MERDEKA 領智

MERDEKA CORPORATE FINANCE LIMITED
领智企业融资有限公司
Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong
香港干诺道中 111 号永安中心 11 楼 1108 室
Tel 电话: (852) 2115 7600 Fax 传真: (852) 2115 7698

28 August 2026

To: The Independent Board Committee and the Independent Shareholders of Wuxi Life International Holdings Group Limited

Dear Sir or Madam,

PROPOSED CONTINUING CONNECTED TRANSACTIONS RELATING TO THE ENTRY OF THE VIE AGREEMENTS

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 terms of the VIE Agreements, particulars of which are set out in the letter from the Board (the "**Board Letter**") of the circular issued by the Company to the Shareholders dated 28 August 2026 (the "**Circular**") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

The Board is pleased to announce that on 28 July 2026 (after trading hours of the Stock Exchange), Wuxi Information, the OPCO and the PRC Equity Owner agree and propose to enter into the VIE Agreements in connection with the operation of the "Pingou" APP in the PRC. The VIE Agreements comprise a series of agreements, including the Exclusive Business Cooperation Agreement, the Exclusive Purchase Right Agreement, the Equity Pledge Agreement, the Letter of Authorisation for Shareholder Rights, the Confirmation Letter and the Spouse Undertaking Letter, which will be taken effect for the purpose of establishing and maintaining the VIE Arrangement after obtaining the approval of the Independent Shareholders at the EGM.

The “Pingou” APP is intended to operate as a comprehensive e-commerce platform in the PRC. As advised by the PRC Legal Adviser, the operating entity of the “Pingou” APP is required to obtain the EDI Licence, the ICP Licence, the Multi-party Communication Licence and the Network Culture Operation Licence. As certain of the aforesaid licences (i.e. ICP Licence and Network Culture Operation Licence) are subject to foreign investment restrictions or prohibitions under PRC Laws and regulations, the Group cannot directly hold equity interests in the operating entity of the “Pingou” APP.

Accordingly, through the VIE Arrangement, Wuxi Information will obtain effective control over the finance, business and operations of OPCO and will be entitled to receive substantially all of the economic benefits generated by OPCO. Upon execution and the taking effect of the VIE Agreements, the financial results of OPCO will be consolidated into the consolidated financial statements of the Group in accordance with the applicable accounting standards.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, OPCO is and will be wholly-owned by the PRC Equity Owner, who is the controlling shareholder of the Company. Accordingly, each of PRC Equity Owner and OPCO is a connected person of the Company under Chapter 20 of the GEM Listing Rules, and the transactions contemplated under the VIE Arrangement constitute continuing connected transactions of the Company under the GEM Listing Rules.

For the avoidance of doubt, none of the VIE Agreements and the transactions contemplated thereunder constituting the VIE Arrangement has been taking effect. The effectiveness of which shall be subject to the approval provided by the Independent Shareholders in the EGM to be convened to approve, amongst other things, the VIE Agreements and the transactions contemplated thereunder constituting the VIE Arrangement by passing ordinary resolution(s) on the matter.

Application for Waiver under Chapter 20 of the GEM Listing Rules

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rules 20.50 and 20.51 of the GEM Listing Rules in respect of, among other things, (i) the requirement of setting an annual cap for the transactions under the VIE Agreements under Rule 20.51 of the GEM Listing Rules; and (ii) the requirement of limiting the term of the VIE Agreements to three years or less under Rule 20.50 of the GEM Listing Rules.

The reason for the Company to seek for the aforementioned waiver is the practical difficulties in setting the annual caps and limiting the term of the VIE Agreements to three years or less under the Exclusive Business Cooperation Agreement elaborated as follows:

1. The VIE Agreements is special to the Group and should not be limited by a designated term

As discussed in the section headed "BACKGROUND AND REASONS FOR USE OF THE VIE STRUCTURE" in this circular, the operating entity of the "Pingou" APP is principally engaged in the E-commerce Business, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Owing to the operation nature of the aforesaid licenses being closely-knitted with high integration in terms of functionality, it gives rise to the interdependency of those licenses in order for the "Pingou" APP to work. In view of such business inseparability and as advised by the PRC Legal Adviser (whose legal memorandum is enclosed herewith), the most restrictive licences required for the operation of the "Pingou" APP prohibit foreign investment, the operating entity of the "Pingou" APP must be wholly-owned by PRC domestic shareholder(s). Accordingly, the Board considers that the VIE Structure is necessary and narrowly tailored to enable the Group to conduct the "Pingou" APP business in compliance with PRC laws and regulations and to obtain effective control over, and economic benefits from, OPCO through contractual arrangements.

As such, the Directors (including the independent non-executive Directors) are of the view that the VIE Agreements and the transactions contemplated therein will become fundamental to the Group's legal structure and business operations, and that such transactions will be entered into on the basis that they match the principally engaged businesses of the Group. Moreover, the transactions contemplated under the VIE Agreements and will be entered into in the Group's ordinary and usual course of business, are normal commercial terms or better and the terms are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The VIE Structure, whereby the financial results of the OPCO are consolidated into the financial statements as if it is the Company's subsidiaries, and all the economic benefits of their business flows to the Group, places the Group in a special position with respect to the part of the GEM Listing Rules in relation to connected transactions. Notwithstanding that the transactions contemplated under the VIE Arrangement technically constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules, the Directors consider that, given that the Group is placed in a special situation in relation to the connected transactions rules under the VIE Arrangement, setting term for VIE Agreements would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company.

2. A fixed annual cap will limit the business development of the Company

As at the Latest Practicable Date, giving an estimate over the revenue to be generated and derived from "Pingou APP" may not be accurate, should it be contributing significantly to the Company's revenue, setting annual caps with fixed monetary amounts or percentage based on revenues for the continuing connected transaction over the VIE Arrangements would place an arbitrary ceiling on the revenue of the Company, which may not even be controllable by the Company given the free flow of the consumers and retailers, and therefore the Company's revenue, which will hinder its development and will not be in the interests of the Company and its shareholders, including the minority shareholders.

3. A fixed cap adds uncertainty to the business operation/management of the Company

It is necessary for the Company to apply for a waiver from setting annual caps for the term of the transactions contemplated under the VIE Arrangements. If the absence of a cap is subject to the approval of the independent shareholders of the Company after three years or a longer period, the uncertainty of independent shareholders' approval would give rise to significant uncertainty as to whether the VIE Arrangements will be functional especially no set term is available for the VIE Arrangements with respect to "Pingou APP", therefore potentially affecting the Company's functionality of such application, in turn damaging a stream of revenue of the Company.

4. Impracticable and extremely difficult to set annual caps

It is impracticable and extremely difficult to set meaningful annual caps considering the perpetual nature of the "Pingou APP", as it would involve making assumptions about the future performance of "Pingou APP". While it is anticipated that the related fees and charges payable to the "Pingou APP" should increase over time, it is not possible to predict with any degree of accuracy such revenue derived thereunder. In addition, it is impossible to predict other factors which may impact the Company's revenues over such a period, such as inflation, currency fluctuations, growing market maturity, expansion into new brands, products or categories and expansion into new markets. Accordingly, an annual cap in monetary terms will have to be set very high if it is not to stifle the growth of the Company and such a cap may become misleading or meaningless to shareholders, investors and the market.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Lai Pik Chi, Peggy, Mr. Fu Yan Ming and Mr. Xia Qiankun, has been established to consider the fairness and reasonableness of the VIE Agreements and the transactions contemplated thereunder.

We, Merdeka Corporate Finance Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the VIE Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on whether to vote in favour of the resolution to be proposed for approving the VIE Agreements and the transactions contemplated thereunder at the EGM.

In connection with the Company's application for a waiver from strict compliance with Rule 20.50 of the GEM Listing Rules, we have also been engaged to explain, among other things, why the duration of the VIE Agreements, which exceeds three years, may constitute a special circumstance under Rule 20.50 of the GEM Listing Rules and is required for the nature of the transactions, and whether it is normal business practice for contracts of this type to be of such duration.

OUR INDEPENDENCE

As at the Latest Practicable Date, we, Merdeka Corporate Finance Limited, are not connected with the directors, chief executives and substantial shareholders of the Company or any of their respective subsidiaries or associates or parties acting in concert with any of them and do not have any shareholding, directly or indirectly, in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders.

