Share, to raise up to approximately HK$30.54 million before expenses (assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full) by way of the rights issuing up to 254,528,000 Rights Shares (assuming as aforesaid) to the Qualifying Shareholders. The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK$28.74 million (assuming no change in the issued share capital of the Company on or before the Record Date and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full).

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. There is no minimum subscription level or minimum amount to be raised under the Rights Issue.

GEM LISTING RULES IMPLICATIONS

As the Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to approval of the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue under Rule 10.29(1) of the GEM Listing Rules.

The Company has no controlling shareholder. Mr. Liu shall abstain from voting in favour of the resolution to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, save for Mr. Liu, none of the Directors or chief executives of the Company had any interests in the Shares.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Tai Chin Ho, Ms. Lam Yuen Man Maria and Mr. Fu Yan Ming, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the resolution at the EGM in relation to the Rights Issue, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the resolution at the EGM in relation to the Rights Issue.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 17.96 of the GEM Listing Rules, and given that remuneration for our engagement to opine on the Rights Issue is at market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the annual report of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**"); (ii) the annual results announcement of the Company for the year ended 31 December 2023 (the "**2023 Annual Results Announcement**"); and (iii) other information contained or referred to in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the "**Management**"). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any of such statements, information, opinions or representations are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of 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**"); 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 (the "**Mobile Games and Applications Business**").

1.1 Financial information of the Group

Set out below is a summary of key financial information of the Group extracted from the 2022 Annual Report and 2023 Annual Results Announcement.

Consolidated statement of profit or loss

	For the year ended 31 December 2023 ("FY2023") *(audited)* *HK$'000*	For the year ended 31 December 2022 ("FY2022") (Note 1) *(audited)* *HK$'000*	For the year ended 31 December 2021 ("FY2021") *(audited)* *HK$'000*
Revenue	**24,493**	**21,436**	**20,258**
– *Software Platform Business*	*24,493*	*21,436*	*20,213*
– *Mobile Games and Applications Business*	–	–	*45*
Gross profit	**15,642**	**12,700**	**8,369**
Administrative and other operating expenses	(23,998)	(17,358)	(28,315)
Impairment loss on goodwill	(1,728)	(18,508)	–
Finance costs	(890)	(274)	(1,456)
Loss for the year (Note 2)	**(12,384)**	**(22,047)**	**(10,977)**

Notes:

(1) These represented the restated amounts presented in the 2023 Annual Results Announcement.

(2) This represents the loss for the year from continuing operations of the Group (being the Software Platform Business and the Mobile Games and Applications Business). For details, please refer to the 2022 Annual Report and 2023 Annual Results Announcement.

FY2022 vs. FY2021

Revenue of the Group increased slightly by approximately 5.8% from approximately HK$20.3 million in FY2021 to approximately HK$21.4 million in FY2022. All of the Group's revenue in FY2022 was derived from Software Platform Business. Due mainly to the obsolescence of its mobile games and postponement of mobile game development plan as a result of the reassessment of the Group's strategy, segment revenue of the Mobile Games and Applications Business decreased to nil in FY2022 from approximately HK$45,000 in FY2021.

Gross profit increased by a larger extent of approximately 51.8% from approximately HK$8.4 million in FY2021 to approximately HK$12.7 million in FY2022. Such increase was mainly due to the aforementioned increase in revenue as well as the Group's lower cost of sales incurred as the Group engaged less subcontractors in FY2022 while more staff was diverted to the research and development division to cope with the business of the Group.

Although the Group experienced an enhancement in gross profit, the Group recorded a higher loss for the year of approximately HK$22.0 million in FY2022 compared with approximately HK$11.0 million in FY2021. This was mainly attributable to the Group's impairment loss incurred on goodwill of approximately HK$18.5 million in FY2022 related to its Software Platform Business, while there was no such impairment loss recorded in FY2021. The above was partially offset by the decrease in administrative and other operating expenses (comprising administrative expenses, research and development expenses and selling and distribution expenses) from approximately HK$28.3 million in FY2021 to approximately HK$17.4 million in FY2022 mainly due to the decrease in depreciation of property, plant and equipment of approximately HK$3.3 million, and that no additional written-off deposit and other receivables and intangible assets was recorded during FY2022 (FY2021: approximately HK$8.3 million).

FY2023 vs. FY2022

Revenue of the Group increased by approximately 14.3% from approximately HK$21.4 million in FY2022 to approximately HK$24.5 million in FY2023. Such increase was mainly due to the increased sales orders from existing and new customers of the Software Platform Business. The Group did not generate any revenue from the Mobile Games and Applications Business in FY2023 due to the abovementioned reassessment of strategy.

