



红日资本有限公司
RED SUN CAPITAL LIMITED

28 April 2025

To: The Independent Shareholders of Microware Group Limited

**THE VOLUNTARY CONDITIONAL CASH OFFER BY
ASTRUM CAPITAL MANAGEMENT LIMITED
FOR AND ON BEHALF OF THE WEIYE HOLDINGS GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
MICROWARE GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
WEIYE HOLDINGS GROUP LIMITED AND CERTAIN PARTIES
ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Shareholders in respect of the Offer, details of which are set out in the letter from the Board (the “**Letter from the Board**”) and the letter from Astrum Capital Management Limited (the “**Letter from Astrum Capital**”) contained in the composite document dated 28 April 2025 (the “**Composite Document**”) jointly issued by Weiye Holdings Group Limited and Microware Group Limited, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

Reference is made to the Rule 3.5 Announcement. Astrum Capital, for and on behalf of the Offeror, is making a voluntary conditional cash offer to acquire all the issued Shares (other than those Shares already owned by the Offeror and Offeror Concert Parties) at HK\$1.36 per Share.

OUR INDEPENDENCE

Pursuant to Rule 2.1 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance or voting.

As the non-executive Director, namely Mr. Wang Zhi, is presumed to be acting in concert with the Offeror under class (6) of the definition of acting in concert under the Takeovers Code as a result of the Offer, Mr. Wang Zhi should not be a member of the independent board committee to advise the Independent Shareholders on the terms of the Offer.

As the independent non-executive Directors, namely Mr. Dai Bin, Mr. Xu Jianwen and Ms. Lan Jia have all provided the Irrevocable Undertakings, they should not be members of the independent board committee to advise the Independent Shareholders on the terms of the Offer.

As an independent board committee cannot be formed to make recommendations to the Shareholders, Red Sun Capital has been appointed by the Company to act as the Independent Financial Adviser pursuant to Rule 2.8 of the Takeovers Code to advise the Independent Shareholders in respect of the Offer, and in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

As at the Latest Practicable Date, we were independent from and not connected to the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer to the Independent Shareholders.

Save for the appointment of Red Sun Capital as the Independent Financial Adviser in respect of the Offer, there were no other engagements between Red Sun Capital and each of the Company and the Offeror during the past two years prior to the date of the appointment of Red Sun Capital as the Independent Financial Adviser. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Red Sun Capital shall receive any fees or benefits from the Company, the Offeror, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them in connection with the Offer. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Composite Document or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Composite Document have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that to their knowledge after making reasonable enquires, no material facts have been omitted from the information provided and referred to in the Composite Document. In addition, pursuant to the Listing Rules, we have taken reasonable steps to enable ourselves to reach an informed view so as to provide a reasonable basis for our opinion, which included, among others (i) the Rule 3.5 Announcement; (ii) the Composite Document; (iii) the annual report of the Company for the year ended 31 March 2024 (the “**2024 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 September 2024 (the “**2024 Interim Report**”); (v) the Profit Warning Announcements; and (vi) other information obtained from the public domain.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group, and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. The Shareholders will be notified of any material changes to such information and representations as well as the content of this letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our advice with regard to the Offer, we have taken into account the following principal factors and reasons:

(A) Background and financial information of the Group

As set out in the Letter from the Board and the 2024 Annual Report, the Company is the holding company of the Group and the Group is principally engaged in the provision of information technology (“IT”) infrastructure solutions and managed services and artificial intelligence solutions services in Hong Kong. The Group provides one-stop IT experience which begins with (i) consultation and advice; (ii) semiconductor products, hardware and/or software procurement; (iii) implementation; and (iv) management and maintenance of the IT infrastructure solutions.

Extracted consolidated statements of profit or loss and other comprehensive income of the Group

Set out below are the extracted consolidated statements of profit or loss and other comprehensive income of the Group for (i) the six months ended 30 September 2023 and 2024 as extracted from the 2024 Interim Report; and (ii) the years ended 31 March 2023 and 2024 as extracted from the 2024 Annual Report.

