31 May 2018

King Force Group Holdings Limited
14/F, Harbour Commercial Building
122 Connaught Road Central
Hong Kong

To the Independent Board Committee

Dear Sirs,

MANDATORY CONDITIONAL CASH OFFERS BY EMPEROR SECURITIES LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF KING FORCE GROUP HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF KING FORCE GROUP HOLDINGS LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee with respect to the Offers, details of which are set out in the Letter from Emperor Securities and the Letter from the Board contained in the Composite Offer Document dated 31 May 2018 to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Composite Offer Document unless the context requires otherwise.

In compliance with Rule 26.1 and Rule 13 of the Takeovers Code, subsequent to the Completion of the acquisition of the Sale Shares by the Offeror, Emperor Securities is, on behalf of the Offeror, making the Offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and cancellation of all outstanding Share Options.

Crescendo Capital Limited | 濬盛融資有限公司
1506 Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong 香港灣仔菲林明道 8 號大同大廈 1506 室
Tel 電話: (852) 3705 9521 Fax 傳真: (852) 3705 9527

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Xiong Hong, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo, has been established by the Company in accordance with Rule 2.1 of the Takeovers Code to advise the Independent Shareholders and the Optionholders in relation to the terms and conditions of the Offers. We, Crescendo Capital Limited, have been appointed, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and whether the Independent Shareholders and the Optionholders (as the case may be) should accept the Offers.

We are not associated with the Company, the Offeror, the Vendor or their respective associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Save for acting as an independent financial adviser in this appointment, we have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Company, the Offeror, the Vendor or their respective associates. We are not aware of any relationship or interest between us and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors, management of the Company and the Offeror and have assumed that such information and statements, and representations made to us or referred to in the Composite Offer Document are true, accurate and complete in all material respects as of the Latest Practicable Date. Should there be any material change in such information, statements or representations after the Latest Practicable Date (up to the end of the Offer Period), the Shareholders would be notified of such changes as soon as possible. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Composite Offer Document (other than the information relating to the Offeror, its associates and parties acting in concert with it (including the present and future intentions of the Offeror relating to the Group)), and confirmed, after having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Offer Document (other than those expressed by the Offeror, its associates or parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts that are not contained in the Composite Offer Document, the omission of which would make any such statement contained in the Composite Offer Document misleading. The sole director of the Offeror, Mr. Song, also has accepted full responsibility for the accuracy of the information contained in the Composite Offer Document (other than the information relating to the Group and the Vendor), and confirmed, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Offer Document (other than those expressed by the Group and the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Offer Document, the omission of which would make any statement in the Composite Offer Document misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Composite Offer Document and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors, management of the Company or the Offeror, or is misleading, untrue or inaccurate, and consider that the information provided to us may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Sale and Purchase Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion and the Shareholders will be notified of any material change as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have not considered the tax implications on the Independent Shareholders and/or the Optionholders arising from acceptances or non-acceptances of the Offers as these depend on their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on, or liability of, any person resulting from his or her acceptance or non-acceptance of the Offers. Independent Shareholders and/or Optionholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealings, should consult their own professional advisers without delay.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Offers, we have considered the following principal factors and reasons:

1. Background to, and principal terms of, the Offers

On 25 April 2018 (after trading hours of the Stock Exchange), the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Offeror conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing approximately 16.36% of the entire issued share capital of the Company as at the Latest Practicable Date. The Consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK$48,248,000, equivalent to HK$0.037 per Sale Share.

Completion took place on 30 April 2018. Immediately before the Completion, the Offeror directly held 1,786,000,000 Shares, representing approximately 22.40% of the issued share capital of the Company. Immediately after the Completion, the Offeror was interested in a total of 3,090,000,000 Shares, representing approximately 38.76% of the entire issued share capital of the Company. Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror was obliged to make mandatory conditional cash offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and all outstanding Share Options immediately after Completion.

During the period from 30 April 2018 to 11 May 2018, the Offeror further acquired an aggregate of 269,980,000 Shares on the market. As at the Latest Practicable Date, the Offeror held 3,359,980,000 Shares, representing approximately 42.15% of the issued share capital of the Company.

Emperor Securities is, on behalf of the Offeror and in compliance with the Takeovers Code, making the mandatory conditional general cash offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and cancellation of all outstanding Share Options on the following basis:

The Share Offer

For each Offer Share .... HK$0.037 in cash

The Offer Price of HK$0.037 per Offer Share under the Share Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances, and together with all rights attached thereto, including but not limited to the right to receive all dividends and distributions which may be paid, made or declared on or after the date on which the Share Offer is made, being the date of the posting of the Composite Offer Document.

The Option Offer

For cancellation of each Share Option .... HK$0.017 in cash

The Option Offer Price of HK$0.017 for cancellation of each Share Option under the Option Offer represents the difference between the exercise price of the Share Option of HK$0.02 and the Offer Price of HK$0.037.

The Option Offer extends to all Optionholders in accordance with the Takeovers Code. The outstanding Share Options are valid and effective for a period of three years from the date of grant of the Share Options. Pursuant to the terms of the Share Option Scheme, in the event of a general offer becoming or being declared unconditional, the grantee of the Share Options shall be entitled to exercise the Share Options in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the Share Offer becomes or is declared unconditional.