Gross profit of the Group increased by approximately 23.2% from approximately HK$12.7 million in FY2022 to approximately HK$15.6 million in FY2023. This was mainly due to the Group's increase in revenue as abovementioned.

Loss for the year narrowed to approximately HK$12.4 million in FY2023 from approximately HK$22.0 million in FY2022 due mainly 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 Group's increase in revenue and gross profit as abovementioned. Such positive effects were 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, which was mainly due to the increase in staff costs and professional fees in support of the Group's business operations.

Consolidated statement of financial position

	As at 31 December 2021	**As at 31 December 2022** *(Note 1)*	**As at 31 December 2023**
	(audited)	*(audited)*	*(audited)*
	HK$'000	*HK$'000*	*HK$'000*
Total assets	**35,678**	**19,570**	**8,703**
– Goodwill	*20,236*	*1,728*	–
– Cash and cash equivalents	*3,791*	*4,445*	*3,198*
Total liabilities	**8,796**	**14,796**	**13,264**
– Interest-bearing borrowings	*908*	*3,808*	*790*
Net current assets/(liabilities)	**5,648**	**(1,903)**	**(3,183)**
Total equity/(Capital deficiency)	**26,882**	**4,774**	**(4,561)**
Gearing ratio *(Note 2)*	24.7%	75.6%	152.4%

Notes:

(1) These represented the restated amounts presented in the 2023 Annual Results Announcement.

(2) Gearing ratio is calculated as total liabilities over total assets.

The Group's financial and liquidity positions had been deteriorating between 31 December 2021 and 31 December 2023.

Total equity decreased significantly from approximately HK$26.9 million as at 31 December 2021 to approximately HK$4.8 million as at 31 December 2022 mainly due to the reduction in goodwill balance as impairment loss was incurred in FY2022 as abovementioned. While the Group's cash and cash equivalents increased from approximately HK$3.8 million as at 31 December 2021 to approximately HK$4.4 million as at 31 December 2022, such increase was mainly attributable to new borrowings of HK$2.9 million obtained in FY2022, and partially offset by the Group's net cash used in operating and investing activities of approximately HK$1.0 million and HK$0.2 million respectively in FY2022. As a result, the Group's gearing ratio increased significantly from approximately 24.7% as at 31 December 2021 to approximately 75.6% as at 31 December 2022, and the Group also recorded a net current liabilities position as compared to a net current assets position as at 31 December 2021.

The financial position of the Group had turned to deficit as at 31 December 2023 as a result of the continuous loss incurred. Cash and cash equivalents of the Group decreased to approximately HK$3.2 million as at 31 December 2023 from approximately HK$4.4 million as at 31 December 2022. The Group's gearing ratio and net current liabilities position further increased to approximately 152.4% and HK$3.2 million respectively as at 31 December 2023.

Section conclusion

We observed that while the Group had been experiencing revenue and gross profits growth, it required significant operating expenses to support the continued business expansion which resulted in increasing losses. From a financial position standpoint, we noted that substantial external borrowings had been obtained to support the Group's business operations which led to the Group's relatively high level of gearings.

1.2 Outlook of the Group

The Group stated in its 2023 Annual Results Announcement and third quarterly report for the nine months ended 30 September 2023 that the higher level of adoption of information technology ("**IT**") solutions among small and medium enterprises ("**SMEs**") is driving the growth of Hong Kong's IT market. For example, SMEs in Hong Kong are increasingly implementing enterprise resource planning (ERP) solutions and customer relationship management (CRM) software to enhance customer retention and loyalty. In addition, they are increasing their investments to advertise and promote their products and services through social media and e-commerce platforms, which enables SMEs to expand their reach of customers and lower marketing costs. The Management also observed that the higher level of adoption of big data solutions is another prominent trend within the IT market.

Considering the industry trends mentioned above, the Management believes that Hong Kong's IT market will continue to grow. In light of this, the Group intends to continue to allocate resources to meet the increasingly innovative industry standards as well as to fulfil customers' demand for their products. In addition, it is the Group's strategy to concentrate on expanding in high-growth sectors while maintaining presence in slower-growth areas.

2. Rationale for the Rights Issue and proposed use of proceeds

2.1 The funding needs

While the Group's existing Software Platform Business is experiencing moderate growth as discussed above, it necessitates substantial operating costs to support the continued growth, resulting in the Group incurring losses. According to the Management, challenging market conditions have contributed to losses since 2014 and the Group is implementing cost optimisation measures to adapt to the current business environment.