	For the six months ended 30 September		For the year ended 31 March	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2024 HK\$'000 (audited)	2023 HK\$'000 (audited)
Revenue	720,738	498,563	1,234,334	1,166,848
Segment of IT infrastructure solution services business	649,071	425,475	1,088,767	1,033,933
Segment of IT managed services business	71,667	73,088	145,567	132,915
Gross profit	66,717	56,916	144,956	121,566
Profit and total comprehensive income for the year attributable to owners of the Company	13,454	11,529	36,228	33,179

Financial performance for the six months ended 30 September 2023 and 2024

As set out in the 2024 Interim Report, total revenue of the Group increased by approximately HK\$222.2 million or 44.6% from approximately HK\$498.6 million for the six months ended 30 September 2023 to approximately HK\$720.7 million for the six months ended 30 September 2024, which was mainly due to the increase in revenue from the segment of IT infrastructure solution services business.

The gross profit of the Group increased by approximately HK\$9.8 million or 17.2% from approximately HK\$56.9 million for the six months ended 30 September 2023 to approximately HK\$66.7 million for the six months ended 30 September 2024, which was mainly due to the increase in revenue of IT infrastructure solution services. The gross profit margin of the Group decreased from approximately 11.4% for the six months ended 30 September 2023 to approximately 9.3% for the six months ended 30 September 2024.

The profit and total comprehensive income of the Group increased by approximately HK\$1.9 million or 16.7% from approximately HK\$11.5 million for the six months ended 30 September 2023 to approximately HK\$13.5 million for the six months ended 30 September 2024, which was mainly due to the increase in revenue from the segment of IT infrastructure solution services business and partly offset by the increase in total operating expenses of the Group as a result of the increase in selling and distribution expenses and the administrative expenses.

Financial performance for the years ended 31 March 2023 and 2024

As set out in the 2024 Annual Report, total revenue of the Group increased by approximately HK\$67.5 million or 5.8% from approximately HK\$1,166.8 million for the year ended 31 March 2023 to approximately HK\$1,234.3 million for the year ended 31 March 2024, which was mainly due to the increase in revenue from the segment of IT infrastructure solution services business.

The gross profit of the Group increased by approximately HK\$23.4 million or 19.2% from approximately HK\$121.6 million for the year ended 31 March 2023 to approximately HK\$145.0 million for the year ended 31 March 2024, which was due to the increase in gross profit of both the business segments of IT infrastructures solution services and IT managed services. The gross profit margin of the Group increased from approximately 10.4% for the year ended 31 March 2023 to approximately 11.7% for the year ended 31 March 2024.

The profit and total comprehensive income of the Group increased by approximately HK\$3.0 million or 9.2% from approximately HK\$33.2 million for the year ended 31 March 2023 to approximately HK\$36.2 million for the year ended 31 March 2024, which was mainly due to the increase in gross profit as mentioned above and partly offset by the increase in total operating expenses of the Group as a result of the increase in selling and distribution expenses and the administrative expenses.

Extracted consolidated statements of financial position of the Group

	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
Non-current assets	86,163	13,690
Current assets	<u>550,791</u>	<u>503,249</u>
Total assets	636,954	516,939
Non-current liabilities	25,079	3,921
Current liabilities	<u>420,621</u>	<u>331,711</u>
Total liabilities	<u>445,700</u>	<u>335,632</u>
Equity attributable to owners of the Company	<u>191,254</u>	<u>181,307</u>

As set out in the 2024 Interim Report, total assets of the Group increased by approximately HK\$120.0 million or 23.2% from approximately HK\$516.9 million as at 31 March 2024 to approximately HK\$637.0 million as at 30 September 2024. As at 30 September 2024, total assets of the Group mainly comprised of (i) trade and other receivables, prepayments and deposits of approximately HK\$328.4 million, as compared to approximately HK\$186.1 million as at 31 March 2024; (ii) cash and cash equivalents of approximately HK\$69.7 million, as compared to approximately HK\$159.8 million as at 31 March 2024; (iii) inventories of approximately HK\$62.7 million, as compared to approximately HK\$111.5 million as at 31 March 2024; (iv) pledged bank deposits of approximately HK\$56.9 million, as compared to approximately HK\$34.7 million as at 31 March 2024; and (v) equity instruments at fair value through other comprehensive income of approximately HK\$55.5 million, as compared to nil as at 31 March 2024.

Total liabilities of the Group increased by approximately HK\$110.1 million or 32.8% from approximately HK\$335.6 million as at 31 March 2024 to approximately HK\$445.7 million as at 30 September 2024. As at 30 September 2024, total liabilities of the Group mainly comprised of (i) trade and other payables and accruals of approximately HK\$223.0 million, as compared to approximately HK\$212.4 million as at 31 March 2024; (ii) bank borrowings of approximately HK\$96.4 million, as compared to approximately HK\$11.0 million as at 31 March 2024; and (iii) contract liabilities of approximately HK\$74.2 million, as compared to approximately HK\$95.1 million as at 31 March 2024.