During the last two years, save for our current appointment as the Independent Financial Adviser in relation to the VIE Agreements, we did not have any engagement with the Company or the Directors, chief executives and substantial shareholders of the Company or any of their associates and no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executives and substantial shareholders of the Company or any of their respective associates. We are independent of the Company pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed and relied on (i) the information and facts contained or referred to in the Circular; (ii) (ii) the memorandum dated 7 July 2026 issued by the PRC Legal Adviser in relation to the VIE Arrangement (the "**PRC Legal Opinion**"); (iii) the information supplied by the Group and its advisers; (iv) the opinions expressed by and the representations of the Directors and the management of the Group; and (v) our review of the relevant public information. We have also relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and the management of the Company regarding the Group, the VIE Agreements, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and its associates, nor have we carried out any independent verification of the information supplied. The Company will notify the Shareholders of any material changes after the Latest Practicable Date and after the dispatch of the Circular. The Shareholders of the Company will also be notified of any material changes to such information provided and our opinion as soon as possible.

The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in this Circular, including this letter, misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the VIE Agreements, and except for its inclusion in this Circular, 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 arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Background information

1.1. Information on Wuxi Information and the OPCO and the PRC Equity Owner

As set out in the Board Letter, Wuxi Information is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Wuxi Information is principally engaged in the provision of network technical services, digital content production services, information system operation and maintenance services and information consultancy services.

The Group proposes to launch the "Pingou" APP in the PRC as a comprehensive e-commerce platform. The principal business activities proposed to be carried out through the "Pingou" APP include: (i) self-operated sales of products by the Group; (ii) provision of online marketplace services to third-party merchants for product retail; (iii) livestreaming services, including product livestreaming and entertainment livestreaming; (iv) online community interaction and entertainment content sharing and broadcast functions; (v) social networking functions, including one-on-one chat, multi-party group chat and voice chat; and (vi) advertising services for merchants.

OPCO, Nanjing Pingou Youxuan Technology Co. Ltd.*（南京品購優選科技有限公司）, is a company established in the PRC with limited liability and is wholly-owned by Mr. Liu Guanzhou, who is the PRC Equity Owner and an executive Director and the controlling shareholder of the Company. Mr. Liu Guanzhou is also the sole director of OPCO. OPCO is intended to act as the operating entity of the "Pingou" APP in the PRC, and the Group does not directly hold any equity interest in OPCO.

The "Pingou" APP is developed by the Company and for the deriving of income via the "Pingou" APP as a result of the VIE Arrangement, no consideration shall be payable to the PRC Equity Owner.

1.2. Information on the Company and the Group

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange.

The Group is principally engaged in three segments of business, being (i) software platform business (the "**Software Platform Business**"); (ii) advertising e-commerce and supply chain management services business (the "**Advertising e-commerce and Supply Chain Management Services Business**"); and (iii) sales of products business (the "**Sales of Products Business**").

The table below is a summary of financial highlights of the Group for the years ended 31 December 2024 ("**FY2024**") and 2025 ("**FY2025**") as extracted from the annual report of the Company for the year ended 31 December 2025 (the "**2025 Annual Report**").

	For the year ended 31 December	
	2025	**2024**
	HK$'000	*HK$'000*
Continuing operations		
Revenue	94,555	57,313
Cost of sales	(37,374)	(23,380)
Gross profit	57,181	33,933
Profit/(loss) from operations	12,906	(3,668)
Profit/(loss) before taxation from continuing operations	12,755	(4,002)
Profit/(loss) for the year from continuing operations	9,223	(4,168)
Discontinued operations		
Loss for the year from discontinued operations	–	(1,423)
Profit/(loss) for the year	9,223	(5,591)

For FY2025, the Group recorded a total revenue of approximately HK$94.56 million, representing an increase of approximately HK$37.24 million or 65% as compared with that of approximately HK$57.31 million in 2024. As set out in the 2025 Annual Report, the increment in the Group's revenue was attributed by (i) the increase in segment revenue from the Software Platform Business by approximately HK$9.44 million, which recorded a segment revenue of approximately HK$39.71 million for FY2025 as compared with that of approximately HK$30.27 million for FY2024; (ii) the increase in segment revenue from the Advertising e-commerce and Supply Chain Management Services Business by approximately HK$16.41 million, which recorded a segment revenue of approximately HK$29.25 million for FY2025 as compared with that of approximately HK$12.84 million for FY2024; and (iii) the increase in the segment revenue from the Sales of Products Business by approximately HK$11.39 million, which recorded a segment revenue of approximately HK$25.60 million for FY2025 as compared with that of approximately HK$14.20 million for FY2024.

For FY2025, the cost of sales of the Group amounted to approximately HK$37.37 million (FY2024: approximately HK$23.38 million), which represented an increase by approximately 60%, and such increase was in line with the increase in revenue for FY2025. As a result of the aforementioned increase in the total revenue and increase in cost of sales, gross profit of the Group for FY2025 increased by approximately HK$23.25 million to approximately HK$57.18 million (FY2024: approximately HK$33.93 million).

The consolidated net profit attributable to owners of the Company for FY2025 from continuing operations amounted to approximately HK$10.12 million, compared with a loss of approximately HK$4.09 million in FY2024. The significant change in results was mainly due to the increase in gross profit as a result of the increase in revenue of the Software Platform Business, the Advertising e-commerce and Supply Chain Management Service Business and the Sale of Products Business, while such increase was partly set off by the increase in administrative and other operating expenses.

	As at 31 December	
	2025	**2024**
	HK$'000	*HK$'000*
Non-current assets	11,881	337
Current assets	126,954	61,408
Total assets	138,835	61,745
Current liabilities	52,065	36,402
Non-current liabilities	7,969	927
Total liabilities	60,034	37,329
Net assets	78,801	24,416

As at 31 December 2025, the total assets of the Group amounted to approximately HK$138.8 million, representing an increase of approximately 124.9% from approximately HK$61.7 million as at 31 December 2024. Meanwhile, total liabilities amounted to approximately HK$60.0 million as at 31 December 2025, representing an increase of approximately 60.8% from approximately HK$37.3 million as at 31 December 2024. As the increase in total assets outweighed the increase in total liabilities, the net assets of the Group increased substantially from approximately HK$24.4 million as at 31 December 2024 to approximately HK$78.8 million as at 31 December 2025, representing an increase of approximately 222.7%.

Our view

Having considered that (i) the Group recorded an improvement in its financial performance and financial position for FY2025, as evidenced by the increase in revenue from approximately HK$57.31 million for FY2024 to approximately HK$94.56 million for FY2025, the turnaround from loss to profit from continuing operations and the increase in net assets from approximately HK$24.42 million as at 31 December 2024 to approximately HK$78.80 million as at 31 December 2025; and (ii) the increase in revenue for FY2025 was contributed by all three existing business segments of the Group, while the proposed operation of the "Pingou" APP, including software platform operation, e-commerce, advertising and sales of products, is in line with and complementary to the Group's existing businesses and may broaden the Group's business coverage and income sources, we consider that the proposed development of the "Pingou" APP represents a further development and extension of the Group's existing businesses.

2. Reasons for and benefits of entering into the VIE Agreements

With reference to the Board Letter, we noted that the Group proposes to launch the "Pingou" APP in the PRC as a comprehensive e-commerce platform. The OPCO is intended to act as the operating entity of the "Pingou" APP in the PRC, and the Group does not directly hold any equity interest in the OPCO.

We further noted that the proposed operation of the "Pingou" APP is in line with the Group's existing businesses. In particular, (i) the Group's experience in software platform services is relevant to the development and operation of the "Pingou" APP as a mobile application; (ii) the online marketplace, advertising and livestreaming functions of the "Pingou" APP are related to the Group's existing advertising e-commerce business; (iii) the product retail activities conducted through the "Pingou" APP may generate supply chain management requirements and are therefore relevant to the Group's existing supply chain management services business; and (iv) the self-operated sales and livestreaming functions of the "Pingou" APP may provide an additional sales and distribution channel for the Group's existing sales of products business. Accordingly, we consider that the Group may utilise its existing experience in software platform operation, advertising e-commerce, supply chain management and product sales in the operation and development of the "Pingou" APP. The "Pingou" APP may also provide the Group with an integrated platform to further develop such existing businesses and broaden its business coverage and income sources. On this basis, we consider that the proposed operation of the "Pingou" APP is in line with and complementary to the Group's existing businesses.