We understand that the Management has conducted a thorough review of the Group's existing businesses with an aim to improve its financial performance and position. Leveraging the Group's capabilities and experience in software development, and in line with the Management's observations of growing demand for e-commerce platform as discussed in the paragraph headed "1.2 Outlook of the Group" above, we understand that the Group has launched its first advertising e-commerce platform in late 2023. For details about this platform, please refer to the paragraph headed "Reasons for and benefits of the Rights Issue and intended use of proceeds" in the "Letter from the Board" of the Circular.

Since its launch in late 2023 and up till the Latest Practicable Date, as advised by the Management, the registered user of the advertising e-commerce platform has reached over 900,000. In order for this platform to further develop and expand so as to capitalise on the prevailing market opportunity, additional investments have to be made.

Having considered the Group's existing financial resources, for instance, as at 31 December 2023, its cash and cash equivalents amounted to only approximately HK$3.2 million, we concur with the Management's view that there is a need for funding in order to continue the development of its advertising e-commerce platform.

As elaborated in the paragraph headed "Reasons for and benefits of the Rights Issue and intended use of proceeds" in the "Letter from the Board" of the Circular, all of the net proceeds from the Rights Issues will be allocated to the further development and expansion of the advertising e-commerce platform. Taking into account that the Group's existing businesses have recorded consecutive loss, we consider that the Management's assessment and decision to develop a new line of business by leveraging on its established skills and know-how in developing successful mobile games, as well as to capture prevailing market trend with the aim of improving the Group's financial performance to be commercially reasonable. Independent Shareholders should however note that as with all business ventures, there is no guarantee of the success or profitability of the advertising e-commerce platform which is to be developed.

2.2 Alternative fund-raising methods

We understand from the Management that when the Rights Issue was under contemplation, the Company had also considered various fundraising methods, including (i) debt financing; and (ii) other equity fund-raising methods such as placing of new Shares and open offer, and the Company decided to propose the Rights Issue. We have analysed and compared such other methods below.

In respect of debt financing, we concur that given the prevailing high interest rate environment, the financing cost for loan or debt will be high. As the uses of proceeds are to fund long term business growth, we concur with the Management that it is prudent to finance the Group's long-term growth with long term financing, preferably in the form of equity which will not incur ongoing financial burden such as interest costs and repayment or liquidity risks. In addition, considering (i) the Group's already high gearing ratio of approximately 75.6% and 152.4% as at 31 December 2022 and 2023 respectively; (ii) a consecutive loss-making financial track record of the Group; and (iii) its deficit and net current liabilities positions, we concur with the Management that it would be difficult for the Group to obtain further debt financing at reasonable costs.

In respect of placing of new Shares, it results in a certain dilution on the shareholding of existing Shareholders. In comparison, the Rights Issue provides existing Shareholders the opportunity to participate in the fund raising exercise and maintain their proportionate shareholdings in the Company.

Comparing the Rights Issue with an open offer, while they are similar in nature, an open offer does not allow free trading of rights entitlements in the open market. The Rights Issue will have the mechanism which allows existing Shareholders to (i) increase their respective shareholding in the Company by acquiring additional rights entitlements in the markets (subject to availability); and (ii) potentially recoup some value of their rights entitlements if they do not wish to participate in the Rights Issue by disposing their nil-paid Rights Shares in the market (subject to demand).

Having considered and compared the various fund-raising methods, in particular the flexibility afforded to the existing Shareholders under the Rights Issue to maintain their proportionate shareholding, potentially increase their shareholding if they wish to and to recoup the value of their rights entitlements if they do not participate in the Rights Issue, we concur with the Management's view that the Rights Issue is the most appropriate fund raising method for the Company under the current circumstances.

3. **Principal terms of the Rights Issue**

3.1 Summary of the key terms

Basis of the Rights Issue:	two (2) Rights Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price:	HK$0.12 per Rights Share (after the Capital Reorganisation has become effective)
Number of Existing Shares in issue as at the Latest Practicable Date:	1,272,640,000 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective:	127,264,000 Adjusted Shares (assuming no change in the number of Shares in issue on or before the date on which the Capital Reorganisation became effective)
Number of Rights Shares:	(assuming the Capital Reorganisation has become effective and no further issue of Shares or repurchase of Shares on or before the Record Date) up to 254,528,000 Rights Shares, representing 200% of the Company's issued number of Adjusted Shares as at the Latest Practicable Date and approximately 66.67% of the enlarged issued share capital of the Company upon completion of the Rights Issue
Gross proceeds and net proceeds:	Assuming no change in the issued share capital of the Company on or before the Record Date, and all the Qualifying Shareholders taking up their respective allotment of Rights Shares in full: Gross proceeds: up to approximately HK$30.54 million Net proceeds (after deducting the estimated expenses): up to approximately HK$28.74 million

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. For further information of the Rights Issue, please refer to the "Letter from the Board" of the Circular.