Total equity attributable to owners of the Company increased by approximately HK\$9.9 million or 5.5% from approximately HK\$181.3 million as at 31 March 2024 to approximately HK\$191.3 million as at 30 September 2024.

The Profit Warning Announcements

As disclosed in the Profit Warning Announcements, based on the preliminary review of the Company's latest unaudited consolidated management accounts for the year ended 31 March 2025, which has been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2024 which conform with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants, and information currently available to the Board, it is expected that the Group will record a profit before taxation for the year ended 31 March 2025 of approximately HK\$18.7 million, as compared to the profit before taxation of approximately HK\$43.8 million for the year ended 31 March 2024, representing a decrease of approximately 57.3%. Such decrease was mainly due to the share-based compensation expenses of approximately HK\$38.4 million primarily attributable to the share award scheme adopted by the Company on 16 January 2024, certain terms of which were amended on 23 December 2024.

Given the profit before taxation of the Company for the year ended 31 March 2025 is expected to be decreased by more than 50% as compared to the corresponding prior period, we are of the view that the Offer may provide a reasonable opportunity for Independent Shareholders to realise their investment in the Company.

(B) Overall economy of Hong Kong and prospects of the Group

According to the Census and Statistics Department of Hong Kong, the total Gross Domestic Products (“GDP”) at market prices increased by approximately HK\$193.4 billion or 6.5% from approximately HK\$2,983.6 billion in 2023 to approximately HK\$3,177.0 billion in 2024, and per capita GDP at current market prices increased by approximately HK\$26,335 or 6.7% from HK\$395,907 in 2023 to HK\$422,242 in 2024¹.

According to the article titled “Innovation and Technology Industry in Hong Kong” published by the Hong Kong Trade Development Council², Hong Kong ranked fifth in Asia and 18th globally among 133 economies in World Intellectual Property Organization’s Global Innovation Index 2024. Besides, Hong Kong has consistently ranked in the top 10 of the IMD World Digital Competitiveness Ranking since 2019. These demonstrated that Hong Kong prowess and accomplishments in innovation and technology. Latest initiatives by the Hong Kong government included providing various fundings schemes to technology related companies as well as assisting technology related companies in Hong Kong and the PRC to collaborate.

Based on the latest available information at the Census and Statistics Department of Hong Kong, business receipts and other income of IT service activities and information service activities³ increased by approximately HK\$9.0 billion or 11.6% from approximately HK\$77.9 billion in 2022 to approximately HK\$86.9 billion in 2023.

Despite its promising outlook, the innovation and technology industry faces challenges. According to a survey by InvestHK in 2024⁴, as a result of increased funding and a higher level of investment in the required infrastructure, the number of technology related start-ups increased by 10% from 2023 or 40% from 2020 to a total of 4,694. Increasing number of participants may lead to market fragmentation and intense competition in the long term.

Based on the above, we are of the view that the Offer may provide a reasonable opportunity for Independent Shareholders to realise their investment in the Company as the prospect of the Group is conservative optimistic.

(C) Information and intention of the Offeror and reasons for the Offer

(i) Information of the Offeror and parties acting in concert with it

The Offeror is a limited liability company incorporated in the British Virgin Islands and is beneficially and wholly-owned by Mr. Wang, who is also the sole director of the Offeror. The Offeror is principally engaged in investment holding.

¹ Source: https://www.censtatd.gov.hk/en/web_table.html?id=310-31001#310-31001_r

² Source: <https://research.hktcdc.com/en/article/MzEzOTIwMDIy>

³ Source: https://www.censtatd.gov.hk/en/web_table.html?id=640-75103

⁴ Source: https://www.investhk.gov.hk/media/lc0j403v/2024-startup-survey_en.pdf

Mr. Wang, aged 45, was appointed as an executive Director and the vice chairman of the Board on 6 July 2023. He was appointed as chairman of the Board and chairman of the nomination committee of the Company on 11 September 2023 and a member of the remuneration committee of the Company on 28 November 2023. Mr. Wang has obtained an executive master's degree in business administration from the Business School of the National University of Singapore in 2024. Mr. Wang is the chairman of the board of directors of Shanghai Weiye Investment Group Co., Ltd (上海為燁投資集團有限公司) and the vice chairman of the Shanghai Heilongjiang Chamber of Commerce (上海市黑龍江商會). Mr. Wang has been in the field of IT marketing since 2002 and has over 20 years of experience in the IT industry.