As at the Latest Practicable Date, the Company had 7,972,194,432 Shares in issue and 256,000,000 outstanding Share Options conferring rights to the holders thereof to subscribe for 256,000,000 Shares at the exercise price of HK$0.02 per Share. The Offeror and parties acting in concert with it held 3,359,980,000 Shares as at the Latest Practicable Date. As such, 4,612,214,432 Shares will be subject to the Share Offer. Save for the Share Options, the Company had no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares as at the Latest Practicable Date. Assuming there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the Closing Date, (i) based on the Offer Price of HK$0.037 per Offer Share, the Share Offer is valued at approximately HK$170,651,934; and (ii) based on the Option Offer Price of HK$0.017 per

Share Option, the Option Offer is valued at HK$4,352,000. Assuming all the outstanding Share Options are exercised in full by the Optionholders from the Latest Practicable Date up to the Closing Date, the total number of issued Shares will increase to 8,228,194,432 Shares, of which 4,868,214,432 Shares will be subject to the Share Offer and the value of the Share Offer will be approximately HK$180,123,934.

The Share Offer is conditional on valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 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 such number of Shares which, together with the Shares acquired or agreed to be acquired before or during the Share Offer, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company in accordance with the Takeovers Code. The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

Further details of the terms and conditions of the Offers, including the procedures for acceptance, are set out in the Letter from Emperor Securities contained in, and Appendix I to, the Composite Offer Document.

2. Information on the Group

The Company is a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on GEM. The Group is principally engaged in the provision of manned security guarding services (the "Manned Security Guarding Business"), mobile gaming business (the "Mobile Gaming Business") and e-Education and security services (the "e-Education Business").

The Group is licensed to provide security guarding services in Hong Kong under Security Company Licence (Type I Security Work) in accordance with the Security Company License regime. The Group operates its Manned Security Guarding Business under the brand name of "King Force". Guarding services offered by the Group include patrolling, access control at the lobby entrance, making entrance records of visitors and stopping trespassers, and handling and reporting complaints. The Group also provides guarding and personal escorting services and crowd management services for events, occasions, exhibitions, ceremonies and press conferences.

The Group is engaged in the Mobile Gaming Business through MAGN Investment Limited, an associated company whose equity interest was held as to 45% by the Group. MAGN Investment Limited and its subsidiaries are principally engaged in the research and development of computer and mobile software, including security software, advertisement sale management software, gaming platform operation software, payment software and office software and operation of gaming products in the PRC. Meanwhile, Guanhui Huyu Technology (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company which is also engaged in mobile gaming business, mainly focuses on publishing mobile games in overseas markets.

The Group's e-Education Business mainly involves the provision of students' e-education and security services. The Group is committed to the development of its business in the education and security industry and the development of innovative applications in "dynamic face recognition system + Bei Dou positioning technology + Internet + education". The Group is dedicated to enhancing campus security through dynamic face recognition technology and Bei Dou positioning, connecting school and home through Internet applications, and providing one-stop integrated education services to schools, teachers, students and parents through the integration of educational resources.

Set out in Table 1 below is a summary of the audited consolidated financial information of the Group for the two years ended 31 March 2016 and 2017 as extracted from the annual report of the Company, and the unaudited consolidated financial information of the Group for the six months ended 30 September 2017 and the nine months ended 31 December 2016 and 2017 as extracted from the interim report and the third quarterly report of the Company respectively.

Table 1: Consolidated financial information of the Group

	For the nine months ended 31 December		**For the year ended 31 March**	
	2017	**2016**	**2017**	**2016**
	unaudited	unaudited	audited	audited
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	89,688	112,510	146,212	146,224
(Loss)/Profit before income tax	(20,231)	814	7,360	1,302
(Loss)/Profit for the period/year attributable to owners of the Company	(18,848)	(593)	6,197	(55)

	As at 30 September 2017	As at 31 March 2017
	unaudited	audited
	HK$'000	*HK$'000*
Non-current assets	114,348	116,324
Current assets	46,640	56,812
Current liabilities	(17,913)	(19,239)
Net current assets	28,727	37,573
Non-current liabilities	(21,397)	(20,909)
Net assets	121,678	132,988
Equity attributable to owners of the Company	114,457	125,073

(a) ***Financial performance of the Group***

For the year ended 31 March 2016

For the year ended 31 March 2016, the Group was principally engaged in the Manned Security Guarding Business and the Mobile Gaming Business. The Group's revenue, which was solely generated from the Manned Security Guarding Business, increased by approximately HK$15.9 million (or 12.2%) from approximately HK$130.3 million for the year ended 31 March 2015 to approximately HK$146.2 million for the year ended 31 March 2016. The increase in revenue was mainly due to the general increase in the service fees of fixed-term contracts of manned security guarding services charged by the Group in response to the increase in guard costs triggered by the amendment of the Minimum Wage Ordinance effective in May 2015 and the increase in administrative expenses due to general inflation. The gross profit of the Group also increased by approximately HK$2.8 million (or 11.2%) for the year ended 31 March 2016 as compared to the prior year. However, with the increases in administrative expenses and other operating expenses totaling approximately HK$7.2 million (or 35.2%) resulted from the legal and professional fees incurred for the acquisition of MAGN Investment Limited, an associated company of the Group, during the year ended 31 March 2016, the financial performance of the Group changed from profit attributable to owners of the Company of approximately HK$2.9 million for the year ended 31 March 2015 to loss attributable to owners of the Company of approximately HK$55,000 for the year ended 31 March 2016 although the Group recorded a share of profit of an associated company of approximately HK$1.1 million for the year ended 31 March 2016.