3.2 Subscription Price

As stated in the paragraph headed "Subscription Price" in the "Letter from the Board" of the Circular, the Subscription Price was determined by the Board with reference to (i) the market price of the Shares under the prevailing market conditions; (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of the Rights Issue.

The Subscription Price of HK$0.12 per Rights Share represents (assuming the Capital Reorganisation has become effective as at the Latest Practicable Date):

(i) a discount of 20.0% to the theoretical closing price of HK$0.15 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK$0.015 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of 40.0% to the theoretical closing price of HK$0.20 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK$0.02 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iii) a discount of approximately 25.93% to the theoretical benchmarked price of HK$0.162 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the benchmarked price of HK$0.0162 per Existing Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK$0.015 per Existing Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Announcement of approximately HK$0.0162 per Existing Share);

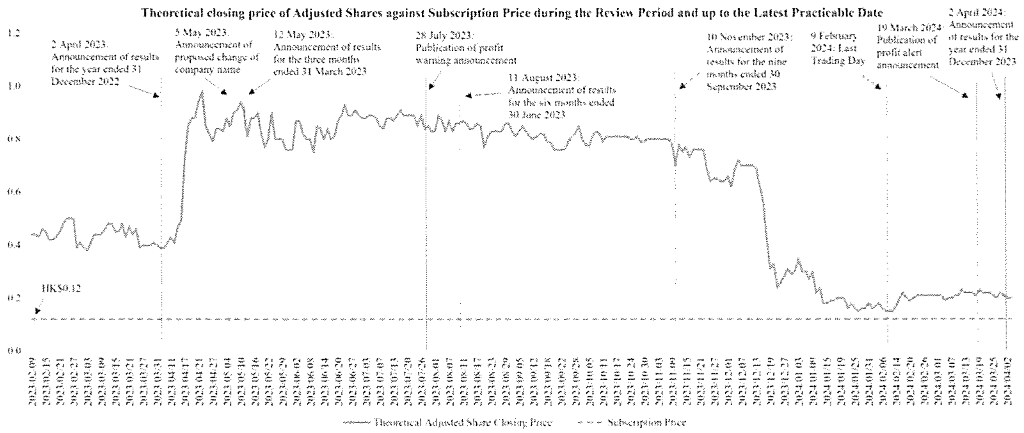
(iv) a discount of approximately 10.45% to the theoretical ex-rights price of approximately HK$0.134 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the theoretical benchmarked price of HK$0.162 per Adjusted Share;

(v) a premium of approximately 380.0% over the net asset value of the Company of approximately HK$0.025 per Adjusted Share based on the unaudited net asset value of the Company of approximately HK$3,175,000 as at 30 June 2023 as disclosed in the interim report of the Company for the six months ended 30 June 2023 and 127,264,000 Adjusted Shares assuming the Capital Reorganisation has become effective; and

(vi) a theoretical dilution effect (as defined under the GEM Listing Rules) represented by a discount of approximately 17.28% of the theoretical ex-rights price of HK$0.134 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the theoretical benchmarked price of HK$0.162 per Adjusted Share.

Historical price performance of the Shares

Set out below is a chart illustrating the theoretical closing price of Adjusted Shares (after taking into account the effect of the Capital Reorganisation) during the period from 9 February 2023, being 12 months immediately preceding the Last Trading Day, to the Last Trading Day (the "**Review Period**"). We consider that a period of 12 months, which reflects historical and prevailing market sentiment, is adequate to illustrate the recent price movement of the Shares for the purpose of conducting a reasonable comparison.



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

As shown above, the theoretical closing prices of the Adjusted Shares were above the Subscription Price at all times during the Review Period, ranging from HK$0.15 per Adjusted Share on 26 January, 7, 8 and 9 February 2024 to HK$0.98 per Adjusted Share on 24 April 2023. In other words, the discounts of the Subscription Price to the theoretical closing prices of the Adjusted Shares ranged from approximately 20.0% to 87.8% during the Review Period. The Subscription Price also represented a discount of approximately 81.8% to the theoretical average daily closing price per Adjusted Share of approximately HK$0.66 during the Review Period.