(ii) Intentions of the Offeror in relation to the Group

The Offeror considers and confirms that (i) it is intended that the Group will continue with the existing business of the Group; and (ii) it has no intention to (a) introduce any major changes to the existing business of the Group; (b) discontinue the employment of any of the Group's employees; or (c) redeploy the fixed assets of the Group other than in its ordinary course of business. The Offeror will continue to ensure good corporate governance and monitor and review the Group's business and operations from time to time. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group. As at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group or disposal of, ceasing or downsizing of the Group's existing business.

As at the Latest Practicable Date, the Board comprises Mr. Wang and Mr. Huang Tianlei as executive Directors; Mr. Wang Zhi as non-executive Director; and Mr. Dai Bin, Mr. Xu Jianwen and Ms. Lan Jia as independent non-executive Directors. The Company and the Offeror do not expect any change to the composition of the Board both before and after the close of the Offer. As at the Latest Practicable Date, no Director intends to resign from the Board.

(iii) Reasons for the Offer

Mr. Wang was appointed as an executive Director and the vice chairman of the Board with effect from 6 July 2023 and currently holds 89,500,000 Shares directly and indirectly, representing approximately 29.83% of the existing issued share capital of the Company (without taking into account the Shares held by parties acting in concert with him). Building on his experience of over 20 years in the IT industry, he has since then, gained further understanding of the reputation of the Group's brand in the IT infrastructure solutions services and IT managed services industry and among customers, as well as the management and business operation of the Group. Mr. Wang aims to seek a controlling stake in the Company for long-term investment and expand the scope of his investments. Mr. Wang is optimistic

about the future prospect of the Group and the existing management of the Group. His decision to make the Offer reflects his confidence in and commitment to the Company and also affords the Shareholders with an opportunity to realise the Shares at a premium to the market price.

(iv) *Intention of the Offeror to maintain the listing status of the Company*

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued Shares (excluding treasury shares, if any), are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange.

As set out in the Letter from Astrum Capital, the sole director of the Offeror and the new directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer. No such arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

(v) *Our view*

Having considered that (i) Mr. Wang, the sole director of the Offeror, joined the Board since 6 July 2023 and possessed 20 years of experience in the IT industry; (ii) the Offeror had no intention to introduce any major changes to the existing business of the Group, discontinue the employment of any of the Group's employees and redeploy the fixed assets of the Group (other than in its ordinary course of business); (iii) as at the Latest Practicable Date, no investment or business opportunity had been identified; (iv) the Offeror did not expect any change to the composition of the Board both before and after the close of the Offer; and (v) Mr. Wang aims to seek a controlling stake in the Company for long-term investment, we are of the view that that there would not be substantial change in the principal business activities of the Group as a direct result of the Offer.

(D) Principal terms of the Offer

As at the Latest Practicable Date, there were 300,000,000 Shares in issue, of which 209,000,000 Shares will be subject to the Offer. The Company had no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

The Offer is made by Astrum Capital for and on behalf of the Offeror at the Offer Price:

For each Offer Share HK\$1.36 in cash

If, after the date of the despatch of this Composite Document, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Offer Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital, in which case any reference in the Rule 3.5 Announcement, this Composite Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced.

The Offer Shares to be acquired under the Offer shall be fully paid and free from any encumbrances and together with all rights and entitlements attaching or accruing thereto including, without limitation, the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Offer is made (i.e. the date of the despatch of this Composite Document).

The Company confirms that as at the Latest Practicable Date, (a) it had not declared any dividend, the record date of which falls on or after the expected date of despatch of this Composite Document; and (b) it did not have any intention to make, declare or pay any future dividend or make other distributions until the close of the Offer.

The Offeror will not increase the Offer Price for the Offer as set out above. Shareholders and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.

The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares not tendered for acceptance under the Offer.

Further details of the terms and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

(i) The Offer Price

The Offer Price of HK\$1.36 per Offer Share represents:

- (a) a premium of approximately 6.25% over the closing price of HK\$1.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 11.48% over the closing price of HK\$1.220 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 9.85% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$1.238 per Share;
- (d) a premium of approximately 7.42% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.266 per Share;
- (e) a premium of approximately 9.50% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.242 per Share;
- (f) a premium of approximately 9.59% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.241 per Share;
- (g) a premium of approximately 125.17% to the audited equity attributable to owners of the Company per Share of approximately HK\$0.604 as at 31 March 2024; and
- (h) a premium of approximately 113.17% to the unaudited equity attributable to owners of the Company per Share of approximately HK\$0.638 as at 30 September 2024.