As advised by the PRC Legal Adviser, the operation of the "Pingou" APP requires a number of licences and permits, including the EDI Licence, the ICP Licence, the Multi-party Communication Licence and the Network Culture Operation Licence. In particular, under the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) and the relevant PRC Laws, no foreign ownership restriction applies to the EDI Licence and the Multi-party Communication Licence. In contrast, foreign ownership in an entity holding the ICP Licence must not exceed 50%, while foreign investment in entities holding the Network Culture Operation Licence is prohibited. We also noted that save and except for the necessary fees and expenses associated with the licence registration in PRC, there are no other upfront consideration payable with respect to the establishment of the VIE Arrangement.

As set out in the Board Letter, as at the Latest Practicable Date, the EDI Licence and the ICP Licence had been obtained, while the Multi-party Communication Licence and the Network Culture Operation Licence were expected to be obtained by around mid-to-late August 2026.

Accordingly, given that foreign investment in an entity holding the Network Culture Operation Licence, which is one of the principal licences required for the operation of the "Pingou" APP, is prohibited, and that all relevant licences must be held by the same operating entity, the Group is unable to directly hold any equity interest in the OPCO while allowing the OPCO to obtain and maintain all licences required for the operation of the "Pingou" APP.

We further noted from the Board Letter that the proposed business functions of the "Pingou" APP are highly integrated and inseparable, with its livestreaming and product sales functions expected to form an integrated commercial loop. In particular, livestreaming is expected to serve as the core traffic gateway of the "Pingou" APP, through which users may develop purchase interest and complete purchases within the same platform, thereby forming a closed loop of "see and buy" and "watch and purchase". We also noted that the various functions of the "Pingou" APP, including e-commerce transactions, livestreaming, community interaction, social networking and advertising, are expected to share the same user account system, payment system, data analysis system and technical infrastructure. According to the Board Letter, separating these functions among different operating entities would result in a fragmented user experience, duplication of operational and technical structures, substantially higher costs and a loss of competitiveness.

Based on the PRC Legal Opinion, we noted that Article 4 of the Administrative Measures for the Licensing of Telecommunications Business Operations《電信業務經營許可管理辦法》 requires any entity engaging in telecommunications business operations to obtain an operating permit issued by the relevant telecommunications regulatory authority. We further noted that Article 8 of the Interim Provisions on the Administration of Internet Culture (Revised in 2017)《互聯網文化管理暫行規定(2017修訂)》requires an entity proposing to engage in commercial internet cultural activities to submit an application to, and obtain the approval from, the relevant provincial-level cultural administrative authority.

In addition, pursuant to the Provisions on the Administration of Mobile Internet Application Information Services* (《移動互聯網應用程式資訊服務管理規定》), where a mobile internet application provider provides internet information services that require regulatory approval or the obtaining of relevant licences under PRC Laws, such services may only be provided after the requisite approvals or licences have been obtained. Accordingly, as advised by the PRC Legal Adviser, the operating entity of the "Pingou" APP is required to apply for and hold, on a unified basis, all qualifications and licences necessary for carrying on its proposed businesses, including the EDI Licence, the ICP Licence, the Multi-party Communication Licence and the Network Culture Operation Licence. The relevant businesses and operations therefore cannot be divided among different operating entities for the purpose of separately applying for or holding the requisite licences.

We further noted that, having regard to the integrated nature of the proposed operations of the "Pingou" APP and the applicable PRC regulatory requirements, its operating entity is required to apply for and hold, on a unified basis, the EDI Licence, the ICP Licence, the Multi-party Communication Licence and the Network Culture Operation Licence. The businesses and operations covered by these licences cannot be divided among different operating entities. Accordingly, the Group cannot adopt the VIE Arrangement solely in respect of the ICP Licence and the Network Culture Operation Licence while separately holding, through another operating entity, the EDI Licence and the Multi-party Communication Licence. As advised by the PRC Legal Adviser, in view of the applicable foreign investment restrictions and prohibitions, the operating entity of the "Pingou" APP must be wholly owned by one or more PRC domestic shareholders. On this basis, we concur with the Directors' view that the VIE Arrangement is necessary to enable the Group to operate the "Pingou" APP business in compliance with the applicable PRC Laws and regulations.

As further discussed in the section headed "4.2. The VIE Arrangement and the VIE Agreements – Assessment" in this letter, we consider that the VIE Structure is necessary and narrowly tailored to enable the Group to conduct the "Pingou" APP business in compliance with the applicable PRC Laws and regulations and, through contractual arrangements, to exercise effective control over the OPCO and obtain substantially all of the economic benefits generated by it. We further noted that the VIE Agreements contain various mechanisms to give effect to such control and economic entitlement. These include: (i) the payment by the OPCO to Wuxi Information of service fees equivalent to 100% of the OPCO's net income under the Exclusive Business Cooperation Agreement; (ii) the contractual authorisation for Wuxi Information or its designated person(s) to exercise the shareholder rights attached to the equity interests in the OPCO; (iii) the exclusive right of Wuxi Information to acquire all or part of the equity interests and/or operating assets of the OPCO to the extent permitted under PRC Laws; and (iv) the pledge of all equity interests in the OPCO in favour of Wuxi Information to secure the performance of the contractual obligations of the OPCO and the PRC Equity Owner.

We also noted from the Board Letter that the Group intends to implement various financial, operational, asset and compliance monitoring measures in relation to the OPCO. These measures include, among other things: (i) the appointment by Wuxi Information of the finance personnel and core management personnel of the OPCO; (ii) the requirement for major financial and business decisions of the OPCO to be subject to the prior approval of Wuxi Information; (iii) the review by Wuxi Information of the OPCO's major contracts; and (iv) the establishment of a dedicated team to monitor the maintenance of the licences and permits required for the operation of the "Pingou" APP. Together with the VIE Agreements, these internal control measures are intended to enable the Group to monitor and exercise effective control over the operations of the OPCO.

Taking into account: (i) that the proposed operation of the "Pingou" APP is in line with the Group's existing business segments, namely the Software Platform Business, the Advertising e-commerce and Supply Chain Management Services Business and the Sales of Products Business, and may broaden the Group's business coverage and income sources; (ii) that the relevant business functions of the "Pingou" APP are highly integrated and are required to be operated through a single operating entity holding all the relevant licences; (iii) that the Group is unable to directly hold any equity interest in the OPCO due to the applicable PRC foreign investment restrictions; (iv) that the VIE Agreements are intended to enable the Group to exercise effective control over the OPCO and obtain substantially all of the economic benefits generated by it; (v) that the VIE Structure may facilitate the Group's expansion into the PRC e-commerce market and generate multiple potential revenue streams, including revenue from self-operated product sales, platform services, livestreaming-related businesses and advertising services; and (vi) the contractual arrangements and internal control measures proposed to safeguard the Group's interests in the OPCO, we consider the entry into the VIE Agreements and the transactions contemplated thereunder to be justifiable and in the interests of the Company and the Shareholders as a whole.

3. Industry overview

In assessing the business prospects of the proposed operation of the "Pingou" APP, we have conducted independent research on the e-commerce and internet-related industries in the PRC.

According to an article namely "Total Retail Sales of Consumer Goods in December 2025 published by "the National Bureau of Statistics of China (the "**NBS**") in January 2026, the online retail sales in the PRC amounted to approximately RMB15,972.2 billion in 2025, representing an increase of approximately 8.6% as compared with the preceding year. In particular, online retail sales of physical goods amounted to approximately RMB13,092.3 billion, representing an increase of approximately 5.2% and approximately 26.1% of the total retail sales of consumer goods in the PRC in 2025. As further referred to the article namely "Total Retail Sales of Consumer Goods in the First Half of 2026" published by the NBS in July 2026, the online retail sales of goods in the PRC amounted to approximately RMB6,429.6 billion for the first half of 2026, representing an increase of approximately 4.8% as compared with the corresponding period in 2025, indicating that the PRC online retail market continued to record growth during the first half of 2026. Therefore, we noted that online retail sales of goods in the PRC recorded year-on-year growth in both 2025 and the first half of 2026, indicating that the PRC online retail market continued to grow during the respective periods.