The theoretical closing price remained relatively stable during the period from 9 February 2023 to early April 2023. Shortly after the Company's publication of its annual results announcement for the year ended 31 December 2022 on 2 April 2023 and before the Company's publication of its announcement in relation to the proposed change of company name on 5 May 2023, the theoretical closing price surged from HK$0.41 per Adjusted Share on 12 April 2023 to its high of HK$0.98 per Adjusted Share on 24 April 2023. Such relatively high level of theoretical closing price did not sustain long which subsequently dropped drastically from HK$0.70 per Adjusted Share on 12 December 2023 to HK$0.24 per Adjusted Share on 21 December 2023. The theoretical closing price declined further to its low of HK$0.15 per Adjusted Share immediately before and on the Last Trading Day. Overall, we did not notice any specific reasons for the aforementioned movements of the theoretical closing price of the Adjusted Shares during the Review Period. As advised by the Management, the Company is also not aware of any reasons for the aforementioned Share price fluctuations. The theoretical closing price rebounded slightly after the Last Trading Day and closed at HK$0.20 per Adjusted Share as at the Latest Practicable Date.

Notwithstanding the aforesaid significant fluctuations during the Review Period, from the perspective of encouraging participation in the Rights Issue, it is practicable to make reference to most recent prevailing theoretical closing price and with reasonable level of discounts. In this regard, the Subscription Price represents a discount of approximately 20.0% to the theoretical closing price of HK$0.15 per Adjusted Share on the Last Trading Day. We noticed that the theoretical closing price had surged to as high as HK$0.98 per Adjusted Share during the Review Period but such high levels did not sustain as abovementioned. The reasons for such fluctuations are also unknown to the Company but they seem unrelated to any positive change in the fundamentals of the Group as it continued to incur losses during the Review Period and its financial position had turned to deficit as at 31 December 2023 as discussed in the paragraph headed "1.1 Financial information of the Group" above. Despite the Subscription Price is below the theoretical closing prices of the Adjusted Share at all time during the Review Period, having considered (i) it is market practice to set the subscription prices of rights issues at discounts to prevailing market prices as further elaborated in the paragraph headed "Comparison with recent rights issue transactions" below; (ii) setting the Subscription Price at a reasonable discount to the theoretical closing price serves to encourage participation in the Rights Issue and accordingly, to maximise the funds raised; (iii) the 20.0% discount of Subscription Price to the theoretical closing price per Adjusted Share on the Last Trading Day is within the range of those of the Comparables (defined below) as further elaborated in the paragraph headed "Comparison with recent rights issue transactions" below; (iv) the fact that the Group has incurred consecutive losses over the years and recently turned to a deficit financial position; and (v) the Group's imminent need of funding for developing the new business venture as discussed in the paragraph headed "2.1 The funding needs" above, we consider the Subscription Price to be fair and reasonable.

Trading liquidity of the Shares

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares during the Review Period as compared to (i) the total number of issued Shares as at the Latest Practicable Date; and (ii) the total number of issued Shares held by the public Shareholders as at the Latest Practicable Date.

Month	Average daily trading volume of Shares	Average daily trading volume as a percentage to the total number of issued Shares as at the Latest Practicable Date	Average daily trading volume as a percentage to the total number of issued Shares held by public Shareholders as at the Latest Practicable Date
		(%)	*(%)*
2023			
February (from 9 February 2023)	960,071	0.075	0.106
March	307,783	0.024	0.034
April	5,667,353	0.445	0.628
May	742,952	0.058	0.082
June	492,238	0.039	0.055
July	346,000	0.027	0.038
August	983,217	0.077	0.109
September	356,842	0.028	0.040
October	95,000	0.007	0.011
November	162,727	0.013	0.018
December	2,023,474	0.159	0.224
2024			
January	4,103,919	0.322	0.455
February (up to the Last Trading Day)	1,650,000	0.130	0.183
Max		**0.445**	**0.628**
Min		**0.007**	**0.011**

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

As illustrated in the above table, the percentage of average daily trading volume to (i) the total number of issued Share; and (ii) the total number of Shares held by public Shareholders, ranged from approximately 0.007% to 0.445% and 0.011% to 0.628% respectively. The average daily trading volume of the Shares during the Review Period was approximately 1,310,000 Shares, representing approximately 0.103% and 0.145% of the total number of issued Shares and the total number of Shares held by public Shareholders as at the Latest Practicable Date, indicating that the Shares were generally illiquid in the open market.

Given the thin trading volume of the Shares, we consider that the Company is unlikely to be able to raise equity funds from third parties without a substantial discount to the prevailing Share price. Taking into account the low trading liquidity of the Shares, we are of the view that, from the perspective of trading liquidity of the Shares, the Rights Issue is an appropriate equity financing method for the Group and the Subscription Price thereunder is fair and reasonable.

Comparison with recent rights issue transactions

In assessing the fairness and reasonableness of the Subscription Price, we have also conducted an analysis on the subscription prices of other recent rights issue exercises. Based on the criteria of (i) rights issues conducted by listed companies on the Stock Exchange; and (ii) rights issues that had issued relevant prospectuses during the three months prior to the Last Trading Day (the "**Comparison Review Period**"), we have identified an exhaustive list of 16 comparable rights issues (the "**Comparables**").