(ii) *Highest and Lowest Share Prices*

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$1.50 per Share on 31 October 2024 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$1.12 per Share on 20, 22 and 23 January 2025.

(iii) *Condition of the Offer*

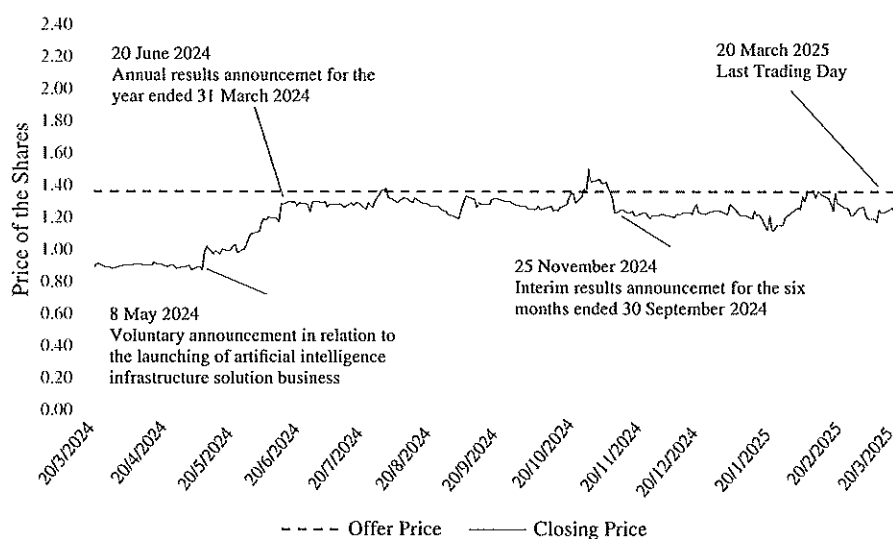
The Offer is conditional upon valid acceptances of the Offer having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of the Offer Shares, which together with the Shares already held by the Offeror and the Offeror Concert Parties, would result in the Offeror and the Offeror Concert Parties holding more than 50% of the voting rights of the Company as at the Closing Date. This Condition cannot be waived.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer become unconditional in all respects. The Offer must also remain open for acceptance for at least 14 days after the Offer becomes unconditional in all respects. Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

The Offer is subject to the satisfaction of the Condition and, accordingly, the Offer may or may not become unconditional. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or exercising other rights in respect of the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

(E) Analysis on historical price performance of the Shares

We have analysed the movements in the closing price of the Shares for the period from 20 March 2024 to the Last Trading Day (i.e. 20 March 2025), being the 12-month period prior to the Last Trading Day (the “Review Period”). We consider that a period of 12 months is adequate and long enough to illustrate the recent price movements of the Shares for a reasonable comparison between the Offer Price and the closing price of the Shares with a view to assessing the reasonableness and fairness of the Offer Price. Set out below is the analysis on the Offer Price and the closing price of the Shares during the Review Period:



Source: www.hkex.com.hk

As illustrated in the chart above, closing prices of the Shares fluctuated within a range from HK\$0.870 per Share to HK\$1.500 per Share with an average closing price of approximately HK\$1.200 per Share (the “Average Closing Price”) during the Review Period. The Offer Price of HK\$1.360 represents a premium of approximately 13.3% to the Average Closing Price during the Review Period. Out of 245 trading days during the Review Period, there were only 12 trading days that the closing prices of the Shares was above the Offer Price.

The closing prices of the Shares remained relatively stable from the beginning of the Review Period to the early May 2024. After that, the closing price of the Share increased from HK\$0.980 on 9 May 2024, being the trading day immediately after the publication of the voluntary announcement in relation to the launching of AI infrastructure solution business, to HK\$1.29 on 21 June 2024, being the trading day immediately after the publication of the annual results announcement of the Company for the year ended 31 March 2024. The daily closing price was relatively stable, which ranged from HK\$1.190 to HK\$1.380 from 21 June 2024 to 30 October 2024. On 31 October 2024, the daily closing price reached the peak at HK\$1.500 on 31 October 2024. As discussed with the Management, they were not aware of any affairs of the Group that could potentially related to the increase in the closing price of the Shares on 31 October 2024. Subsequently, the daily closing prices of the Shares decreased to HK\$1.230 on 26 November 2024,

being the trading day immediately after the publication of the interim results announcement of the Company for the six months ended 30 September 2024, and remained relative stable from 26 November 2024 to the Last Trading Day, with maximum closing price of HK\$1.370 and the minimum closing price of HK\$1.120.