For the year ended 31 March 2017

For the year ended 31 March 2017, the Group was principally engaged in the Manned Security Guarding Business and the Mobile Gaming Business. The revenue of the Group for the year ended 31 March 2017, which was solely generated from the Manned Security Guarding Business, amounted to approximately HK$146.2 million, representing a slight decrease of approximately 0.01% as compared to the previous year. The gross profit of the Group increased by approximately HK$3.3 million (or 11.9%) for the year ended 31 March 2017 as compared to the prior year as the Group entered into a manned security guarding service contract with a relatively high margin during the year ended 31 March 2017. For the year ended 31 March 2017, the Group recognized a fair value gain on contingent consideration payable of approximately HK$13.2 million for the acquisition of MAGN Investment Limited. As a result, the financial performance of the Group turned around from loss attributable to owners of the Company of approximately HK$55,000 for the year ended 31 March 2016 to profit attributable to owners of the Company of approximately HK$6.2 million for the year ended 31 March 2017 despite the administrative expenses of the Group increased by approximately HK$10.7 million (or 38.5%) for the year ended 31 March 2017, as compared to the last year, as the staff costs, property rental, amortization of intangible assets and depreciation of property, plant and equipment increased significantly during the year. Had the fair value gain on contingent consideration payable, being non-recurring in nature and not generated from ordinary and usual course of business of the Group, of approximately HK$13.2 million been excluded, the Group would have recorded a loss for the year ended 31 March 2017.

For the nine months ended 31 December 2017

For the nine months ended 31 December 2017, the Group was principally engaged in the Manned Security Guarding Business, the Mobile Gaming Business and the e-Education Business. The Group's revenue, which was solely generated from the Manned Security Guarding Business, decreased by approximately HK$22.8 million (or 20.3%) from approximately HK$112.5 million for the nine months ended 31 December 2016 to approximately HK$89.7 million for the nine months ended 31 December 2017. The decrease in revenue was mainly attributable to the decrease in the number of manned security guarding service contracts and the general decrease in the service fees charged by the Group as a result of keen competition in the market. The Group's gross profit also decreased by approximately HK$9.8 million (or 44.0%) from approximately HK$22.3 million for the nine months ended 31 December 2016 to approximately HK$12.5 million for the nine months ended 31 December 2017 owing to the lowered revenue and the general increase in the guard costs in the market. Together with the increase in administrative expenses by approximately HK$9.2 million (or 37.8%) as a result of the increases in amortisation of intangible assets, depreciation of property, plant and equipment and staff costs including share option expenses recognized for the nine months ended 31 December 2017 and the decrease in the Group's share of profit of an associated company by approximately HK$2.2 million resulting from lowered revenue with intense market competition in the PRC and high operating costs of the associated company, the loss attributable to owners of the Company increased by approximately HK$18.2 million from approximately HK$0.6 million for the nine months ended 31 December 2016 to approximately HK$18.8 million for the nine months ended 31 December 2017.

For the year ended 31 March 2018

On 16 May 2018, the Company published the May 2018 Profit Warning Announcement, which stated that the Group was expected to record (i) a decrease in revenue of approximately 24% for the year ended 31 March 2018 as compared to the same period last year and such decrease was mainly due to the decrease in number of manned security guarding service contracts that had been entered into by the Group as a result of keen market competition; and (ii) a significant loss attributable to owners of the Company for the year ended 31 March 2018 as compared with the profits recorded in the same period last year. Such loss was primarily attributable to (i) the decrease in the Group's revenue; (ii) the Group's share of loss of its associated company for the year ended 31 March 2018 as compared with the share of profits in the same period last year, which was due to a drop in turnover and higher operating costs of the associated company for the year ended 31 March 2018; (iii) the increase in administrative expenses, including increases in amortization of intangible assets and staff costs (including share option expenses) recognized for the year ended 31 March 2018; (iv) the decrease in other incomes for the year ended 31 March 2018, which was due to an absence of the recognition of fair value gain of approximately HK$13 million on contingent consideration payable, representing the consideration shares to be issued to Magn Group Limited; and (v) the recognition of written off and/or impairment loss of certain intangible assets including the franchise of 北斗民用分理服務試驗資質 (Bei Dou Civil Management Services Provisional Qualification*) and certain mobile game licenses.

(b) Financial position of the Group

As at 30 September 2017, the non-current assets of the Group amounted to approximately HK$114.3 million, which mainly comprised property, plant and equipment of approximately HK$14.1 million, goodwill of approximately HK$36.3 million, other intangible assets of approximately HK$37.7 million and interests in associates of approximately HK$15.8 million. The current assets of the Group as at 30 September 2017 amounted to approximately HK$46.6 million, which mainly consisted of trade receivables of approximately HK$18.5 million, cash at banks and in hand of approximately HK$15.6 million and prepayments, deposits and other receivables of approximately HK$7.2 million. The current liabilities of the Group as at 30 September 2017 amounted to approximately HK$17.9 million, which mainly included accrued expenses and other payables of approximately HK$15.0 million and trade payables of approximately HK$1.4 million. As at 30 September 2017, the non-current liabilities of the Group amounted to approximately HK$21.4 million, which mainly represented promissory note payable of approximately HK$20.9 million. As at 30 September 2017, net current assets and equity attributable to owners of the Company amounted to approximately HK$28.7 million and approximately HK$114.5 million respectively. As at 30 September 2017, the gearing of the Group, which was calculated based on the total debt of the Group, being the promissory note payable, to the total equity of the Group, was approximately 17.2%.

On 26 March 2018, the Group entered into a non-legally binding memorandum of understanding pursuant to which the Group may subscribe for the shares of a company principally engaged in managing the operation platform of big data of health and medical industry in the PRC, details of which are set out in the announcement of the Company dated 26 March 2018.