While the exact terms of the rights issues conducted by the Comparables are different and the Comparables may have different principal business activities and scale of operations, market capitalisations, profitability and financial positions as compared to those of the Company, we are of the view that such analysis can nevertheless provide a fair and representative reference as to how the recent market generally perceives rights issues, including their prevailing terms. We also consider that the length of the Comparison Review Period is adequate, and can fairly and reasonably reflect prevailing market conditions.

The major terms of the rights issue conducted by the Comparables are summarised as below:

Prospectus date	Company name	Stock code	Basis for entitlement	Premium/(Discount) of the subscription price over/to the closing price on the last trading day (%)	the average closing price for the five consecutive trading days including and up to the last trading day (%)	the theoretical ex-right price based on the closing price on the last trading day (%)	the net asset value per share disclosed in the latest interim/annual report published prior to the last trading day (%)	Theoretical dilution effect (%)	Maximum net proceeds (HK$ million)	Excess application	Underwriting
15 Nov 2023	Royal Century Resources Holdings Limited	8125	5 for 1	(19.30)	(17.90)	(3.80)	(82.70)	16.10	35.00	N	N
20 Nov 2023	Rego Interactive Co., Ltd	2422	1 for 2	(39.58)	(38.46)	(30.31)	(38.84)	13.29	99.00	N	N
21 Nov 2023	Zhejiang Expressway Co., Ltd.	576	3.8 for 10	(31.88)	(31.33)	(25.32)	(68.72)	8.78	6,732.00 Note 1	Y	Y
18 Dec 2023	Huabang Technology Holdings Limited	3638	1 for 2	(24.05)	(18.55)	(17.43)	(34.07)	8.02	55.00	N	N
29 Dec 2023	Wisdomcome Group Holdings Limited	8079	3 for 1	(22.40)	(18.20)	(6.30)	(86.40)	16.80	64.50	Y	Y
2 Jan 2024	Gameone Holdings Limited	8282	1 for 2	6.80	8.30	4.50	(40.90)	0.00	12.20	Y	Y
8 Jan 2024	Imperium Financial Group Limited	8029	1 for 2	(11.11)	(7.41)	(7.69)	333.90	3.70	44.10	N	N
9 Jan 2024	Universe Printshop Holdings Limited	8448	3 for 2	(14.81)	(18.44)	(8.00)	259.40	11.06	32.81	N	Y
10 Jan 2024	Tesson Holdings Limited	1201	3 for 4	(11.50)	(11.50)	(6.90)	(72.20)	4.90	109.30	Y	N
11 Jan 2024	Da Yu Financial Holdings Limited	1073	1 for 1	11.11	11.11	4.90	(64.29)	0.00	170.00	Y	N
12 Jan 2024	GoFintech Innovation Limited	290	3 for 1	(9.09)	(12.28)	(2.44)	(46.67)	9.97	472.97	N	N
22 Jan 2024	Elife Holdings Limited	223	1 for 5	3.53	4.02	2.92	235.00	0.00	96.80	Y	Y
22 Jan 2024	Huasheng International Holding Limited	1323	1 for 2	(12.20)	(11.50)	(8.73)	(47.70)	3.82	27.20	N	N
24 Jan 2024	China Financial Leasing Group Limited	2312	1 for 1	(32.60)	(32.40)	(19.50)	(65.20)	16.30	19.40	Y	Y
29 Jan 2024	Finsoft Financial Investment Holdings Limited	8018	3 for 1	(28.16)	(26.00)	(8.92)	(83.12)	21.12	26.20	N	N
31 Jan 2024	Lapco Holdings Limited	8472	3 for 1	(30.23)	(19.35)	(9.77)	(84.85)	22.67	41.70	N	N
			Maximum	**11.11**	**11.11**	**4.90**	**333.90**	**22.67**			
			Minimum	**(39.58)**	**(38.46)**	**(30.31)**	**(86.40)**	**0.00**			
			Average	**(16.59)**	**(14.99)**	**(8.92)**	**0.79**	**9.78**			
			Median	**(17.06)**	**(18.05)**	**(7.85)**	**(56.00)**	**9.38**			
	The Company	**8148**	**2 for 1**	**(20.00)** Note 2	**(25.93)** Note 3	**(10.45)**	**380.00** Note 4	**17.28**	**28.74**	**Y**	**N**

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

Notes:

1. This represents the aggregate maximum net proceeds from the H share rights issue and the domestic share rights issue (for details, please refer to the circular of Zhejiang Expressway Co., Ltd. dated 21 November 2023). For illustrative purpose, Renminibi has been translated into HK$ with exchange rate of RMB1.00 to HK$1.10.

2. This represents the discount of Subscription Price to the theoretical closing price of HK$0.15 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK$0.015 per Existing Share as quoted on the Stock Exchange on the Last Trading Day.

3. This represents the discount of Subscription Price to the theoretical average closing price of HK$0.162 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average of closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Announcement of approximately HK$0.0162 per Existing Share.

4. This represents the premium of Subscription Price over the net asset value of the Company of approximately HK$0.025 per Adjusted Share (assuming the Capital Reorganisation has become effective) based on the unaudited net asset value of the Company of approximately HK$3,175,000 as at 30 June 2023 as disclosed in the interim report of the Company for the six months ended 30 June 2023.

We note from the above table that, with the exception of three Comparables, being Gameone Holdings Limited, Da Yu Financial Holdings Limited and Elife Holdings Limited, all the other Comparables had set the subscription prices of their rights issues at discount to (i) the prevailing market closing price (the "**LTD Price**") of the relevant shares on the last trading day in relation to the respective rights issue; (ii) the average closing price for the five consecutive trading days (the "**Five Days Average LTD Price**") of the relevant shares prior to and up to the last trading day in relation to the respective rights issue; and (iii) the theoretical ex-rights price (the "**Ex-right Price**") based on the LTD Price. Therefore, we consider that it is a normal market practice for listed companies to set the subscription prices of rights issues at a discount to the LTD Price, the Five Days Average LTD Price and the Ex-right Price, so as to encourage their shareholders' participation.

The discount/premium of the subscription prices to the LTD Price of the Comparables ranged from a premium of approximately 11.11% to a discount of approximately 39.58% with mean and median of a discount of approximately 16.59% and 17.06% respectively. The discount of approximately 20.0% of the Subscription Price to the theoretical closing price of the Adjusted Shares on the Last Trading Day falls within the range of those of the Comparables.

The discount/premium of the subscription prices to the Five Days Average LTD Price of the Comparables ranged from a premium of approximately 11.11% to a discount of approximately 38.46% with mean and median of a discount of approximately 14.99% and 18.05% respectively. The discount of approximately 25.93% of the Subscription Price to the theoretical average closing price of the Adjusted Shares for the five previous consecutive trading days prior to the Announcement falls within the range of those of the Comparables.

The discount/premium of the subscription prices to the Ex-right Price of the Comparables ranged from a premium of approximately 4.90% to a discount of approximately 30.31% with mean and median of a discount of approximately 8.92% and 7.85% respectively. The discount of approximately 10.45% of the Subscription price to the Ex-right Price falls within the range of those of the Comparables.

Despite the discounts of the Subscription Price to both the theoretical closing price of the Adjusted Shares on the Last Trading Day, the five days average prior to the Announcement and the Ex-right Price are higher than the means and medians of the Comparables, taking into account the financial situation and funding needs of the Group as mentioned in the paragraphs headed "1.1 Financial information of the Group" and "2.1 The funding needs" above, in particular, its consecutive loss-making records and the recent deficit and net current liabilities positions coupled with the needs of funds for developing the new business venture, we are of the view that the discounts being relatively higher than the means and medians of the Comparables are reasonable so as to encourage Qualifying Shareholders to participate in the Rights Issue.

When comparing the respective subscription price to the net asset value per share of the Comparables, we note that majority are at a discount with the exception of Imperium Financial Group Limited, Universe Printshop Holdings Limited and Elife Holdings Limited. The discount/premium of the subscription price to the net asset value per share of the Comparables ranged from a premium of approximately 333.90% to a discount of approximately 86.40% with mean of a premium of approximately 0.79% and median of a discount of approximately 56.00%. The premium of approximately 380.00% of the Subscription Price to the Company's net asset value per Adjusted Share is higher than those of the Comparables.

From a theoretical dilution effect perspective, the range of the Comparables varied from nil to approximately 22.67% with mean and median of approximately 9.78% and 9.38% respectively. The theoretical dilution effect of the Rights Issue of approximately 17.28% falls within the range of the Comparables. Although such theoretical dilution is higher than the mean and median of the Comparables, taking into account (i) such theoretical dilution level is within the 25% threshold as permitted under Rule 10.44A of the GEM Listing Rules; and (ii) the financial situation and the funding needs of the Group as abovementioned, we are of the view that the theoretical dilution effect of the Rights Issue is reasonable.

Taking into account the above, in particular, (i) despite the price discounts and theoretical dilution of the Rights Issue are higher than the means and medians of the Comparables, they are within the range of the Comparables and is within the permitted threshold under the GEM Listing Rules (as the case may be); (ii) the Group's consecutive loss-making records and the deficit and net current liabilities positions; (iii) the Group's funding needs for developing the new business venture; and (iv) the fact that the Subscription Price represents a premium of approximately 380.00% to the Company's net asset value per Adjusted Share, which is higher than those of the Comparables, we consider the Subscription Price is fair and reasonable.