We have also analysed the movements in the closing price of the Shares for the period from the Last Trading Day (i.e. 20 March 2025) up to the Latest Practicable Date (i.e. 25 April 2025).



As illustrated in the chart above, closing prices of the Shares fluctuated within a range from HK\$1.220 per Share to HK\$1.310 per Share with an average closing price of approximately HK\$1.296 per Share. The Offer Price of HK\$1.360 represents a premium of approximately 4.9% to the average closing price of the Share during such period.

(F) Analysis on historical trading liquidity of the Shares

We have also reviewed the historical trading volume of the Shares during the Review Period. Set out below is number of trading days, average daily trading volume of the Shares and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period:

Month/period	Number of trading days	Average daily trading volume	Percentage of average trading volume to total number of Shares in issue (Note 1)	Percentage of average trading volume to total number of Shares held by public Shareholders (Note 2)
2024				
March (from 20 March 2024)	7	70,857	0.02%	0.03%
April	20	445,300	0.15%	0.19%
May	21	1,130,857	0.38%	0.49%
June	19	1,662,632	0.55%	0.71%
July	22	930,200	0.31%	0.42%
August	22	281,364	0.09%	0.13%
September	19	1,330,000	0.44%	0.60%
October	21	277,333	0.09%	0.12%
November	21	580,762	0.19%	0.26%
December	20	86,900	0.03%	0.04%
2025				
January	19	307,158	0.10%	0.15%
February	20	181,400	0.06%	0.09%
March (up to the Last Trading Day)	14	49,286	0.02%	0.02%
Average			0.19%	0.25%
Maximum			0.55%	0.71%
Minimum			0.02%	0.02%

Source: www.hkex.com.hk

Notes:

1. Based on the total number of the Shares in issue at the end of month/period.
2. Based on the total number of the Shares held by public Shareholders, i.e. Shareholders other than the Offeror and parties acting in concert with it and substantial Shareholders, as at the end of relevant month/period.

As illustrated in the table above, during the Review Period, the average daily trading volume for each month or period as a percentage to the total number of Shares in issue at the end of the respective month or period ranged from approximately 0.02% to 0.55% with an average of approximately 0.19%. The average daily trading volume for each month or period as a percentage to the total number of Shares held by public Shareholders at the end of the respective month or period ranged from approximately 0.02% to 0.71% with an average of approximately 0.25%. Based on the analysis above, we consider that the liquidity of the Shares was generally thin during the Review Period. In normal circumstances, if the Independent Shareholders dispose Shares in the open market in bulk, this may exert downward pressure on the market price of Shares.

While the Offer provides an option to the Independent Shareholders for realising their investment at the Offer Price within a short period of time, Independent Shareholders who consider to realise their investment are advised to do so in the open market instead of accepting the Offer if the trading prices of the Shares are above the Offer Price. Independent Shareholders who possess a relatively sizeable shareholdings are also advised to take into account the potential pressure on the Share price when selling in bulk or realise their shareholdings by batches.

(G) Market comparables analysis

With a view to assess the fairness and reasonableness of the terms of the Offer Price, we have considered the price-to-book ratio (the “**P/B Ratio**”), the price-to-earnings ratio (the “**P/E Ratio**”) and enterprise value to earnings before interest, taxes, depreciation and amortization (“**Enterprise Multiple**”) of the Company and its comparable companies. P/B Ratio, P/E Ratio and Enterprise Multiple are commonly used valuation benchmarks in assessing the valuation of a company since the data for calculating these ratios can be obtained from publicly and readily available information directly to reflect the value of the companies determined by the open market.

P/B Ratio was not used as P/B Ratio is mainly used to assess the value of companies with heavy assets such as companies in real estate industries or traditional manufacturing industries.