* *for identification purpose only*

3. Future prospect of the Group

(a) *Manned Security Guarding Business*

The Security Service Training Board of the Vocational Training Council (the "SSTB"), a training board set up by the Hong Kong government responsible for determining the manpower situation and training needs in the security services industry, conducts full manpower survey once every four years, supplemented by manpower update through desk research and focus group meetings. According to the SSTB's latest available manpower survey report, namely "2015 Manpower Survey Report – Security Services" published in July 2016, which summarised the findings of the survey conducted by the SSTB (the "2015 SSTB Survey"), the manpower of the security service industry had a steady growth from 110,437 employees in 2013 to 115,026 employees in 2015, contributing a compound annual increase of 2.1%. Employees participated in the survey forecasted that there would be 118,334 posts in 2016, representing an increase of 0.05% as compared to the number of posts in 2015. The figures revealed that the industry had a conservative attitude towards the business growth of the industry, especially companies might take a straddle attitude towards competition of the industry as a result of modest growth of the manpower. Meanwhile, the SSTB noted from the 2015 SSTB Survey that the employers of the security services industry came across difficulty in the recruitment of staff, particularly at security guard level, mainly caused by general labour shortage. The employers considered that this phenomenon would not be improved in a short period of time. A manpower update, namely "2017 Manpower Update Report – Security Services Industry" published by the SSTB in May 2018 stated that in view of the rapid real estate development, there are plenty of rooms for development of the security services industry. However, the manpower is anticipated to be unable to meet the current and future demand and the industry has encountered difficulties in recruiting and retaining talent although the upper age limit for Type I security personnel has been relaxed from 65 to 70 years, which in general perceived as a short-time relief to the labour shortage situation of the industry as the underlying problem of falling employment population has not yet been addressed.

According to the Labour Department of the Hong Kong government, Statutory Minimum Wage (the "SMW") has come into force since 1 May 2011 and the SMW rate is reviewed at least every two years in accordance with the Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong). With effect from 1 May 2017, the SMW rate raised from $32.5 per hour to $34.5 per hour. Given this policy trend, the Company expects that the SMW rate would further increase after the next review. In addition, the Standard Working Hours Committee has proposed in its report to the Government to regulate working hours by mandatorily requiring employers to enter written employment contract with all employees, of which details on working hours arrangement (i.e. hours of work, overtime arrangement and compensation) should be covered. The 2015 SSTB Survey stated that if working hours are eventually regulated to say between 44 to 48 hours per week, it will result in a greater demand for manpower for industries like security services industry. Overtime pay triggered by shortened working hours may further increase the cost of the security service providers.

Given the potential increase in the SMW and shortage of labour, which may pose an upward cost pressure to the Group, and keen competition in the security service industry, it is expected that there would be limited room for improvement in profit margin of the Group in the foreseeable future. In view of the survey participants' conservative attitude towards the business growth of the industry and the track record of slowing or negative growth of revenue of the Group in recent years, we are of the view that the business environment of manned security guarding service industry will be challenging in the coming years.

(b) Mobile Gaming Business

According to the report namely "The 41st China Statistical Report on Internet Development" issued in January 2018 by China Internet Network Information Center, the administrative agency responsible for internet affairs under the Ministry of Information Industry of the PRC, the number of mobile game users in the PRC were 279 million as at December 2015, 352 million as at December 2016 and 407 million as at December 2017, representing an increase of 26.2% and 15.6% as compared to the respective prior year while the number of mobile game users in the PRC accounted for 45.1%, 50.6% and 54.1% of total mobile internet users in the PRC.

In view of the increasing number of mobile game users in the PRC, we consider that the mobile gaming industry in the PRC will continue to grow in the coming years while the decrease in growth rate may pose pressure to the development of the industry.

(c) e-Education Business

A circular named "關於加強中小學幼兒園安全風險防控體系建設的意見 (Opinions on Strengthening the Construction of Security Risk Prevention and Control System for Kindergartens, Primary and Secondary Schools*)" published by the General Office of the State Council of the PRC on 28 April 2017 emphasized the importance of campus security in the PRC and provided opinions on how to improve the campus security risk control management, such as setting up monitoring systems. We consider that the circular may encourage and foster the use of e-security system for schools in the PRC and the demand on e-education and security services may increase in the future.

However, having considered that the operating history of the Group in e-Education Business is short and no revenue and profit have been contributed to the Group since its commencement of the e-Education Business, we are of the view that it is uncertain as to the future prospects of the e-Education Business of the Group.

In light of (i) the limitation on profitability and growth of the Group's Manned Security Guarding Business, which is the core business of the Group that contributed 100% of the Group's total revenue for the years ended 31 March 2016 and 2017 and nine months ended 31 December 2017, posed by the rising labour costs in respect of security guarding and keen competition in the market; (ii) the uncertainty of the future financial performance of the loss-making Mobile Gaming Business and e-Education Business despite the general growing prospects of the industries; (iii) the

* *for identification purpose only*

loss-making records of the Group for the year ended 31 March 2016 and nine months ended 31 December 2017 and that the profit recorded for the year ended 31 March 2017 was mainly due to the recognition of a non-recurring fair value gain on contingent consideration payable, the exclusion of which would lead to a loss for the year ended 31 March 2017; and (iv) the expected significant loss attributable to owners of the Company for the year ended 31 March 2018 as disclosed in the May 2018 Profit Warning Announcement, we consider that in the course of the Group's business development in a competitive environment, it is uncertain as to whether the Group will be able to maintain its competitiveness by promptly reacting to the ever-changing market conditions and be profitable in the near future.

4. Offer Price

The Offer Price of HK$0.037 per Offer Share, which is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement, represents:

(i) a premium of approximately 2.78% over the closing price of HK$0.036 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 8.82% over the average closing price of HK$0.034 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 12.12% over the average closing price of approximately HK$0.033 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 2.78% over the closing price of HK$0.036 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

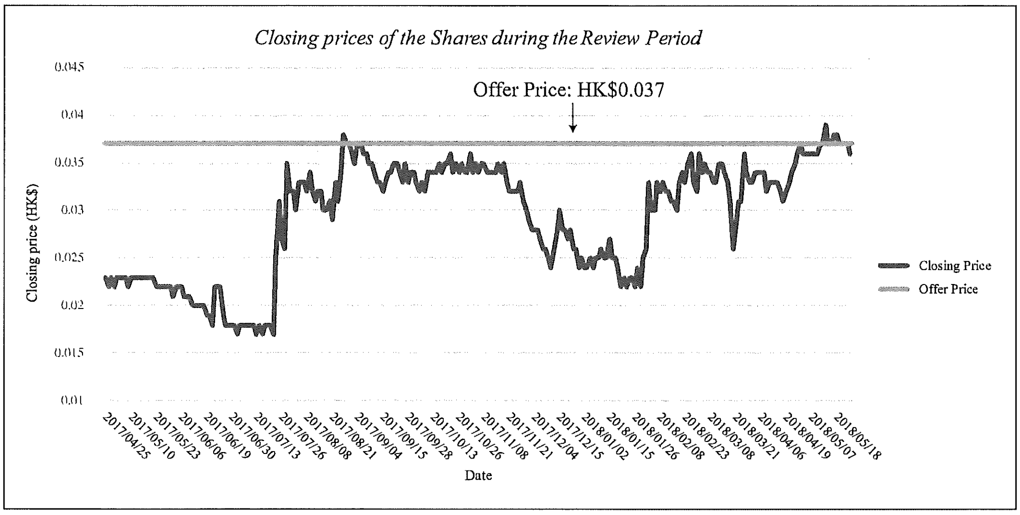
(v) a premium of approximately 131.25% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK$0.016 per Share as at 31 March 2017, based on the Company's audited consolidated net asset value attributable to the owners of the Company of approximately HK$125,073,000 as at 31 March 2017 and 7,972,194,432 Shares in issue as at the Latest Practicable Date; and

(vi) a premium of approximately 164.29% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK$0.014 per Share as at 30 September 2017, based on the Company's unaudited consolidated net asset value attributable to the owners of the Company of approximately HK$114,457,000 as at 30 September 2017 and 7,972,194,432 Shares in issue as at the Latest Practicable Date.

(a) *Historical trading prices of the Shares*

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the movements in trading prices of the Shares during the period from 25 April 2017, being twelve months immediately preceding the Last Trading Day, to the Latest Practicable Date (the "Review Period"). We consider that a period of twelve months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing prices of the Shares and the Offer Price. The closing prices of the Shares during the Review Period are depicted in Chart 1 below:

Chart 1: Closing prices of the Shares during the Review Period



As illustrated in the above chart, the Shares were traded at or below the Offer Price throughout the Review Period, except for 28 August 2017, 14 May 2018, 17 May 2018 and 18 May 2018, with an average closing price of approximately HK$0.029 and the highest and lowest closing prices of HK$0.017 and HK$0.039 respectively. The Offer Price represents a premium of approximately 117.6% over the lowest closing price, a discount of approximately 5.1% to the highest closing price and a premium of approximately 27.6% over the average closing price for the Review Period.

The closing prices of the Shares showed a downward trend by dropping from HK$0.023 on 25 April 2017 to HK$0.02 on 16 June 2017. After the trading hours of the Stock Exchange on 16 June 2017, the Company published an announcement regarding the legal proceedings commenced by the Group against Bei Dou Jiuyi Information Technology Industry (Beijing) Limited in relation to its breach of the business cooperation agreement (the "Legal Proceedings"). Subsequently, the closing price of the Shares further decreased to HK$0.018 on 21 June 2017. On the same day, the Company published two announcements regarding the entering into of a cooperation agreement with an independent third party in relation to the use of its 北斗民用分理服務試驗資質 (Bei Dou Civil Management Services Provisional Qualification*) for the e-Education Business and the

* *for identification purpose only*

annual results of the Group for the year ended 31 March 2017, which indicated that the results of the Group turned around from loss attributable to owners of the Company of approximately HK$55,000 for the year ended 31 March 2016 to profit attributable to owners of the Company of approximately HK$6.2 million for the year ended 31 March 2017, respectively. The closing price of the Shares rose to HK$0.022 on the next trading day but then decreased gradually to HK$0.017, the lowest level of the Review Period, on 4 July 2017. The closing prices of the Shares remained stable at the level between HK$0.017 and HK$0.018 until 21 July 2017 when it regained the momentum for an upward trend. The closing prices of the Shares started to rebound on 24 July 2017 and reached HK$0.035 on 28 July 2017. We were advised that the Company did not aware of any reason for the increase in the closing prices of the Shares during the aforesaid period.

The Company published an announcement regarding the profit warning for its first quarterly results for the three months ended 30 June 2017 on 31 July 2017 but there were no significant movements in the trading prices of the Shares after the publication of such announcement. The closing prices of the Shares fluctuated narrowly between HK$0.032 and HK$0.034 during 1 August 2017 and 9 August 2017. Subsequent to the publication of the first quarterly results for the three months ended 30 June 2017 on 9 August 2017, the closing price of the Shares dropped from HK$0.034 on 9 August 2017 to HK$0.029 on 21 August 2017. Without any specific reason that could be identified by the Company for the price movement, the closing prices of the Shares rebounded on 22 August 2017 and continued to soar to HK$0.038 on 28 August 2017. Since then, the closing prices of the Shares decreased gradually and fluctuated in the range of HK$0.032 and HK$0.037 during the period from 29 August 2017 to 27 November 2017. The closing prices of the Shares showed a downward trend thereafter and reached HK$0.022 on 19 January 2018. On the same day, the Company published an announcement in relation to the judgement in favour of the Group regarding the Legal Proceedings. Since then, the closing prices of the Shares increased gradually to HK$0.036 on the Last Trading Day. The trading of the Shares was halted during the period from 26 April 2018 to 29 April 2018 (both days inclusive) pending the release of the Joint Announcement. Subsequent to the publication of the Joint Announcement on 29 April 2018, the closing price of the Shares increased to HK$0.039, the highest closing price for the Review Period, on 14 May 2018. After that, the closing price of the Shares decreased slightly to HK$0.036 on the Latest Practicable Date.

Given that the Offer Price is (i) higher than the average closing price of the Shares for the Review Period; and (ii) higher than the closing price of the Shares for over 98% of the number of trading days in the Review Period, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

(b) ***Historical trading volume of the Shares***

We have also reviewed the historical trading volume of the Shares during the Review Period. The 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 are shown in Table 2 below:

Table 2: Historical average daily trading volume of the Shares

Month	**Number of trading days**	**Average daily trading volume** *(Note 1)*	**% of average daily trading volume to the total number of issued Shares** *(Note 2)*	**% of average daily trading volume to the total number of Shares in public hands** *(Note 3)*
2017				
April *(Note 4)*	4	44,297,500	0.56%	0.96%
May	20	11,845,220	0.15%	0.26%
June	22	26,410,000	0.33%	0.57%
July	21	86,941,905	1.09%	1.89%
August	22	45,819,545	0.57%	0.99%
September	21	18,845,714	0.24%	0.41%
October	20	18,344,875	0.23%	0.40%
November	22	13,794,773	0.17%	0.30%
December	19	20,094,737	0.25%	0.44%
2018				
January	22	13,467,727	0.17%	0.29%
February	18	31,760,556	0.40%	0.69%
March	21	44,424,286	0.56%	0.96%
April *(Note 5)*	17	42,763,447	0.54%	0.93%
May *(Note 6)*	18	30,486,300	0.38%	0.66%

Source: the website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the relevant month/period which excludes any trading day on which trading of Shares on the Stock Exchange was halted for the whole trading day.

2. Calculated based on 7,972,194,432 Shares in issue as at the Latest Practicable Date.

3. Calculated based on 4,612,214,432 Shares held in public hands (calculated by deducting 3,359,980,000 Shares held by the Offeror and parties acting in concert with it from the 7,972,194,432 Shares in issue) as at the Latest Practicable Date.

4. Represents trading volume for the period from 25 April 2017 to 30 April 2017.

5. Trading of the Shares was halted from 26 April 2018 to 29 April 2018 (both days inclusive) pending the release of the Joint Announcement.

6. Represents trading volume for the period from 1 May 2018 to the Latest Practicable Date.

Table 2 demonstrates that during the Review Period, the average daily trading volume of the Shares was in the range of approximately 0.15% to approximately 1.09% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.26% to approximately 1.89% of the total number of Shares held in public hands as at the Latest Practicable Date. The above statistics show that the liquidity of the Shares was relatively low during the Review Period.

Given the thin trading volume of the Shares in the Review Period, a sufficiently active market may not exist to enable the Independent Shareholders to sell the Shares in bulk quantity in the short term without exerting a downward pressure on the price of the Shares. Therefore, we anticipate that the Independent Shareholders may have difficulties in selling a significant number of Shares in the open market within a short period of time if the same trading pattern of the Shares persists during and after the Offer Period, and we consider that the Independent Shareholders should accept the Offers if they wish to realise their investments in a large number of Shares within a short period of time.

(c) Comparison with market comparables

In further assessing the fairness and reasonableness of the Offer Price, we have considered to carry out a comparative analysis to compare the Offer Price against the market valuation of other comparable companies using the commonly adopted valuation methods, including price-to-earnings ratio and price-to-book ratio. Taking into account that 100% of the revenue of the Group for the year ended 31 March 2017 was generated from the provision of manned security guarding services in Hong Kong, we have attempted to identify companies which (i) are listed on the Stock Exchange; and (ii) over 50% of the revenue were derived from the provision of manned security guarding services in Hong Kong for the latest financial year, for comparison purpose. However, we are, at our best endeavor, unable to identify any suitable comparable company which meets the aforesaid criteria.

(d) Valuation by income approach

We have also considered assessing the value of the Group by income approach. However, given that valuation using income approach involves various subjective assumptions and parameters in preparing the profit forecast and discounted cash flow such as growth rate beyond the forecast period for calculation of the terminal value, discount rate and revenue and expenses projections, which may largely affect the value of the subject, we consider that it is inappropriate to use income approach to assess the value of the Group.

(e) Conclusion

Based on the above analysis and taking into consideration that (i) the Offer Price is the same as the purchase price per Sale Share paid by the Offeror under the Sales and Purchase Agreement; (ii) the Offer Price represents a premium of approximately 27.6% over the average closing price of the Shares for the Review Period and a premium of approximately 164.29% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK$0.014 per Share as at 30 September 2017; (iii) the Offer Price is higher than/equal to the closing prices of the Shares in 263 trading days out of 267 trading days during the Review Period; and (iv) the liquidity of the Shares during the Review Period was thin and it is uncertain whether the liquidity of the Shares could be improved to allow the Independent Shareholders to dispose of their holding in the Shares in the market within a short period of time without exerting downward pressure on the price of the Shares, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

The Independent Shareholders who wish to realise their investments in the Company are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period.

5. Option Offer Price

As at the Latest Practicable Date, there were 256,000,000 outstanding Share Options conferring rights to the holders thereof to subscribe for 256,000,000 Shares at the exercise price of HK$0.02 per Share.

The Option Offer Price of HK$0.017 for cancellation of each Share Option under the Option Offer was determined using a "see through" approach and represents the difference between the exercise price of the Share Options of HK$0.02 per Share and the Offer Price. The consideration of accepting the Option Offer is equivalent to exercising the Share Options and selling the Shares subscribed under the Share Options at the Offer Price. Despite the fact that the outstanding Share Options are in-the-money, the Optionholders, after exercising their rights to purchase the Shares, may have difficulties in selling a significant number of Shares in the open market within a short period of time to realise their profits given the low liquidity of trading of the Shares as mentioned in the section headed "Historical trading volume of the Shares" above. As such, we are of the view that the basis of determining the Option Offer Price is acceptable and in line with market practice and the Option Offer Price is fair and reasonable so far as the Optionholders are concerned.

6. Information on the Offeror and its intention regarding the Group

As disclosed in the Letter from Emperor Securities, the Offeror was incorporated in Hong Kong on 29 December 2017 and is principally engaged in investment consulting and business management. It is wholly-owned by Nansha Huiming which is in turn owned as to 99.9995% by Huili Jiu Hao Investment and as to 0.0005% by Mr. Song, who is the sole director of the Offeror.

Huili Jiu Hao Investment is held as to 0.20% by 龐曉莉 (Pang Xiaoli*), and as to 99.80% by Great Walle Investment, which together with its subsidiaries operate investment businesses in the PRC and is principally engaged in the provision of entrusted asset management services and investment management services through its subsidiaries. Great Walle Investment is ultimately controlled by Mr. Song (as to approximately 70.9357% directly, and as to approximately 21.9995% indirectly through a wholly-owned company, namely Hongde Business Services). The remaining equity interest of approximately 7.0647% in Great Walle Investment is held as to approximately 1.2185% by 龐曉莉 (Pang Xiaoli*), as to approximately 0.4950% by 深圳明鉞科技有限公司 (Shenzhen Mingyue Technology Company Limited*) (a company wholly-owned by 龐曉莉 (Pang Xiaoli*)), as to approximately 2.0751% by 深圳凱普隆資產管理有限公司(Shenzhen Kai Pulong Asset Management Company Limited*) (a company wholly-owned by 李俞霖 (Li Yulin*)), as to approximately 0.2725% by 何寶芸 (He Baoyun*), as to approximately 1.2573% by 楊興航 (Yang Xinghang*), as to approximately 0.5013% by 古開華 (Gu Kaihua*), as to approximately 0.4150% by 石朝民 (Shi Chaomin*), as to approximately 0.4150% by 羅韌 (Luo Ren*), and as to approximately 0.4150% by 房進賢 (Fang Jinxian*). Due to their respective indirect shareholdings in the Offeror, 龐曉莉 (Pang Xiaoli*), 深圳明鉞科技有限公司 (Shenzhen Mingyue Technology Company Limited*), 深圳凱普隆資產管理有限公司 (Shenzhen Kai Pulong Asset Management Company Limited*), 李俞霖 (Li Yulin*), 何寶芸 (He Baoyun*), 楊興航 (Yang Xinghang*), 古開華 (Gu Kaihua*), 石朝民 (Shi Chaomin*), 羅韌 (Luo Ren*) and 房進賢 (Fang Jinxian*) (together referred to as the "Minority Shareholders") are deemed to be parties acting in concert with the Offeror. As at the Latest Practicable Date, none of the Minority Shareholders is a Shareholder.

Mr. Song, aged 43, graduated from the Sun Yat-Sen University of China with a bachelor of economics degree in June 1997 and received an executive master of business administrative degree from the Tsinghua University of China in January 2014. Mr. Song is the founder and chairman of Great Walle Capital Management, which is a company incorporated in May 2013 and principally engaged in the provision of entrusted asset management services. He has also been the chairman of Great Walle Investment since July 2015. Prior to joining Great Walle Capital Management, from January 2007 to May 2008, Mr. Song was the vice president of 岳陽恒立冷氣設備股份有限公司 (Yueyang Hengli Air-cooling Equipment, Inc.*), a company listed on the Shenzhen stock exchange (stock code: 000622), which is principally engaged in manufacturing, installation, maintenance and sales of car air-conditioning equipment. During the period from May 2012 to May 2013, Mr. Song was the chairman of 杭州天目山藥業股份有限公司 (Hangzhou TianMuShan Pharmaceutical Enterprise Co., Ltd*), a company listed on the Shanghai stock exchange (stock code: 600671), which is principally engaged in the production of Chinese medicine and health food products. Save for the shareholding interest in the Company, Mr. Song was not a substantial shareholder of any other listed companies in Hong Kong as at the Latest Practicable Date.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it held 3,359,980,000 Shares, representing approximately 42.15% of the issued share capital of the Company. As disclosed in the Letter from Emperor Securities, the Offeror intends that the Group will continue with its existing businesses following the close of the Offers. Leveraging on the experience of the management team and holding companies of the Offeror in the investment sector, the Offeror will explore possible business opportunities in the investment industry for the Group. The Offeror will also conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities for the Group and consider whether any

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asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. As at the Latest Practicable Date, the Offeror had no intentions to re-deploy the fixed assets of the Company or to terminate any employment of the employees of the Group or to make significant changes to any employment (except for the proposed change of Board composition as set out in the Letter from Emperor Securities) other than those in the ordinary and usual course of business, and had no definitive plans or intentions for disposal of the existing business of the Group and/or acquisition of business or asset by the Group. However, the Offeror reserves the right to make any change that it deems necessary or appropriate to the Group's businesses and operations to optimise the value of the Group.

As at the Latest Practicable Date, the board comprised four executive Directors (namely Mr. Li Mingming, Mr. Cheng Rui, Ms. Li Liping and Mr. Chen Yunchuo) and three independent non-executive Directors (namely Mr. Xiong Hong, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo). All the current Directors (other than Mr. Xiong Hong) have tendered their resignations to the Board with effect from the earliest time as allowed under the Takeovers Code. The Offeror intends to nominate three executive Directors, namely Ms. Pang Xiaoli, Mr. Hong Hoi Chuen and Ms. Lin Shuxian and three independent non-executive Directors, namely Ms. Guan Yan, Mr. Zhao Jinsong and Mr. Li Zhongfei, to the Board after posting of the Composite Offer Document. Any such resignation and appointment will be made in compliance with the Takeovers Code and the Listing Rules. The biographical details of the new Directors are set out in the Letter from Emperor Securities.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange upon closing of the Offers. The sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offers. The Stock Exchange had stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, 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 would consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

Given that (i) the Offeror intends to continue the existing businesses of the Group; (ii) neither concrete investments or business opportunities had been identified by the Offeror nor any agreement, arrangement, understanding or negotiation in relation to the injection of any asset or business into the Group had been entered into by the Offeror as of the Latest Practicable Date; (iii) the Offeror intends to maintain the listing status of the Company on the Stock Exchange after the close of the Offers; and (iv) the Offeror had no intentions to terminate any employment of the employees of the Group or to make significant changes to any employment (except for the proposed change of Board composition as detailed in the Letter from Emperor Securities) or to re-deploy the fixed assets of the Group other than those in the ordinary course of business of the Group, and had no definitive plans or intentions for disposal of the existing business of the Group and/or acquisition of business or asset by the Group, we do not expect that there would be any material change in the Group's business in the near future.

RECOMMENDATION

Having considered the principal factors and reasons stated above, in particular (i) the Offer Price is the same as the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement; (ii) the Offer Price represents a premium over the average closing price of the Shares of the Review Period and the unaudited consolidated net asset value of the Group attributable to the Shareholders per Share as at 30 September 2017; (iii) the closing price of the Shares in 263 trading days out of 267 trading days in the Review Period was below/equal to the Offer Price; (iv) the liquidity of the Shares during the Review Period was thin and it is uncertain whether the liquidity of the Shares could be improved to allow the Independent Shareholders to dispose of their holdings in the Shares in the market within a short period of time without exerting downward pressure on the price of the Shares; and (v) the future prospects of the Group remain uncertain in view of the unstable and loss-making track records of the Group and the short operating history of its Mobile Gaming Business and e-Education Business, we are of the view that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. As such, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer.

In respect of the Option Offer, given the Option Offer Price of HK$0.017 was determined using a "see through" approach such that the Offeror is effectively offering to pay the Offer Price of HK$0.037 per Share that would have been issued under the Share Options, we consider that the Option Offer Price of HK$0.017 for cancellation of each Share Option is fair and reasonable so far as the Optionholders are concerned. Accordingly, we also recommend the Independent Board Committee to advise the Optionholders to accept the Option Offer.

Independent Shareholders and Optionholders should note that although the Offer Price represents a premium over the historical closing price of the Shares in most of the time of the Review Period, the Shares have been trading at a level close to the Offer Price lately. Therefore, opportunities may exist for Independent Shareholders, or Optionholders to exercise the Share Options and, to sell their Shares in the open market above the Offer Price and thus the Independent Shareholders and the Optionholders are reminded that they should carefully and closely monitor the market price and the liquidity of the Shares before the end of the Offer Period and, having regard to their own circumstances and investment objectives, consider selling their Shares in the open market rather than accepting the Offers if the net proceeds from the market sale of their Shares after deducting all transaction costs and exercise price of the Share Options (in the case of the Share Options) are more than the net amount to be received under the Offers. Those Independent Shareholders and Optionholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospects of the Group or otherwise are reminded to closely monitor the development of the Group and any announcement of the Company in this regard.

Independent Shareholders and Optionholders are strongly recommended to read carefully the terms and the procedures for acceptance of the Offers which are set out in the Letter from Emperor Securities contained in, and Appendix I to, the Composite Offer Document and the accompanying Form of Acceptance despatched to the Shareholders on 31 May 2018. The latest time for acceptance of the Offers (unless extended by the Offeror) is 4:00 p.m. on Thursday, 21 June 2018. Independent Shareholders are urged to act according to the timetable if they wish to accept the Offers.

Yours faithfully,
For and on behalf of
Crescendo Capital Limited

Amilia Tsang
Managing Director

Helen Fan
Associate Director

Notes:

1. Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has approximately 14 years of experience in corporate finance.

2. Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has approximately 10 years of experience in corporate finance.