3.3 Other terms

Excess application

As discussed in the "Letter from the Board" of the Circular, all Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or transferees of nil-paid Rights Shares.

A Shareholder who applies to take up all or part of his/her/its entitlement under the PAL and/or excess Rights Shares under the EAF may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or cause the public float of the Company to decrease to below 25%. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue or excess Rights Shares under the EAF will be scaled down to a level which (a) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules; and (b) does not cause the Company's public float to decrease to below 25%. Shares subject to scale down will be available for application as excess Rights Shares to other Qualifying Shareholders, any subscription monies not utilised due to scaled-down application of entitled Rights Shares or excess Rights Shares will be refunded to the affected applicants.

Among the Comparables, seven out of 16 of the Comparables allow application for excess rights shares. Therefore, we consider that the Rights Issue which allows application for excess Rights Shares and the possibility of applying for excess Rights Shares under the Rights Issue are not uncommon in the market.

Non-underwritten basis of the Rights Issue

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. In the event that the provisional allotments for the Rights Issue are not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue.

As the Rights Issue is not underwritten and has not set a minimum subscription amount, a Shareholder who applies to take up all or part of his/her/its entitlement under the PAL and/or excess Rights Shares under the EAF may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or cause the public float of the Company to decrease to below 25%. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue or excess Rights Shares under the EAF will be scaled down to a level which (a) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules; and (b) does not cause the Company's public float to decrease to below 25%. Shares subject to scale down will be available for application as excess Rights Shares to other Qualifying Shareholders, any subscription monies not utilised due to the scaled-down application of entitled Rights Shares or excess Rights Shares will be refunded to the affected applicants.

Underwriting arrangement is subject to whether the Company can secure suitable underwriters at reasonable terms and costs, which is subject to, among others, market conditions at the relevant time. We note that ten out of the 16 Comparables were conducted on a non-underwritten basis, implying it is not uncommon for rights issues to proceed on such basis.

In addition, as the Company is raising capital for expansion instead of discharging financial obligations or fulfilling a forthcoming contractual commitment, there is no necessity to have an assured amount to be raised. Underwriting arrangement also involves underwriting fees which will reduce the net proceeds of the Rights Issue.

Taking into account that (i) the purpose of the Rights Issue is raising capital for expansion and even if the amount successfully raised is lower than initially targeted, it would enable the Management to continue to develop its recently launched advertising e-commerce platform; and (ii) the fact that it is not uncommon for rights issues to proceed on non-underwritten basis, we are of the view that it is fair and reasonable for the Rights Issue to proceed on a non-underwritten basis.

3.4 Conclusion

Taking into account the above, we are of the view that the terms of the Rights Issue are fair and reasonable.

4. Financial impact

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue.

4.1 Net tangible assets

In terms of net tangible assets per Share, as set out in Appendix II to the Circular, upon completion of the Capital Reorganisation and the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company as at 31 December 2023 would be approximately HK$0.08 (assuming all Qualifying Shareholders have taken up the Rights Shares), representing an increase of approximately 700.0% as compared to the unaudited pro forma consolidated net tangible assets per Share attributable to owners of the Company as at 31 December 2023 immediately after completion of the Capital Reorganisation but prior to the completion of the Rights Issue of approximately HK$0.01.

4.2 Liquidity

In terms of liquidity position, the Group had cash and cash equivalents of approximately HK$3.2 million, current assets of approximately HK$8.7 million and current liabilities of approximately HK$11.9 million as at 31 December 2023 respectively, giving rise to a current ratio (being current assets divided by current liabilities) of approximately 0.73 times (i.e. a net current liabilities position). Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group may increase by up to the amount of net proceeds from the Rights Issue; that is up to approximately HK$28.74 million. In such case, the current ratio of the Group will potentially increase from approximately 0.73 times to 3.15 times, indicating potential improvement from a net current liabilities position to a net current assets position.

Overall, we note that the Group's financial position will improve following the Rights Issue.

5. Possible dilution effect

All Qualifying Shareholders are entitled to subscribe for the Rights Shares.

For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

Qualifying Shareholders who do not take up the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, their proportionate shareholding in the Company will be diluted.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; and (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable and justifiable.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms of the Rights Issue are fair and reasonable; and (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour on the resolution at the EGM in relation to the Rights Issue.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Chang Sean Pey
Responsible Officer

*Mr. Chang Sean Pey ("**Mr. Chang**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*