Given that (i) the principal activities of the Group is the provision of IT infrastructure solutions services and IT managed services in Hong Kong, as all the Group’s revenue is derived from its operation in Hong Kong and all its non-current assets (excluding financial assets such as derivative financial instrument and deferred tax assets) are located in Hong Kong; and (ii) the market capitalisation of the Company was approximately HK\$366.0 million as at the Last Trading Day (based on the total issued Shares of 300,000,000 Shares and the closing price per Share of HK\$1.22), we have selected comparable companies which are (i) listed on the Main Board of the Stock Exchange without suspension of trading in its shares on the Last Trading Day or Latest Practicable Date; (ii) principally engaged in provision of IT related business/ integrated services in Hong Kong, Macao and the PRC, with over 80% of total revenue for latest financial year being generated from such business; and (iii) with market capitalisation of not more than HK\$800 million as at the Last Trading Day. Based on the above selection criteria, we have identified exhaustive list of four comparable companies (the “**Comparable Companies**”).

We noted that no Comparable Companies matches the exact business model, scale, trading potential, target markets, product mix, and capital structure of the Company, and we have not conducted a detailed analysis of the Comparable Companies beyond these criteria. Nonetheless, having considered the Comparable Companies (i) are principally engaged in business similar to the Group, i.e. IT related consulting and business solutions; (ii) have similar market capitalisation as the Group; (iii) are listed on the Stock Exchange and hence share similar market sentiment of the Company; and (iv) represent an exhaustive list of companies meeting the aforementioned criteria, we are of the view that the Comparable Companies are comparable and representative for our analysis purpose. We set out our findings in the following table:

No	Company name (Stock code)	Principal activities	Market capitalisation (Note 1) HK\$ million	P/E Ratio (Note 2) Times	Enterprise Multiple (Note 3) Times
1	Maiyue Technology Limited (2501) ("Maiyue")	Integrated IT solutions services provider in the education and government IT solutions markets	540.0	1,156.5	18.4
2	Computer and Technologies Holdings Limited (46)	IT services provider	425.1	14.6	6.8
3	MTT Group Holdings Limited (2350)	(i) distribution of IT products in Hong Kong, Macau and PRC; (ii) provision of system integrated solutions for IT systems	237.5	N/A	95.5
4	Vongroup Limited (318)	technology businesses, property businesses and financial services businesses	85.3	4.0	3.1
	Maximum			1,165.5	95.5
	Minimum			4.0	3.1
	Average			394.7	30.9
	Median			14.6	12.6
	Excluding outlier (i.e. Maiyue)				
	Maximum			14.6	95.5
	Minimum			4.0	3.1
	Average			9.3	30.9
	Median			9.3	12.6
	The Company		366.0 (Note 4)	11.3	10.7 (Note 4)

Source: www.hkex.com.hk

Notes:

1. The market capitalisation of the Comparable Companies was calculated based on the closing share prices and the total issued shares of the Comparable Companies as at the Last Trading Day.
2. The P/E Ratio is calculated based on the market capitalisation of the respective Comparable Companies as at the Last Trading Day divided by the revenue of the respective Comparable Company in the latest financial year.
3. Enterprise Multiple is calculated based on enterprise value, being the sum of market capitalisation and total debt less cash and cash equivalents, over earnings before interest, tax, depreciation and amortization.
4. Being the market capitalisation of the Company implied by the Offer Price.

As illustrative in the above table, the P/E Ratios of the Comparable Companies ranged from approximately 4.0 times to approximately 1,165.5 times, with an average of approximately 394.7 times and a median of approximately 14.6 times. The P/E Ratio of the Company implied by the Offer Price of approximately 11.3 times is within the range of the P/E Ratios of the Comparable Companies and lower than the average of the P/E Ratios of the Comparable Companies but near the median of the P/E Ratios of the Comparable Companies.

We noted that Maiyue has a P/E Ratio of approximately 1,165.5 times. As set out in the annual results announcement of Maiyue for the year ended 31 December 2024 published on 28 March 2025, we noted that the profit for the year attributable to equity shareholders of the company decreased by approximately RMB22.4 million or 98.1% from approximately RMB22.9 million for the year ended 31 December 2023 to approximately RMB0.4 million for the year ended 31 December 2024. Such decrease was mainly due to (i) the decrease in gross profit of approximately RMB16.9 million as a result of the decrease in gross profit and gross profit margin of certain projects undertaken due to different project requirements and circumstances, which are different from revenue from IT solutions projects by its self-developed products and projects directly engaged by its end-users, which we consider the decrease in gross profit and gross profit margin of certain projects undertaken; (ii) the recognition of the impairment loss on trade receivables and contract assets of approximately RMB24.7 million, as compared to the reversal of impairment loss on trade receivables and contract assets of RMB1.3 million in the prior year, mainly due to the increase in long-aged trade receivables as a result of the extended payment period granted by Maiyue for certain projects and the delay in settlement of trade receivables due from certain customers, and partly offset by the decrease in administrative expenses of approximately RMB16.1 million as a result of the decrease in the listing expenses and the legal and professional fees incurred after the listing.