In addition, according to the 57th Statistical Report on Internet Development in China* (《第57次中國互聯網絡發展狀況統計報告》) published by the China Internet Network Information Center ("**CNNIC**") in February 2026, as at the end of 2025, the number of internet users in the PRC reached approximately 1.125 billion and the internet penetration rate reached approximately 80.1%. CNNIC also mentioned that digital consumption continued to be an important component of the PRC consumer market. We further noted that, according to the China Internet Audio-visual Development Research Report (2026)* (《中國網絡視聽發展研究報告(2026)》) published by China Netcasting Services Association ("**CNSA**") in April 2026, the number of online audio-visual users in the PRC reached approximately 1.099 billion as at the end of 2025 and the estimated market size of the online audio-visual industry revenue amounted to approximately RMB1,287.7 billion in 2025, representing an increase of approximately 5.3%. Based on the official websites of CNNIC and CNSA, CNNIC is a public institution affiliated with the Ministry of Industry and Information Technology of the PRC, and CNSA is a national-level industry organisation established in August 2011 which operates under the guidance of the National Radio and Television Administration.

Having considered that (i) the online retail sales in the PRC amounted to approximately RMB15,972.2 billion in 2025 and continued to record year-on-year growth in both 2025 and the first half of 2026; (ii) the number of internet users in the PRC reached approximately 1.125 billion with an internet penetration rate of approximately 80.1% as at the end of 2025; and (iii) the number of online audio-visual users in the PRC reached approximately 1.099 billion as at the end of 2025, we are of the view that the aforesaid market scale, continued growth in online retail sales and substantial internet and online audio-visual user base provide an established market base for the proposed operation of the "Pingou" APP. Accordingly, we consider that the proposed operation of the "Pingou" APP may provide the Group with an opportunity to further develop its existing businesses and expand its presence in the PRC e-commerce market.

4. The VIE Arrangement and the VIE Agreements

4.1 A summary of the principal terms of the VIE Agreements is set out below:

(1) Exclusive Business Cooperation Agreement

Parties:	(a)	Wuxi Information
	(b)	the OPCO
Term:		The Exclusive Business Cooperation Agreement shall become effective after the approval of the VIE Arrangement has been obtained by means of ordinary resolution(s) passed in the EGM.

The Exclusive Business Cooperation Agreement may be terminated under the following circumstances:

(a) on the date that the OPCO goes liquidated, terminated or dissolved according to relevant laws within the validity period of the Exclusive Business Cooperation Agreement;

(b) on such date that all the shares of the OPCO have been transferred to Wuxi Information or its designated party in accordance with the Exclusive Purchase Right Agreement;

(c) on such date when it is legally permissible under the applicable and relevant PRC Laws and regulations for the direct holding of the OPCO and Wuxi Information is duly registered as the OPCO's sole equity owner; and

(d) Wuxi Information terminates the Exclusive Business Cooperation Agreement by giving a prior written notice to the OPCO at any time during the valid period of the Exclusive Business Cooperation Agreement.

OPCO shall have no right to unilaterally terminate the agreement.

Subject – Details of Business Cooperation:	Pursuant to the Exclusive Business Cooperation Agreement, Wuxi Information shall act as the exclusive service provider to OPCO and provide OPCO with comprehensive business support, technical services and consulting services relating to the business of the OPCO, including but not limited to, technical services, technical consultation, business consultation, intellectual property licensing, equipment and leasing, marketing consultation, products research and development, system maintenance, and the provision of management consulting services related to the business operation of the OPCO, and in the circumstances permitted by the applicable and relevant PRC Laws and regulations, the provision at times of any other consultation and other ancillary services in connection with the operation of the "Pingou" APP and the business carried on by OPCO. Unless with the prior written consent of Wuxi Information, the OPCO shall not accept any consultation and/or services from any third party, and shall not cooperate with any third party. However, Wuxi Information may designate any third party to provide any consultation and/or services to the OPCO, the revenue derived thereunder shall be ultimately received by the Group via Wuxi Information.
Fee:	In consideration of the services provided by Wuxi Information, the OPCO shall pay Wuxi Information such service fees equivalent to 100% of the net income (i.e. the net profit after tax) of the OPCO. OPCO shall pay service fees to Wuxi Information annually. The amount and calculation method of such service fees shall be determined by Wuxi Information in accordance with the services rendered, the operating needs of OPCO and PRC Laws, with a view to enabling Wuxi Information to obtain substantially all of the economic benefits generated by OPCO.

(2) Exclusive Purchase Right Agreement

Parties:	(i) Wuxi Information

(ii) the PRC Equity Owner

(iii) the OPCO

Term:	The Exclusive Purchase Right Agreement shall become effective after the approval of the VIE Arrangement has been obtained by means of ordinary resolution(s) passed in the EGM and shall remain effective unless terminated by Wuxi Information upon prior written notice or upon the lawful transfer of all the equity interests in OPCO and/or all the operating assets of OPCO to Wuxi Information or its designee(s). Other than Wuxi Information and such designated person(s) by Wuxi Information, no third party shall be entitled to the purchase right pursuant to the Exclusive Purchase Right Agreement or any rights related to the shares in the OPCO and the assets of the OPCO.
Subject:	Pursuant to the Exclusive Purchase Right Agreement, the PRC Equity Owner shall irrevocably grant to Wuxi Information, to the extent permitted under PRC Laws, an exclusive right to purchase, or designate one or more persons to purchase, all or part of the equity interests in OPCO held by him at the nominal consideration of HK$1.00, to the extent permitted under PRC Laws. The agreement shall also provide that, prior to the completion of any such equity acquisition, Wuxi Information shall possess management rights over OPCO and shall have the exclusive right to purchase all or part of the operating assets of OPCO to the extent permitted under PRC Laws.
Consideration:	The consideration for the exercise of such purchase right pursuant to the Exclusive Purchase Right Agreement shall be in nominal amount, unless another price is required by the applicable and relevant PRC Laws and regulations, in which case, such purchase right pursuant to the Exclusive Purchase Right Agreement shall be exercised in the legally minimum amount as consideration.

In the event that the applicable and relevant PRC Laws and regulations permit Wuxi Information to register itself as the equity interest holder of the OPCO, the VIE Arrangement shall be unwound as soon as possible with any payment made by Wuxi Information returned in whole by the PRC Equity Owner.

Any consideration received by PRC Equity Owner for the transfer of equity interests in OPCO shall, to the extent permitted under PRC Laws, be returned to Wuxi Information and/or its designated party.

It is provided that:

(i) Wuxi Information will exercise the purchase right as soon as the applicable and relevant PRC Laws and regulations permit Wuxi Information to register itself as the equity interest holder of the OPCO; and

(ii) in the event of the winding up of the OPCO, the liquidator appointed shall act in accordance with the Exclusive Purchase Right Agreement to seize and transfer the assets and benefits of the OPCO to Wuxi Information (with waiver of any obligation of payment on the part of Wuxi Information).

(3) Equity Pledge Agreement

Parties:

(i) Wuxi Information, as pledgee

(ii) the OPCO

(iii) the PRC Equity Owner, as pledgor

Term: The Equity Pledge Agreement shall become effective after the approval of the VIE Arrangement has been obtained by means of ordinary resolution(s) passed in the EGM and the equity pledge thereunder takes effect from the I&C Registration Date and the term shall end upon:

(a) all contractual obligations pursuant to the VIE Agreements have been fulfilled and discharged;

(b) the exercise of such purchase right by Wuxi Information pursuant to the Exclusive Purchase Right Agreement;

(c) Wuxi Information exercising its sole discretion to demand the termination of the Equity Pledge Agreement; or

(d) it is terminated in accordance with the applicable and relevant PRC Laws and regulations.

The OPCO has no right to terminate the Equity Pledge Agreement unilaterally.

Subject: Pursuant to the Equity Pledge Agreement, the PRC Equity Owner shall pledge all of his equity interests in OPCO to Wuxi Information as security for the performance of his obligations and the obligations of OPCO under the VIE Agreements, including but not limited to the payment of service fees by OPCO to Wuxi Information under the Exclusive Business Cooperation Agreement.

The OPCO consents to such pledge stated above under the Equity Pledge Agreement.

The PRC Equity Owner undertakes to Wuxi Information, among others, that except for the performance of the Exclusive Purchase Right Agreement, without the prior written consent of Wuxi Information, the OPCO shall not, or allow others to, transfer all or any part of the shares, create or allow any security interest or other encumbrance that may affect the rights and interests of Wuxi Information in the equity interest in the OPCO.

Enforcement:	In the event of breach by OPCO and/or the PRC Equity Owner of any obligation under the Exclusive Business Cooperation Agreement, Wuxi Information shall be entitled to enforce its rights under the Equity Pledge Agreement and have priority in receiving the proceeds from the disposal of the pledged equity interests in accordance with PRC Laws.

(4) Letter of Authorisation for Shareholder Rights

Parties:	(i) Wuxi Information, as grantee (ii) the PRC Equity Owner, as grantor
Term:	The Letter of Authorisation for Shareholder Rights shall become effective after the approval of the VIE Arrangement has been obtained by means of ordinary resolution(s) passed in the EGM and shall remain effective throughout the term of the VIE Agreements unless (i) Wuxi Information acquires (or becomes entitled under PRC law to acquire) ownership in the entire equity interest or all assets of the OPCO; or (ii) terminated by Wuxi Information.
Subject:	Pursuant to the Letter of Authorisation for Shareholder Rights, the PRC Equity Owner shall irrevocably authorise Wuxi Information or its designated person(s) to exercise all shareholder rights attached to his equity interests in OPCO, including but not limited to: (i) convening and attending shareholders' meetings and board meetings of OPCO; (ii) exercising all shareholder voting rights under the applicable laws and the articles of association of OPCO (including but not limited to the disposal, transferring and pledging of the equity interest of the PRC Equity Owner in the OPCO; and the handling of necessary filing of documents and signing of minutes of the OPCO);

(iii) designating, appointing and changing the legal representative, directors, supervisors, general manager and other senior management of OPCO;

(iv) managing and disposing of any assets and business of OPCO;

(v) fully controlling and managing the finance, accounting and daily operations of OPCO; and

(vi) receiving all dividends, distributions and other economic benefits arising from the equity interests in OPCO held by the PRC Equity Owner.

(5) Confirmation Letter

Party: the PRC Equity Owner

Subject: Pursuant to the Confirmation Letter, the PRC Equity Owner shall confirm and undertake that, in the event of death, loss of capacity, divorce or any other circumstance which may affect his exercise of the equity interests in OPCO, the ownership and disposal rights in respect of such equity interests shall be dealt with in accordance with the VIE Agreements and the instructions of Wuxi Information to the extent permitted under PRC Laws.

The PRC Equity Owner shall further confirm that the equity interests in OPCO held by him shall not be disposed of as his personal estate, marital joint property or personal assets in a manner inconsistent with the VIE Agreements, and that his heirs, guardians, creditors, spouse or any other person who may acquire the equity interests in OPCO or related rights for any reason shall remain bound by the VIE Agreements.

(6) Spouse Undertaking Letter

Party:	the spouse of the PRC Equity Owner (i.e. Ms. ZHANG Jiahui (張佳慧))
Subject:	Pursuant to the Spouse Undertaking Letter, the spouse of the PRC Equity Owner shall undertake that (i) the equity interests in OPCO held by the PRC Equity Owner and all income and benefits derived therefrom shall be the individual property of the PRC Equity Owner and do not constitute marital joint property; (ii) she waives any co-ownership rights and any other rights or interests in respect of such equity interests and income; (iii) in the event of any change in marital status, she shall not make any claim for division of such equity interests or income; and (iv) if she acquires any equity interests in OPCO for any reason, she shall be bound by the VIE Agreements.

For the avoidance of doubt, all of the VIE Agreements prescribed above have been executed or entered into on 27 August 2026, but will only become effective after the approval of the VIE Arrangement has been obtained by means of ordinary resolution(s) passed in the EGM. Such VIE Arrangement will take effect thereafter.

The VIE Agreements' inclusion of the Letter of Authorisation for Shareholder Rights, the Confirmation Letter and the Spouse Undertaking Letter is for the purpose of addressing any potential conflict of interests and risks arising from death, incapacity, divorce or other circumstances affecting the registered shareholder of OPCO.

4.2 Assessment

We have reviewed the VIE Agreements and the PRC Legal Opinion. Based on the PRC Legal Opinion, we understand that, subject to the possibility of facts or circumstances not known to the PRC Legal Adviser, future changes in PRC Laws, judicial interpretations or regulatory policies, and the discretion of the relevant PRC authorities in interpreting and enforcing the applicable requirements, as at the date of the PRC Legal Opinion, there are no currently effective PRC Laws or regulations which expressly prohibit foreign investors from using contractual arrangements, in lieu of direct equity ownership, to obtain control over and economic benefits from entities conducting the relevant value-added telecommunications, multi-party communication and internet culture businesses.

The PRC Legal Adviser has further advised that, save for the limitations relating to certain arbitration remedies and interim measures as discussed below, the VIE Agreements, upon being duly executed and becoming effective, will be legal, valid and binding on the respective parties thereto and generally enforceable under PRC Laws. The VIE Agreements provide a contractual mechanism through which Wuxi Information may exercise effective control over the finance, business and operations of OPCO and obtain substantially all of the economic benefits generated by OPCO.

The PRC Legal Adviser has also advised that the VIE Agreements do not fall within the circumstances of "malicious collusion to harm the legitimate rights and interests of others" under Article 154 of the PRC Civil Code. We further noted that, following the commencement of the PRC Civil Code and the simultaneous repeal of the Contract Law of the PRC on 1 January 2021, "using a legal form to conceal an illegal purpose" is no longer stipulated as a statutory ground for invalidating a contract under the PRC Civil Code. Any dispute arising under the Exclusive Business Cooperation Agreement, the Exclusive Purchase Right Agreement or the Equity Pledge Agreement shall be submitted to arbitration in accordance with the applicable arbitration rules. Subject to applicable laws and arbitration rules, the relevant VIE Agreements provide that the arbitral tribunal may grant remedies over the equity interests and/or assets of the OPCO, grant injunctive relief in relation to the conduct of its business or compel the transfer of its assets, and order the winding-up of the OPCO. The VIE Agreements also provide that, while awaiting the formation of the arbitral tribunal or under other appropriate circumstances, the parties may seek temporary injunctive relief or other interim remedies from courts with jurisdiction, including courts in Hong Kong, the Cayman Islands, the PRC and the jurisdiction in which the principal assets of the Company or the OPCO are located.

Pursuant to the Equity Pledge Agreement, all equity interests in OPCO held by the PRC Equity Owner shall be pledged to Wuxi Information as security for the performance of the obligations of the PRC Equity Owner and OPCO under the VIE Agreements, including the payment of service fees by OPCO to Wuxi Information under the Exclusive Business Cooperation Agreement. The Equity Pledge Agreement is therefore intended to safeguard Wuxi Information's rights and interests under the VIE Agreements and support its effective control over OPCO.

Pursuant to the Exclusive Business Cooperation Agreement, Wuxi Information shall act as the exclusive service provider to OPCO and provide comprehensive business support, technical services and consulting services relating to the business operations of OPCO. In consideration of such services, OPCO shall pay Wuxi Information service fees equivalent to 100% of its net income, being its net profit after tax, on an annual basis. Accordingly, the service fee arrangement is intended to enable Wuxi Information to obtain substantially all of the economic benefits generated by OPCO.

As confirmed by the Directors following discussions with the auditors of the Company, upon the execution and effectiveness of the VIE Agreements, the financial position and results of operations of the OPCO will be consolidated into the consolidated financial statements of the Group. Accordingly, the assets, liabilities, revenue, expenses and results of operations of the OPCO will be reflected in the Group's consolidated financial statements. The proposed operations of the OPCO may provide the Group with additional potential revenue streams, but the Group will also be exposed to the operating losses, liabilities and financial-support requirements of the OPCO.

We further noted that certain contractual arrangements and undertakings have been put in place to address the potential conflicts of interest and other risks arising from the PRC Equity Owner's legal ownership of the equity interests in the OPCO. In particular: (i) pursuant to the Exclusive Purchase Right Agreement, the PRC Equity Owner has irrevocably granted Wuxi Information, to the extent permitted under PRC Laws, the exclusive right to purchase, or designate one or more persons to purchase, all or part of the equity interests in the OPCO held by him for a nominal consideration of HK$1.00 or, where a different consideration is required under applicable PRC Laws, at the minimum consideration permitted thereunder. Prior to completion of any such acquisition, Wuxi Information shall have management rights over the OPCO and the exclusive right to purchase all or part of its operating assets to the extent permitted under PRC Laws; (ii) pursuant to the Letter of Authorisation for Shareholder Rights, the PRC Equity Owner has irrevocably authorised Wuxi Information or its designated person(s) to exercise all shareholder rights attached to his equity interests in the OPCO, including the voting rights, the rights to appoint or remove directors and senior management, manage and dispose of the business and assets of the OPCO, and receive dividends, distributions and other economic benefits arising from such equity interests; and (iii) the Confirmation Letter and the Spouse Undertaking Letter are intended to mitigate the risks arising from succession, incapacity, marital property, divorce and other circumstances that may affect the ownership of, or the exercise or disposal of rights attaching to, the equity interests in the OPCO.

In addition, we noted that the VIE Agreements contain various restrictive covenants designed to safeguard the Group's interests in the OPCO. In particular, without the prior written consent of Wuxi Information, the OPCO or the PRC Equity Owner, as applicable, shall not, among other things: (i) dispose of, transfer or create any encumbrance over the material assets or businesses of the OPCO; (ii) alter the registered capital or corporate structure of the OPCO; (iii) enter into any partnership or joint venture or profit sharing arrangement with a third party; or (iv) declare or make any dividend, distribution or other payment of economic benefits.

We further noted that the Group will implement the internal control measures set out in the section headed "INTERNAL CONTROL MEASURES" in the Board Letter to monitor the operations of the OPCO and the performance and implementation of the VIE Agreements. Such measures comprise financial controls, operational controls, asset controls and compliance-monitoring measures. Together with the contractual rights conferred under the VIE Agreements, these internal control measures are intended to enable the Group to monitor and exercise effective control over the finance, business and operations of the OPCO.

Notwithstanding that the Group will not directly hold any equity interest in the OPCO, having considered that: (i) pursuant to the VIE Agreements, Wuxi Information will be entitled to exercise effective control over the finance, business and operations of the OPCO and obtain substantially all of the economic benefits generated by it; (ii) the financial position and results of operations of the OPCO will be consolidated into the consolidated financial statements of the Group, such that the profits or losses generated by the OPCO, and the financial effects of any support provided by the Group to the OPCO, will be reflected in the Group's consolidated financial statements; (iii) the Letter of Authorisation for Shareholder Rights authorises Wuxi Information or its designated person(s) to exercise all shareholder rights attached to the equity interests in the OPCO, including rights relating to the management of its business, operations and assets; (iv) the Exclusive Purchase Right Agreement grants Wuxi Information management rights over the OPCO and the exclusive right to acquire all or part of the equity interests and/or operating assets of the OPCO to the extent permitted under PRC Laws; (v) the Confirmation Letter and the Spouse Undertaking Letter mitigate the risks arising from succession, incapacity, marital property and other circumstances affecting the ownership of, or rights attaching to, the equity interests in the OPCO; and (vi) the Equity Pledge Agreement, the restrictive covenants under the VIE Agreements and the internal control measures provide additional safeguards for the Group's interests in the OPCO, we concur with the Directors' view that the terms of the VIE Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the entry into the VIE Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

We also consider that the VIE Agreements are narrowly tailored to achieve the business purposes of the OPCO and minimise the potential for conflict with the relevant PRC Laws and regulations, in accordance with the principles set out in HKEx Guidance Letter HKEx-GL77-14.

4.3 Risk factors in relation to the VIE Agreements

We have also reviewed the risk factors in relation to the VIE Agreements as disclosed in the Board Letter. In particular, we noted that (i) there is no assurance that the VIE Agreements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the VIE Agreements do not comply with applicable regulations; (ii) the VIE Agreements may not be as effective as direct ownership in providing control over the OPCO; (iii) the contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed; (iv) certain terms of the VIE Agreements may not be enforceable under PRC Laws; (v) there may be conflict of interests and succession matters; (vi) a substantial amount of costs and time may be involved in transferring the ownership of the OPCO to the Group under the Exclusive Purchase Right Agreement; (vii) the Group may bear economic risk which may arise from difficulties in the operation of the OPCO; and (viii) the Company does not have any insurance which covers the risks relating to the VIE Agreements and the transactions contemplated thereunder.

Notwithstanding the aforesaid risks, we noted that the VIE Agreements contain various contractual arrangements and the Group will implement the internal control measures as set out in the Board Letter to safeguard the Group's interests in the OPCO. In particular, such internal control measures include, among others, (i) financial controls, whereby Wuxi Information shall appoint the chief financial officer and finance personnel of the OPCO, manage the bank accounts of the OPCO through its designated personnel, require the prior approval of Wuxi Information for all major financial decisions of the OPCO and regularly review the financial statements of the OPCO; (ii) operational controls, whereby Wuxi Information shall appoint the general manager and core management personnel of the OPCO, all major business decisions and major contracts of the OPCO shall be subject to the prior approval or review of Wuxi Information, Wuxi Information shall have custody of the constitutional items of the OPCO, including its company chop and seal, and the OPCO shall provide Wuxi Information with its relevant legal documents, business records, operational data and other information upon request; (iii) asset controls, including the pledge of all equity interests in the OPCO held by the PRC Equity Owner to Wuxi Information, Wuxi Information's exclusive right to acquire the equity interests in and operating assets of the OPCO to the extent permitted under PRC Laws, the ownership by and/or licensing from Wuxi Information or its designated entity of the intellectual property used in the operation of the "Pingou" APP, and the restriction on the OPCO from disposing of any material assets without the prior consent of Wuxi Information; and (iv) compliance monitoring, including the establishment of a dedicated team to monitor the maintenance of the licences and permits required for the operation of the "Pingou" APP, regular review of changes in the PRC Laws and regulations affecting the VIE Structure and regular communication with the PRC legal advisers of the Group to ensure ongoing compliance.

We further noted that, based on the PRC Legal Opinion, save for the limitations relating to certain arbitration remedies and interim measures, the VIE Agreements, upon being duly executed and becoming effective, will be legal, valid and binding on the respective parties thereto and generally enforceable under PRC Laws, and provide a contractual mechanism through which Wuxi Information may exercise effective control over the finance, business and operations of the OPCO and obtain substantially all of the economic benefits generated by the OPCO.

Having considered that (i) the aforesaid risks are inherent in the VIE Arrangement and cannot be completely eliminated; (ii) the VIE Arrangement is necessary for the Group to operate the "Pingou" APP having regard to the applicable foreign investment restrictions in the PRC; (iii) the VIE Agreements contain various contractual arrangements to safeguard the Group's interests in the OPCO; and (iv) the Group will implement the internal control measures as set out in the Board Letter, we consider that the aforesaid arrangements and measures are intended to mitigate, although cannot completely eliminate, the risks associated with the VIE Arrangement. Accordingly, notwithstanding the aforesaid risks, we consider that the entry into the VIE Agreements remains in the interests of the Company and the Shareholders as a whole.

5. **The waiver from strict compliance with the GEM Listing Rules**

In assessing the fairness and reasonableness of the duration of the VIE Agreements, we have conducted research on variable interest entity structures and/or contractual arrangements adopted by companies which: (i) are listed on the Stock Exchange; (ii) announced, during the 12-month period immediately preceding the date of the announcement of the Company in relation to the VIE Agreements, the entry into new contractual arrangements or reproduction of existing contractual arrangements and up to and including the Latest Practicable Date; and (iii) adopted such arrangements to obtain control over PRC-incorporated entities operating businesses in which foreign investment is restricted or prohibited under the relevant PRC Laws and regulations (the "**Comparable Transactions**").

Despite the fact that the underlying businesses conducted under the VIE arrangements of the Comparable Companies are not identical to that of the OPCO, having considered that (i) the VIE arrangements of the Comparable Companies were generally established to address restrictions on foreign ownership of the relevant regulated businesses and to enable the respective listed groups to exercise control over, and obtain the economic benefits from, the relevant operating entities through contractual arrangements; and (ii) the Comparable Companies were selected based on the selection criteria set out above without any subjective selection on our part, we consider that the Comparable Companies are appropriate and comparable for the purpose of our analysis.

Based on the above criteria, we identified an exhaustive list of 5 Comparable Transactions, details of which are set out below.

No	Date of announcement	Company name (stock code)	Businesses contemplated under the cooperation or service agreements	Duration of the cooperation or service agreements	Reasons to establish the VIE arrangement	Relevant waiver/exemption
1	1 July 2026	Neutech Group Limited (stock code: 9616)	Operation of the Citywide Smart Elderly Care Platform through WeChat mini-programs to provide profitable internet information services to third-party vendors and customers in the PRC.	No fixed term	PRC foreign-investment rules cap foreign ownership in the relevant value-added telecommunications services at 50%. Ruixin Cloud holds the ICP and EDI licences required for the online business; the VIE structure enables the Group to control Ruixin Cloud and obtain its entire economic benefits.	Waiver was granted under Rule 14A.102 from (i) the requirement to limit the VIE Agreements to three years or less under Rule 14A.52; and (ii) the annual cap requirement under Rule 14A.53.

No	Date of announcement	Company name (stock code)	Businesses contemplated under the cooperation or service agreements	Duration of the cooperation or service agreements	Reasons to establish the VIE arrangement	Relevant waiver/exemption
2	26 June 2026	JD Health International Inc. (stock code: 6618)	Provision of value-added telecommunications services and online hospital services in the PRC through Suqian Tianning and its subsidiaries, which hold the relevant licences.	No fixed term	Foreign investors are restricted from conducting value-added telecommunications services and prohibited from conducting online hospital services in the PRC. The arrangements allow the WFOE to control Suqian Tianning, receive its economic benefits and consolidate its results.	The new contractual arrangements continue to fall within the scope of the IPO waiver and are exempt from (i) independent Shareholders' approval; (ii) the annual cap requirement under Rule 14A.53; and (iii) the requirement of limiting the term to three years or less under Rule 14A.52.
3	16 April 2026	Defeng Solife Holdings Limited (stock code: 8403)	Operation of the 'Gege Jicai' e-commerce platform in the PRC for the online supply and sale of agricultural products, including third-party platform services.	3-year term	To comply with PRC foreign investment restrictions applicable to value-added telecommunications and internet information services and to enable the Group to obtain/control the required ICP licence and related e-commerce platform operations.	The VIE agreements are exempt from the announcement, shareholders' approval, reporting and annual review requirement under Chapter 20 of the GEM Listing Rules as the applicable percentage ratio is less than 5% and the total consideration/financial assistance is less than HK$3 million.
4	2 April 2026	Xiaomi Corporation (stock code: 1810)	Operations of Xiaomi's consolidated affiliated entities in industries subject to PRC foreign investment restrictions/ prohibitions, including Xiaomi Inc., Beijing Wali Internet, Youpin Information Technology and Beijing Electronic Software.	No fixed term	Certain businesses currently or potentially operated by the group are subject to PRC foreign investment restrictions. The new arrangements also streamline administration following changes in registered shareholders.	The New Contractual Arrangements continue to fall within the scope of the IPO Waiver and are exempt from (i) independent Shareholders' approval; (ii) the annual cap requirement under Rule 14A.53; and (iii) the requirement of limiting the term to three years or less under Rule 14A.52.
5	5 February 2026	Wanka Online INC. (stock code: 1762)	Distribution of mobile applications and games, mobile co-publishing and online-video distribution services in the PRC, including internet culture businesses requiring the relevant licence.	10-year term	Internet culture business (other than permitted categories) is prohibited to foreign investment and requires an Internet Culture Business Licence. The arrangements allow the group to continue controlling and receiving all economic benefits from the affiliated entities.	The new contractual arrangements fall within the scope of the Wanka Online INC.'s IPO waiver and are exempt from strict compliance with (i) announcement, circular and independent shareholders' approval requirements; (ii) the annual cap requirement under Rule 14A.53; and (iii) the requirement of limiting the term to three years or less under Rule 14A.52.

Although the underlying businesses of the Comparable Transactions are not identical to that of the OPCO, we consider them relevant for the purpose of assessing the duration of the VIE Agreements, as each transaction involves the use of contractual arrangements by a Hong Kong-listed group to exercise effective control over, and obtain substantially all of the economic benefits generated by, a PRC operating entity conducting businesses subject to foreign investment restrictions or prohibitions.

As shown above, the durations of the principal business cooperation or service agreements under the Comparable Transactions range from an initial term of three years to no fixed term. Four of the five Comparable Transactions involve contractual arrangements with a term exceeding three years or with no fixed term. In particular, the contractual arrangements of WANKA ONLINE INC. (stock code: 1762) have an initial term of ten years with renewal rights, while the contractual arrangements of Neutech Group Limited (stock code: 9616), JD Health International Inc. (stock code: 6618) and Xiaomi Corporation (stock code: 1810) are not limited to a fixed term of three years. We further noted that each of these four Comparable Transactions was granted, or continued to fall within the scope of, a waiver from the relevant requirement under the Listing Rules to limit the term of the contractual arrangements to three years or less. Having considered the Comparable Transactions as a whole, we consider that it is not uncommon, and is consistent with market practice, for contractual arrangements of a similar nature to remain effective for a period exceeding three years, particularly where the relevant foreign investment restrictions or prohibitions continue to apply.

We have also considered the nature and purpose of the VIE Agreements. The VIE Agreements form an integral part of the Group's corporate and operating structure in relation to the operation of the "Pingou" APP and are required to remain effective for so long as the applicable foreign investment restrictions or prohibitions continue and the VIE Arrangement remains necessary. The VIE Agreements enable Wuxi Information, on a continuing basis, to exercise effective control over the OPCO, obtain substantially all of the economic benefits generated by the OPCO and retain the exclusive right to acquire the equity interests and/or assets of the OPCO when permitted under PRC Laws. If the VIE Agreements were limited to a term of three years, the Group would be required to renew or re-enter into the relevant contractual arrangements periodically while the applicable regulatory restrictions remain in place, which may create unnecessary renewal risk and potential disruption to the continuity of the Group's operations.

Having considered the above, including the nature and purpose of the VIE Agreements and the Comparable Transactions, we consider that a duration of more than three years is required in the circumstances of the VIE Agreements and confirm, for the purpose of GEM Rule 20.50, that it is normal business practice for contractual arrangements of this type to be of such duration.

Waiver from setting a maximum aggregate annual cap pursuant to Rule 20.51 of the GEM Listing Rules for the service fees payable by the OPCO to Wuxi Information under the Exclusive Business Cooperation Agreement

Pursuant to the Exclusive Business Cooperation Agreement, in consideration of the services provided by Wuxi Information, the OPCO shall pay Wuxi Information such service fees equivalent to 100% of the net income (i.e. the net profit after tax) of OPCO. OPCO shall pay service fees to Wuxi Information annually. The amount and calculation method of such service fees shall be determined by Wuxi Information in accordance with the services rendered, the operating needs of OPCO and PRC Laws, with a view to enabling Wuxi Information to obtain substantially all of the economic benefits generated by OPCO.

In addition, following the execution and becoming effective of the VIE Agreements, Wuxi Information will be contractually authorised to exercise, in substance, all shareholder rights attached to the equity interests in the OPCO held by the PRC Equity Owner and will be entitled to exercise effective control over the finance, business and operations of the OPCO. Accordingly, substantially all of the economic benefits generated by the OPCO are intended to be transferred to Wuxi Information through the payment of the service fees, and neither the PRC Equity Owner nor the OPCO is intended to retain any residual economic benefits attributable to the equity interests in the OPCO, subject to the OPCO's operating requirements and the applicable PRC Laws.

The VIE Arrangement is therefore economically similar, in substance, to the Group operating the OPCO as a controlled subsidiary, subject to the legal and enforcement risks inherent in contractual arrangements of this nature. As the Group is intended to obtain substantially all of the economic benefits generated by the OPCO, the imposition of a maximum annual cap on the service fees would restrict the transfer of such economic benefits from the OPCO to the Group and may prevent the VIE Agreements from fully achieving their intended commercial purpose.

6. Conditions of the Waiver

In view of the application for waiver under Chapter 20 of the GEM Listing Rules from strict compliance with (i) the requirement of setting an annual cap for the transactions under the VIE Agreements under Rule 20.51 of the GEM Listing Rules; and (ii) the requirement of limiting the term of the VIE Agreements to three years or less under Rule 20.50 of the GEM Listing Rules, for so long as the Shares are listed on the Stock Exchange, the waiver aforementioned shall be subject to the following conditions:

(I) No change without Independent Non-executive Directors' approval

No changes to the terms of any of the agreements underlying the VIE Agreements will be made without the approval of the independent non-executive Directors.

(II) No change without independent Shareholders' approval

Save as described in sub-paragraph (IV) below, no change to the terms of any of the agreements underlying the VIE Agreements will be made without the approval of the Independent Shareholders. Once Independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 20 of the GEM Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the VIE Arrangement in the annual reports of the company (as set out in sub-paragraph (V) below) will however continue to be applicable.

(III) Economic benefits flexibility

The VIE Agreements shall continue to enable the Group to receive the economic benefits derived by the OPCO through: (i) the Group's exclusive purchase right (if and when so allowed under PRC law) to acquire the equity interests in the OPCO to the extent permitted by the PRC Laws at the nominal consideration of HK$1.00; (ii) the business structure under which the profit generated by the OPCO is substantially retained by Wuxi Information (such that no annual cap shall be set on the amount of services fees payable to the Wuxi Information under the Exclusive Business Cooperation Agreement); and (iii) the Wuxi Information's right to control the management and operation of, as well as, in substance, all of the voting rights of the OPCO.

(IV) Renewal and reproduction

On the basis that the VIE Agreements provide an acceptable framework for the relationship between the Group and the subsidiaries of the Company in which the Company has direct shareholding, on one hand, and the OPCO, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of such business operated under the VIE Arrangements, which the Group might wish to establish when justified by business expediency, without obtaining the approval of the shareholders, on substantially the same terms as the VIE Arrangements given rise by the VIE Agreements.

The Directors, chief executive or substantial Shareholders (as defined in the GEM Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of such business operated under the VIE Arrangements which the Group may establish when justified by business expediency will, upon renewal and/or reproduction of the VIE Arrangement, however be treated as the Group's connected persons and transactions between these connected persons and the Group other than those under similar to the VIE Arrangement shall comply with Chapter 20 of the GEM Listing Rules. This condition is subject to the relevant laws, regulations and approvals of the PRC.

(V) Ongoing reporting and approvals

The Group will disclose details relating to the VIE Agreements on an ongoing basis as follows:

(i) the VIE Agreements in place during each financial period will be disclosed in the annual report and accounts of the Company in accordance with the relevant provisions of the GEM Listing Rules.

(ii) the independent non-executive Directors will review the VIE Agreements annually and confirm in the annual report and accounts of the Company for the relevant year that: (a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the VIE Agreements, have been operated so that the profit generated by the OPCO has been substantially retained by the Wuxi Information; (b) no dividends or other distributions have been made by OPCO to the PRC Equity Owner which are not otherwise subsequently assigned or transferred to the Group; and (c) any new contracts entered into, renewed or reproduced between the Group and the OPCO during the relevant financial period under sub-paragraph (IV) above are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

(iii) the auditors of the Company will carry out review procedures annually on the transactions carried out pursuant to the VIE Agreements and will provide a letter to the Directors with a copy to the Stock Exchange (where necessary), confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant VIE Agreements and that no dividends or other distributions have been made by the OPCO to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

(iv) for the purposes of Chapter 20 of the GEM Listing Rules, and in particular the definition of "connected person", the OPCO will be treated as a wholly-owned subsidiary of the Company, but at the same time, the directors, chief executives or substantial shareholders (as defined in the GEM Listing Rules) of the OPCO and their respective associates will be treated as the "connected persons" of the Company (excluding the OPCO for this purpose) and transactions between these connected persons and the Group, other than those under the VIE Agreements, will be subject to requirements under Chapter 20 of the GEM Listing Rules.

(v) The OPCO will undertake that, for so long as the Shares are listed on the Stock Exchange, it will provide the Group's management and the auditors of the Company with full access to its relevant records for the purpose of the Company's auditors' review of the connected transactions.

Our view

Having considered the Waiver Conditions, we consider that they provide adequate safeguards for the interests of the Company and the Shareholders as a whole. In particular: (i) no changes to the terms of any of the agreements underlying the VIE Agreements may be made without the approval of the independent non-executive Directors and, save for any renewal or reproduction permitted under the Waiver Conditions, the Independent Shareholders; (ii) the VIE Agreements must continue to enable the Group to receive substantially all of the economic benefits generated by the OPCO through: (a) the Group's exclusive right to acquire all or part of the equity interests in the OPCO, to the extent permitted under PRC Laws, for a nominal consideration of HK$1.00; (b) the business structure under which the profits generated by the OPCO are substantially retained by Wuxi Information; and (c) Wuxi Information's rights to control the management and operations of, and exercise, in substance, all voting rights attached to the equity interests in, the OPCO; (iii) any renewal or reproduction of the VIE Arrangement must be justified by business expediency and entered into on substantially the same terms as the existing VIE Arrangement; and (iv) the VIE Arrangement will remain subject to ongoing disclosure, annual review by the independent non-executive Directors and the auditors of the Company, and the provision by the OPCO of full access to its relevant records to the Group's management and the auditors of the Company. Accordingly, we consider that the granting of the waivers would not prejudice the interests of the Company or the Independent Shareholders.

7. Possible financial effects of the VIE Agreements

As confirmed by the Directors following discussions with the auditors of the Company, upon the execution and effectiveness of the VIE Agreements, the financial position and results of operations of the OPCO will be consolidated into the consolidated financial statements of the Group. Accordingly, the assets, liabilities, revenue, expenses and results of operations of the OPCO will be reflected in the Group's consolidated financial statements. The proposed operations of the OPCO may provide the Group with additional potential revenue streams, but the Group will also be exposed to the operating losses, liabilities and financial-support requirements of the OPCO.

RECOMMENDATION

With respect to the waiver from strict compliance with the requirement under Rule 20.50 of the GEM Listing Rules to limit the term of the VIE Agreements to three years or less, having considered that the durations of the principal business cooperation or service agreements under the Comparable Transactions range from an initial term of three years to no fixed term, and that the five Comparable Transactions represent five distinct underlying VIE arrangements, we consider that it is not uncommon, and is consistent with market practice, for contractual arrangements of a similar nature to remain effective for a period exceeding three years. We further consider that such duration is justified by the nature of the VIE Arrangement, as the contractual arrangements are required to remain effective for so long as the applicable PRC foreign investment restrictions or prohibitions prevent the Group from directly holding the equity interests in the OPCO.

With respect to the waiver from strict compliance with the annual cap requirement under Rule 20.51 of the GEM Listing Rules, we noted that the service fees payable by OPCO to Wuxi Information under the Exclusive Business Cooperation Agreement are equivalent to 100% of the net income of OPCO and are intended to enable Wuxi Information to obtain substantially all of the economic benefits generated by OPCO. Accordingly, we consider that setting a maximum aggregate annual cap on such service fees would restrict the flow of the economic benefits generated by OPCO to the Group and would be inconsistent with the purpose of the VIE Arrangement.

Having taken into consideration the factors and reasons that: (i) the proposed operation of the "Pingou" APP is in line with and complementary to the Group's existing businesses; (ii) the VIE Arrangement is necessary for the Group to operate the "Pingou" APP having regard to the applicable PRC foreign investment restrictions; (iii) the VIE Agreements enable Wuxi Information to exercise effective control over the OPCO and obtain substantially all of the economic benefits generated by the OPCO; (iv) the VIE Agreements and the internal control measures provide safeguards for the Group's interests in the OPCO and mitigate, although not completely eliminate, the risks associated with the VIE Arrangement; and (v) the duration of the VIE Agreements and the waiver from setting annual caps are consistent with the nature and purpose of the VIE Arrangement, we are of the opinion that (i) the terms of the VIE Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the VIE Agreements is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the VIE Agreements and the transactions contemplated thereunder, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Merdeka Corporate Finance Limited

Wallace So
Managing Director

Mr. Wallace So is a licensed person registered with the Securities and Futures Commission of Hong Kong, a responsible officer of Merdeka Corporate Finance Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and a licensed representative of Merdeka Investment Management Limited to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Wallace So has over 13 years of experience in the corporate finance industry.