Based on the above, we are of the view that the high P/E Ratio of Maiyue may be attributable to substantial decrease in profit for the year attributable to equity shareholders of Maiyue for the year ended 31 December 2024 as a result of decrease in gross profit margin of certain projects undertaken and the recognition of impairment loss on trade receivables and contract assets as a result of change in its finance policy. The high P/E Ratio of Maiyue may be a potential outlier as the underlying main reasons for its high P/E Ratio may not be directly attributable to the IT industry and the inclusion of which may distort our analysis.

We then re-perform the P/E Ratio analysis after taking out the P/E Ratio of Maiyue. The P/E Ratios of the Comparable Companies excluding Maiyue would then be ranged from approximately 4.0 times to approximately 14.6 times, with an average and a median of approximately 9.3 times. The P/E Ratio of the

Company implied by the Offer Price of approximately 11.3 times is within the range of the P/E Ratios of the Comparable Companies excluding Maiyue and higher than the average and median of the P/E Ratios of the Comparable Companies excluding Maiyue.

For the Enterprise Multiple, the Enterprise Multiple of the Comparable Companies ranged from approximately 3.1 times to approximately 95.5 times, with an average of approximately 30.9 times and a median of approximately 12.6 times. The Enterprise Multiple of the Company implied by the Offer Price of approximately 10.7 times is within the range but lower than the average of Enterprise Multiple of the Comparable Companies.

Having considered that (i) the P/E Ratio of the Company implied by the Offer Price of approximately 11.3 times is within the range of, and higher than the average and median of, the P/B Ratios of the Comparable Companies excluding outlier; (ii) the Enterprise Multiple of the Company implied by the Offer Price of approximately 10.7 times is within the range of Enterprise Multiple of the Comparable Companies, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATIONS

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

- (i) the Group recorded increasing profit and total comprehensive income attributable to owners of the Company for the two years ended 31 March 2023 and 2024 and for the six months ended 30 September 2023 and 2024. However, as a result of the share-based compensation expenses as set out in the section headed “Profit Warning Announcements”, the profit before taxation of the Company for the year ended 31 March 2025 is expected to decrease by more than 50% as compared to the profit before taxation of the Company for the year ended 31 March 2024. As such, we are of the view that the Offer may provide a reasonable opportunity for Independent Shareholders to realise their investment in the Company;
- (ii) the prospects of the Group as discussed in the paragraphs headed “(B) Overall economy of Hong Kong and prospects of the Group” in this letter showing the prospect of the Group is conservative optimistic;
- (iii) there would not be substantial change in the existing principal business of the Group as a direct result of the Offer based on the intention of the Offeror and reasons of the Offer as set out in the paragraphs headed “(C) Information and intention of the Offeror and reasons for the Offer” in this letter;
- (iv) the Offer Price of HK\$1.360 represents a premium of approximately 13.3% to the Average Closing Price during the Review Period, and the Offer Price was higher than the closing price of the Shares over 95% of the trading days during the Review Period;

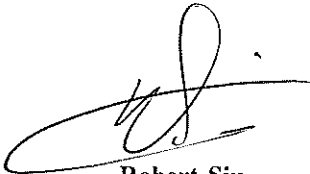
- (v) the liquidity of the Shares was generally thin during the Review Period and the Offer provides an option to the Independent Shareholders for realising their investment at the Offer Price within a short period of time; and
- (vi) the P/E Ratio of the Company implied by the Offer Price is higher than the average and median of the P/B Ratios of the Comparable Companies excluding outliers and the Enterprise Multiple of the Company implied by the Offer Price is within the range of Enterprise Multiple of the Comparable Companies,

we are of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned based on overall principal factors and reasons for the Offer considered. Accordingly, we recommend the Independent Shareholders to accept the Offer.

Nonetheless, Independent Shareholders intending to accept the Offer are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, especially Independent Shareholders with large shareholdings.

Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in Appendix I to the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited



Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry.