THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Fengyinhe Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee, or to the bank, stockbroker, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Fengyinhe Holdings Limited
豐銀禾控股有限公司

(formerly known as Flying Financial Service Holdings Limited 匯聯金融服務控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8030)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE EQUITY SALE AND PURCHASE AGREEMENTS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser

瓏盛資本有限公司
Draco Capital Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

HOORAY 好盈

A letter from the Board is set out on pages 4 to 30 of this circular.

A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-29 of this circular.

A notice convening the EGM of Fengyinhe Holdings Limited to be held at Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong, on Friday, 23 May 2025 at 12:30 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed herewith.

Whether or not you are able to attend the EGM in person, please complete and return the enclosed proxy form in accordance with the instructions printed thereon to the branch share registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and return of the proxy forms will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

This circular will remain on the "Latest Listed Company Information" page of the HKEXnews website operated by the Stock Exchange at https://www.hkexnews.hk for at least seven days from the date of its posting and will be published on the website of the Company at www.fengyinhe.com.

25 April 2025

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

Page

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

"Acquisition"	the acquisition of the Sale Shares by the Company from the Vendor in accordance with the terms and conditions of the Equity Sale and Purchase Agreements
"Hooray Capital Limited" and "Independent Financial Adviser"	Hooray Capital Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 6 (advising on corporate finance) regulated activities, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
"Board"	the board of Directors of the Company
"Company"	Fengyinhe Holdings Limited (豐銀禾控股有限公司), an exempted company incorporated in the Cayman Islands, whose issued Shares are listed and traded on GEM (Stock code: 8030)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Equity Sale and Purchase Agreements
"Completion Date"	the date of Completion
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the consideration of HKD27,600,000 for the acquisition of the Sale Shares
"controlling shareholder"	has the meaning ascribed to it under the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"Equity Sale and Purchase Agreements"	the conditional Equity Sale and Purchase Agreements dated 24 January 2025 entered into by the Company and the Vendor respectively in respect of the Acquisition
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM

"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HKD"	Hong Kong Dollar, the lawful currency of Hong Kong
"Independent Board Committee"	the independent board committee, comprising all of the independent non-executive Directors, namely Mr. Kam Hou Yin, John, Ms. Chong Kan Yu and Mr. Qi Zhenping, established for the purpose of advising the Independent Shareholders in respect of the entering into the Equity Sale and Purchase Agreements
"Independent Shareholder(s)"	shareholders other than connected person(s) which is/are interested in the relevant transactions
"Latest Practicable Date"	23 April 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Ms. Niu"	Ms. Niu Chengjun. As at the Latest Practicable Date, Ms. Niu is a controlling shareholder which owns 152,298,268 existing Shares, representing approximately 44.90% of the issued share capital of the Company
"Peak Vision"	Peak Vision Appraisals Limited, an independent professional valuer
"Promissory Notes"	the promissory notes in the principal amount of HK$20,600,000 to be issued by the Company in favour of the Vendor to settle part of the consideration under the Equity Sale and Purchase Agreements
"PRC"	the People's Republic of China excluding, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	100% of the issued share capital of the Target Company
"Share(s)"	ordinary shares of HK$0.01 each in the share capital of the Company

"Shareholder(s)"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	OnlyOwner Technology Limited, a company incorporated on 28 December 2020 under the laws of the Hong Kong with limited liability
"Valuation Report"	the valuation report prepared by Peak Vision in respect of the Target Company
"Vendor"	OnlyOwner Global Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and Ms. Niu is the ultimate beneficial owner
"%"	per cent

* *For identification purpose only*

Fengyinhe Holdings Limited
豐銀禾控股有限公司
(formerly known as Flying Financial Service Holdings Limited 匯聯金融服務控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8030)

Executive Director:
Ms. Liu Yi

Independent non-executive Directors:
Mr. Kam Hou Yin, John
Ms. Chong Kan Yu
Mr. Qi Zhenping

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 1007, 10/F,
West Wing, Tsimshatsui Centre
66 Mody Road
Tsim Sha Tsui
Kowloon, Hong Kong

Head office and principal place of business in the PRC:
Room 902, Block A
Xiangnian Plaza
No. 4060, Qiaoxiang Road
Gaofa Community
Shahe Street, Nanshan District
Shenzhen, China

25 April 2025

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE EQUITY SALE AND PURCHASE AGREEMENTS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 24 January 2025 in relation to the Equity Sale and Purchase Agreements entered into between the Company and the Vendor whereby the Company agreed to acquire the Sale Shares, representing approximately 30% of the issued share capital of the Target Company, from the Vendor.

The principal terms of the Equity Sale and Purchase Agreements are as follows:

Date:

24 January 2025

Parties:

Purchaser: the Company

Vendor: the Vendor

Subject Matter:

The Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell 30% shares of the Target Company. The Sale Shares represent 30% of the issued share capital of the Target Company.

Consideration:

Pursuant to the Equity Sale and Purchase Agreements, the total consideration of HKD27,600,000 for the purchase of the Sale Shares shall be satisfied by the Company by way of: (i) cash consideration of HKD7,000,000 shall be payable within five business days from the date of the Equity Sale and Purchase Agreements as a deposit and partial payment; and (ii) issue of a Promissory Notes on the Completion Date in the sum of HKD20,600,000 to the Vendor. The Consideration of the Equity Sale and Purchase Agreements was determined and arrived at after arm's length negotiation by the parties with reference to the Valuation Report of the Target Company prepared by Peak Vision. The appraised value of 30% of the Target Company, which is calculated by using market approach, is approximately HKD27,617,000 as at 31 December 2024.

It is the fact that the consideration represented a significant premium to the Target Company's net asset value. The Directors are of the view that, asset-light industry is typically valued by its earnings, and asset-intensive industry is typically valued at the physical and/or the tangible assets on books. Technology companies, such as the Target Company, are typically regarded as asset-light industry, since they derive value from its technical competence, software developed and intellectual properties owned which are not typically recorded on books as an asset. As such, the Board is of the view that the revenue and/or income of the Target Company is not primarily driven by its net asset value, and thus its net asset value is not an appropriate benchmark to determine the value of the Consideration in a fair and reasonable manner.

The Board is of the view that in traditional industries (e.g., manufacturing), physical assets like factories or inventory dominate valuation. For software securities businesses, it's different and more highly dependent on intangible assets such as software, intellectual property, talent, network effects, customer data, brand and reputation. The Board has reviewed and considered the factors as stated in the Valuation Report (Appendix I) prepared by Peak Vision and the reasons and benefits of the transactions as stated at the section "Reasons for and benefits of the entering into of the transactions", and considered that the Consideration is fair and reasonable and in the interests of the Company and its shareholders.

The principal assumptions adopted in the Valuation Report of the Target Company have been disclosed below in relation to the Equity Sale and Purchase Agreements.

Promissory Notes

As at 31 December 2024, the Group has cash balance of RMB54.6 million, mainly comprising of unutilised net proceeds for specific purpose from rights issues completed in August 2024 of RMB40.15 million. The remaining cash balance is for the use of the current operation.

Despite that the Company does not have sufficient cash for satisfying the entire consideration, the management of the Company is of the view that the Target Company and the Company are profit-making and acquisition of the Target Company will have synergy with the Company's operation as mentioned in the section below "Reasons for and benefits of the entering into of the transactions". The management of the Company have considered alternative settlement method such as using consideration shares for settlement, while the drawback is that the shareholding of existing shareholders will be further diluted.

12 months Hong Kong Interbank Offered Rate ("**HIBOR**") is 4.13% (https://www.hangseng.com/en-hk/personal/banking/rates/hibor/). The carry interest rate of the Promissory Notes is 2.5% which is more favorable than HIBOR.

The Company will finance the repayment by income from operation and/or debt and equity financing. The Company expects to have sufficient resources for repayment.

In consideration of the reasons for and benefits of the entering into of the transactions and the settlement terms of the Promissory Notes, the Directors are of the view that the Acquisition is fair and reasonable and in the interest of the Company and its shareholders as a whole.

The terms of the Promissory Notes have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK$20,600,000

Interest

The Promissory Notes will carry interest rate of 2.5% per annum, and is payable once a year after the issuance of the Promissory Notes.

The interest rate was determined after arm's length negotiations with reference to the lending rate of loans of financial institutions.

Maturity

A fixed term of two years from the date of issue of the Promissory Notes.

Early repayment

The Purchaser could, at its option, early repay the Promissory Note with outstanding interest accrued thereon in whole or in part in integral multiples of principal amount of HK$100,000 by giving a prior ten Business Days' written notice to the relevant Vendor.

Transferability

The Promissory Note is transferrable in integral multiples of principal amount of HK$100,000.

Conditions precedent:

Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

(i) the Company having obtained the approval from its Independent Shareholders in respect of, *inter alia*, (a) the Acquisition; and (b) the issue of the promissory notes to the Vendor pursuant to the terms of the Equity Sale and Purchase Agreements, in the manner required by the GEM Listing Rules;

(ii) the Company having obtained the approval from the Board in respect of the transactions contemplated under the Equity Sale and Purchase Agreements as well as the issue of the promissory notes;

(iii) Each party having complied with the terms and conditions of the Equity Sale and Purchase Agreements and there having been no material breach of the Equity Sale and Purchase Agreements by any party to the Equity Sale and Purchase Agreements;

(iv) all of the warranties and representations contained in the Equity Sale and Purchase Agreements being true, correct, complete, accurate and not misleading in all material respects at Completion, as if repeated at Completion and all undertakings contained in the Equity Sale and Purchase Agreements, to the extent being capable of being fulfilled prior to the Completion Date, having been fulfilled in all respects;

(v) the purchaser, the vendor and the Target Company having complied with the GEM Listing Rules in all respects in connection with the Acquisition; and

(vi) the Company being satisfied with the results of the legal and/or financial due diligence review of the Target Company.

Among the above conditions, items (i), (ii) and (v) are not waivable, while item (iii) may be waived by the non-defaulting party and items (iv) may be waived by the Company. Except item (ii) and (vi), the other conditions are not fulfilled yet at this stage. If the conditions above have not been fulfilled or waived (as the case may be) within six months from the date of the Equity Sale and Purchase Agreements (or such later date as the parties may agree), the Equity Sale and Purchase Agreements shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Equity Sale and Purchase Agreements.

Completion

Completion shall take place within seven business days after fulfilment or waiver (as the case may be) of all the conditions precedent to the Equity Sale and Purchase Agreements, or such other date as the parties to the Equity Sale and Purchase Agreements may agree in writing.

Upon the Completion, the Company will hold 30% equity interest in the Target Company and the financial statements of the Target Company will be taken into account by the Group by ways of equity method of accounting.

VALUATION

Valuation Methodology

In arriving at the appraised value of 30% equity interest in the Target Company, Peak Vision has considered three generally accepted approaches, namely the income approach, the asset approach, and the market approach. The income approach is not adopted given that longterm forecasts inherently rely on various subjective assumptions, which may or may not be sustainable. Furthermore, the profit of the Target Company was relatively volatile. Therefore, preparing the financial projection of the Target Company involves subjective judgement and uncertainties. The asset approach is not applied as the valuation of the Target Company is conducted on a going concern basis, and the summation of its assets is inappropriate as such method ignores the future economic benefits of the business as a whole and market sentiment regarding the shares of the Target Company. In contrast, the market approach is better suited to capturing market sentiment and producing a less biased valuation of the Target Company as it requires fewer subjective inputs. Having considered the three general valuation approaches, Peak Vision considers that the market approach would be appropriate and reasonable in the valuation of the market value of the Target Company.

The market approach can be applied through two commonly used methods, namely, the guideline public company method and the comparable transaction method. The comparable transaction method utilizes information on transactions involving assets that are the same as or similar to the subject asset. However, for this particular valuation exercise, it is difficult to acquire sufficient and timely information of such transactions. Therefore, in this valuation exercise, the market value of the 30% equity interest in the Target Company is developed through the guideline public company method.

For the valuation of the Target Company, Peak Vision has employed the enterprise value to earnings before interests and taxes ("**EV/EBIT**") ratio. Peak Vision considers the EV/EBIT ratio is more appropriate in valuing the Target Company when compared to other commonly adopted price multiples such as price to sales ("**P/S**") ratio, price to book ("**P/B**") ratio and price to earnings ("**P/E**") ratio due to the following reasons:

- Earnings is the primary determinant of value;
- P/S ratio and P/B ratio do not account for the profitability of the business, and fail to reflect the true earnings power and value of the business; and
- Enterprise multiples are useful for comparisons across comparable companies with different capital/asset structures because they exclude the distorting effects of individual companies' capital/asset levels, and the ratio tends to be more stable.

The Board acknowledged that both the guideline public companies and the Target Company are software companies offering information security products to protect data and ensure information safety. As such, their products should all fall under the same product category and they should operate within the same industry which are subject to similar economic and technological conditions, making them fair and representative for the valuation of the Target Company.

The Board also noticed that the guideline public companies are of higher market capitalization and profitability level, wider product range and more advanced stage of development. However, the Board acknowledged that Peak Vision had also further adjusted the derived multiples downwards according to independent research commonly adopted by practitioners by considering appropriate risk premiums (including size premium, country risk premium and additional risk premium to reflect the higher risk of the Target Company) for the Target Company and the guideline public companies.

The Board understands that there is no perfect match of comparable company having exactly the same business model, the same hardware and software products with the same applications, the same customer type, the same operating scale, the same development stage and the same financial performance as the Target Company. However, the Board understands that Peak Vision had already prepared a list of appropriate selection criteria in order to find the best way to identify those most appropriate comparable companies. Since no Hong Kong listed comparable company can be identified which is able to fulfil all the selection criteria, comparable companies listed in the PRC and Taiwan were then identified by Peak Vision. Although the Target Company is a Hong Kong-based company, it has partnered with agents in various regions in the PRC (including Jiangsu Province, Anhui Province, Chongqing City, Guizhou Province) and countries in the Southeast Asia Region and has established distribution channels to distribute its products. As such, the Board considers the selected comparable companies in the PRC or Taiwan also share the similar geographic risk as the Target Company and thus are also appropriate to be taken into consideration.

The comparable companies identified by Peak Vision all share some similarities which are the similar product and service providing data security solutions and similar targeting customer types like government and enterprises. Although the Target Company and the comparable companies might be involved in certain hardware products, their core competitive edges still focus on their software development. Besides, although the comparable companies might have different development stages than the Target Company, the Board acknowledged that Peak Vision had also noticed such differential and had also taken appropriate action by adjusting the derived multiples downwards based on their original market ratios to reflect such differentials in compliance with widely recognized and accepted valuation methods. In addition, Peak Vision had also considered that the comparable companies have more diversified product ranges than the Target Company and the Target Company is still at the early growing stage with higher uncertainties of development so as to apply additional specific risk premium differentials to reflect such additional risks.

In regards to the EV/EBIT ratio adjustment, the Board acknowledges that if those outliers were taken into account, the valuation result will be much higher than consideration. The Board agrees with Peak Vision that the extreme EV/EBIT ratios are unrealistic and should be excluded in the valuation process as otherwise they may somehow distort the valuation at the very first place.

The Boards also understand that the market capitalization adopted in the valuation are all at the minority stake position, which is also in line with the minority stake position (30% equity interest) of the intended acquisition of the Target Company. As such, control premium should not be taken into the consideration.

Based on the above, the Board is of the view that the valuation and the consideration is fair and reasonable.

The Board understands that Peak Vision adopted a reasonable lack of marketability discount according to widely adopted empirical study. In addition, since the subject equity interest (i.e. 30% equity interest) represents a non-controlling interest, the Board considers that the adoption of the market capitalization of the guideline public companies, which are derived from closing share price (minority shares) multiplied by outstanding shares, are already representative so the non-controlling basis as adopted by Peak Vision is also appropriate.

The Board noticed some of the comparable companies are involved in hardware manufacturing procedures. However, the Board also acknowledged that each set of the System (i.e. 網匣) as provided by the Target Company also consists of its hardware key components. Although the Target Company and the comparable companies might be involved in certain hardware products, their core competitive edges still focus on their software development.

The Board understands that there is no perfect match of comparable company having exactly the same business model, the same hardware and software products with the same applications, the same customer type, the same operating scale, the same development stage and the same financial performance as the Target Company. Given the product as developed by the Target Company is specialized and unique in nature, the Board understands that Peak Vision has also prepared a list of selection criteria in order to find the best way to identify those most appropriate comparable companies. The comparable companies identified by Peak Vision all share some similarities which are the similar product and service providing data security solutions for intrusion prevention and similar targeting customer types like government and enterprises.

Although the comparable companies might have different development stages than the Target Company, the Board acknowledged that Peak Vision had also noticed such differential and had also taken appropriate action by adjusting the derived multiples downwards based on their original market ratios to reflect such differentials. Given that the more mature the company in its development stage, the higher the market capitalization it should be and the larger size differential should be applied as compared to the Target Company. In the course of Peak Vision's analysis, for those relatively mature and mature comparable companies, Peak Vision had also adopted the corresponding increasing size differentials to reflect such difference.

In addition to the above, Peak Vision had also taken further step to consider that the comparable companies have more diversified product ranges than the Target Company. As such, Peak Vision had further applied some specific risk premium differential to the adjustment.

Based on the above and considering all the adjustments made by Peak Vision, the Board considers the six comparable companies adopted are fair and reasonable.

Further, based on the sensitivity analysis as performed by Peak Vision, the Board acknowledges that if those outliers were taken into account, the valuation result will be much higher than consideration. The Board agrees with Peak Vision that the extreme EV/EBIT ratios are unrealistic and should be excluded in the valuation process as otherwise they may somehow distort the valuation.

Based on the above, the Board is of the view that the valuation of the Target Company as conducted by Peak Vision is fair and reasonable.

ASSUMPTIONS OF THE VALUATION

Major Assumptions

- For the Target Company to continue as a going concern, the Target Company will successfully carry out all necessary activities for the development of its business;
- Key management, competent personnel, professional and technical staff will all be retained to support the ongoing operations of the Target Company;
- The availability of finance will not be a constraint on the forecast growth of the Target Company's operations in accordance with the business plans;
- Market trends and conditions where the Target Company operates will not deviate significantly from the economic forecasts in general;
- The financial information of the Target Company as supplied to us has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Target Company as at the respective financial statement dates;
- There will be no material changes in the business strategy of the Target Company and its operating structure;
- Interest rates and exchange rates in the localities for the operations of the Target Company will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target Company operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Company.

INPUTS AND COMPUTATION PROCESS OF THE VALUATION

Formula and Parameters

In the course of the valuation, Peak Vision has identified a total of six guideline public companies for valuation analysis. The Target Company is a computer information service confidentiality provider that focuses on the encryption protection of private information, and there are no perfect match of comparable companies with exactly the same financial performance, business operations and risk profile as the business subject. However, the comparable companies they identified are also engaged in the software security business and therefore Peak Vision considers they are subject to similar business, industry and economic risks and rewards as the Target Company.

Selection criteria of comparable companies are listed as follows:

a. Companies that are actively traded and publicly listed in the PRC, Hong Kong or Taiwan;

b. Companies that have been publicly listed for at least two years before the valuation date (31 December 2024);

c. Companies principally engaged in the software or internet security activities according to The Refinitiv Business Classification;

d. Under the abovementioned software or internet security classification, at least 80% of the revenue is derived from the provision of products or services in relation to encryption, software security, cybersecurity, network security, internet security, software security, digital security, password security or authentication; and

e. Companies that are generating operating profit according to Refinitiv.

Based on Peak Vision's search of the Refinitiv database using the criteria above, the exhaustive list of six guideline public companies are set out below:

Ticker	Name	Market Capitalization as at the Valuation Date *(HK$'million)*	Normalized Earnings Before Interest and Taxes *(HK$'million)*
002439.SZ	Venustech Group Inc.	20,511	262(2)
300768.SZ	Hangzhou DPtech Technologies Co., Ltd.	11,990	113(2)
603232.SS	Koal Software Co., Ltd.	3,235	8(2)
688168.SS	Beijing ABT Networks Co., Ltd.	3,198	14(2)

Ticker	Name	Market Capitalization as at the Valuation Date *(HK$'million)*	Normalized Earnings Before Interest and Taxes *(HK$'million)*
688244.SS	Integrity Technology Group Inc.	2,785	23[(2)]
6690.TWO	Acer Cyber Security Inc.	1,473	65[(2)]

(1) Normalized earnings before interest and taxes for the trailing 12 months ended 30 June 2024

(2) Normalized earnings before interest and taxes for the trailing 12 months ended 30 September 2024

Source: Refinitiv

The details of the six guideline public companies selected are set out as follows:

Venustech Group Inc. (002439.SZ) is a China-based company, principally engaged in the research and development, manufacture and distribution of information and network security products, as well as the provision of security services. The company's security products include security gateway, security monitoring and data security and platforms. The company also provides security services and tools, and hardware among others. Its products are applied in government, telecommunication, finance, education, electric power, transportation and petrochemical industries, among others. The company distributes mainly in domestic markets. According to Refinitiv, 99% of the revenue was derived from the provision of information network security during the six months ended 30 June 2024.

Hangzhou DPtech Technologies Co., Ltd. (300768.SZ) is a China-based company principally involved in the research and development, manufacturing and sales of enterprise-level network communication products, as well as the provision of related professional services for users. The company's main products include network security products, application delivery products and basic network products which are used in the user network exit, server frontend position or routing switching core, and network sink or core node, among others. The company primarily conducts its businesses in domestic market. According to Refinitiv, 80% of the revenue was derived from the provision of network security products during the six months ended 30 June 2024.

Koal Software Co., Ltd. (603232.SS) is a China-based company principally engaged in the research and development, manufacture and sales of commercial passwords software products based on public key infrastructure (PKI). The company's main products include PKI infrastructure products, PKI security application products and general security products. The company distributes its products within China domestic market. According to Refinitiv, 100% of the revenue was derived from the provision of passwords software products during the six months ended 30 June 2024.

Beijing ABT Networks Co Ltd (688168.SS) is a China-based company mainly engaged in the research, development and sales of network security core software products. The company's main products are embedded security gateway, virtualized security gateways, and security management products. Embedded security gateways include next generation firewalls and network behavior management & audition components, which are used in data communication networks. Virtualized security gateways utilize universal servers as hardware carrier, and they are used in large data center and cloud computing center. Security management products mainly include traffic visualization, policy visualization, and cloud security management products. According to Refinitiv, 100% of the revenue was derived from the provision of network security core software products during the year ended 31 December 2023.

Integrity Technology Group Inc (688244.SS) is a China-based company mainly engaged in the research and development, production and sales of network security products, as well as the provision of network security services. Its products and services mainly include network shooting range products, security control and honeypot products, security tool products, security protection series services, network security competition services and other services, among which other services mainly include online and offline training services. Its security tool products are mainly for government supervision departments, and other services are mainly for individuals, enterprises and institutions. The company mainly operates in the domestic market. According to Refinitiv, 100% of the revenue was derived from the provision of information security software and network range series products, digital wind tunnel test evaluation and security and control services during the six months ended 30 June 2024.

Acer Cyber Security Inc. (6690.TWO) is a Taiwan-based company mainly engaged in providing professional electronic information management services. The company mainly provides information security services, including the Security Monitoring and Protection Center (SOC) operation services, the security information sharing analysis and monitoring services (ISAC), flood prevention monitoring services, anti-virus monitoring services, decentralized blocking attack drill services, system vulnerability scanning, among others; as well as computer room, cloud service and commercial software sales, including enterprise exclusive computer room rental, host performance monitoring, backup service, information system maintenance outsourcing management, disaster recovery planning service and drill, emergency preparation aid center. According to Refinitiv, 88% of the revenue was derived from the provision of information security service during the year ended 31 December 2023.

The above comparable companies, together with the Target Company, are subject to similar fluctuations in the economy and performance of the software security industry, among other factors. Thus, Peak Vision considers they are confronted with similar risks and rewards.

In order to form a meaningful and fair valuation, Peak Vision has adjusted the differences in characteristics between the Target Company and the comparable companies.

Different companies are exposed to different levels of risk, in terms of size premium, country risk and other relevant specific risk, etc. Therefore, the multiples of comparable companies should be adjusted so that they reflect the risk of the Target Company. In the course of our valuation, Peak Vision has assessed the risk relative to the comparable companies by making reference to their sizes and listing locations, and accordingly adjusted the multiples upward or downward where appropriate based on the differences.

The unadjusted and adjusted multiples are presented as follows:

Ticker	**Name**	**EV/EBIT**	**Adjusted EV/EBIT**
002439.SZ	Venustech Group Inc	66.74	14.61
300768.SZ	Hangzhou DPtech Technologies Co Ltd	79.67	15.58
603232.SS	Koal Software Co., Ltd.	349.03	N/A
688168.SS	Beijing ABT Networks Co Ltd	231.51	N/A
688244.SS	Integrity Technology Group Inc	114.18	N/A
6690.TWO	Acer Cyber Security Inc	25.33	16.81
	Mean		15.67
	Applied ratio		15.67

* *Figures above are subject to rounding*

Notes:

N/A means extreme outliers or negative ratio which are not applicable for comparable analysis.

Based on the above table, the adjusted EV/EBIT ratio of the comparable companies ranged from the minimum of 14.61x to the maximum of 16.81x, resulting in a mean of approximately 15.67x.

Discount for Lack of Marketability

Peak Vision has adopted a lack of marketability discount of approximately 20.4% as ownership interest in closely held companies are typically not readily marketable compared to similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The discount of 20.4% was determined with reference to Stout Restricted Stock Study Companion Guide (2024 Edition).

Calculation of Valuation Results

Based on Peak Vision's analysis as at the valuation date of 31 December 2024, the mean of the adjusted EV/EBIT ratio of the comparable companies was approximately 15.67x.

By applying the earnings before interests and taxes (i.e. excluding investment income, other income and interest expenses in the sum of approximately HK$1,618,000) of approximately HK$7,897,000 of the Target Company and lack of marketability discount, the implied values of 100% equity interest of the Target Company (non-controlling basis) as at the Valuation Date were in the sum of HK$92,057,000. Given the above, the market value of 30% equity interest of the Target Company as at the valuation date was in the sum of HKD27,617,000.

The Board has discussed and reviewed the valuation methodology and assumptions used by Peak Vision in formulating the valuation of the Target Company, and understands that Peak Vision has adopted the market approach for the valuation which was prepared with reference to the exhaustive list of comparable companies operating in a similar business as the Target Company, adjusted for the risk, market capitalization, and profitability of the Target Company being valued. After thorough consideration, the Board is of the view that the valuation methodology and assumptions used, and the valuation results are fair and reasonable.

Further, the Board acknowledged that Peak Vision had assigned the size premiums according to commonly adopted valuation study and agreed that the highest size premium should be assigned to the Target Company given that the Target Company is not listed and still at growing stage with highest uncertainties of development as compared to all other guideline public companies. The Board also acknowledged that the Damodaran Online as prepared by Aswath Damodaran is a commonly adopted source for county risk premium in valuation practices. The Board also agreed that only specific risk premium should be added on the Target Company in order to reflect its specific risk premium differentials to all other guideline companies. In view of the above, the Board is of the view that the adjustments of the multiples as adopted by the independent valuer is fair and reasonable.

INFORMATION OF THE GROUP

The Company is an investment holding company and the Group is principally engaged in its operation of financial service platforms. Such financial service platform has established comprehensive business process and technology system covering customer acquisition, risk identification, risk assessment, loan distribution channel, payment channel and big data analysis.

INFORMATION OF THE TARGET COMPANY

Principal business of the Target Company

The Target Company is a computer information service confidentiality provider that focuses on the encryption protection of private information and owns multiple national patents and software copyrights. The company's core technical team comes from Huawei and it also has in-depth technical cooperation with Huazhong University of Science and Technology and Hong Kong Polytechnic University.

The company is committed to edge security computing and encryption algorithm technology to achieve data protection, allowing customers to enjoy the convenience of life, work, and entertainment brought by IoT technology while fully protecting private data and information security. The company will continue to create decentralized security products and services based on the zero-trust concept. Gradually upgrade product applications from computer encryption to mobile devices, instant messaging, data storage and all IoT terminal devices.

The Target Company was established on 28 December 2020 by Ms. Niu, and has been in operation for over four years. As at the Latest Practicable Date, Ms. Niu holds 100% equity interests in the Vendor and Ms. Niu is the ultimate beneficial owner of the remaining 70% interest of the Target Company.

The products and service of the Target Company include:

1. Owner (網璽), which provides a secure file zone to allow users to encrypt and manage private files on their personal computers, ensuring that encrypted information is unbreakable. During storage or transmission of encrypted files via third-party software or platforms, or when using the product's unique encrypted sharing function to send encrypted files to others, the contents of the encrypted files remain inaccessible to unauthorized parties even if intercepted or misdelivered. The exclusive encrypted sharing function enables secure file transfer and access between users.

2. IoT Security Terminal which is used in system integration and Informatization/intelligent projects within IoT application fields. It is applied to secure access for IoT front-end devices (e.g., cameras, sensors, etc.) and integrates with the platform-side management system (secure gateway, trust center, configuration center) to identity verification for front-end device access, identity verification for user-side access and is for encryption and decryption of data transmission and storage.

3. Comprehensive cybersecurity solutions based on private network security, which provides business end users with customised comprehensive cybersecurity mechanisms based on private network security, establishing end-to-end and end-to-platform security protection levels. Key functions include secure access for various terminals, identity-based secure access and management for users, encryption and decryption of data transmission and storage, and visualised management of the platform. Flexible license authorisation mechanisms effectively manage and control project capacity, terminal, and user scale.

At the meantime, the products usage and application are as follows:

Owner 網璽 (Personal computer edition)

Includes a set of hardware devices (comprising one primary key device and one secondary key device) paired with secure zone system software for personal computer use. The main functions include multi-factor authentication, secure zone file management, file/folder encryption, file/folder decryption, encrypted sharing, and more. Supporting tools include secure zone backup file import/export, secure zone capacity expansion, key device password modification, and friend management. Based on a zero-trust security algorithm, it provides users with a decentralized information security tool for secure encryption protection and encrypted interaction of personal files on the personal computer.

Business license authorization service

Provides business-end clients with customized information security solutions based on zero-trust architecture technology, along with license authorization management services. Through dynamic identity verification, intelligent permission management, and continuous risk assessment, it reshapes the security defenses for business networks and data, adapting to hybrid work environments and multi-cloud setups. It integrates full lifecycle management services for licenses, enabling monitoring of user permission behaviors and flexible scalability support. This helps clients precisely control permission distribution and usage oversight, mitigating compliance risks. Through integrated technical deployment and ongoing operational maintenance services, it assists clients in building a flexible and scalable security management system while ensuring business efficiency.

In year 2024, approximately HKD12.4 million (2023: nil) of revenue arises from licensing and technology loyalty income of business license authorisation service, which is recognised by stages over the contract period, and HKD6.3 million (2023:HKD11.8 million) of revenue arises from sales of hardware devices, which is recognised upon delivery of products.

The Target Company's patents obtained in Hong Kong include: (1) Patent number: HK20056693 (Original Standard Patent) and (2) patent number HK30059107 (Short-term Patent). Patents obtained in mainland China include patent number: ZL202111438791.2.

As at the Latest Practicable Date, the Target Company has entered into long-term contracts with seven agents, and the number of end customers is around 4,500, primarily covering senior executives of administrative functions, company founders and technical directors, prominent social figures, institutions requiring confidentiality of commercial secrets, and individual users needing privacy for personal information. The agents and end customers are located in mainland China, Hong Kong and Southeast Asia countries.

At the meantime, several products and service are under development, including a mobile communication app built on decentralized architecture and zero-trust technology with independent genetic encryption, requiring no backend, a mobile file security zone management software built on decentralized architecture and zero-trust technology and a mobile key device built on decentralized architecture and zero-trust technology, with different versions planned for various user groups and functional scenarios. The above hardware and software products are expected to be launched between May and June 2025. The funding need for Target Company's research and development would be around HKD8 million to HKD10 million, and the current source of fund is from cash generated from the Target Company's operation.

The Target Company is dedicated to providing users (both customer-end and business-end) with decentralized security products and services based on the zero-trust concept, falling within the field of information security services for customer-end and business-end users.

The Target Company adopts an open technical cooperation model for design and research and development. Production is outsourced to contract manufacturers.

The technical research and development phase spanned from 2020 to 2021. The main products were launched progressively between 2021 and 2024. Products currently under development began research and development in late 2024.

About the business and revenue model of the Target Company. On one hand, through agents in several key regions in mainland China (Jiangsu, Anhui, Chongqing, Guizhou) and partners in Southeast Asia, the agents have established relatively stable revenue. On the other hand, with the successive launch of new products and services, the agents will further expand sales channels and diversify sales formats, particularly through their own platforms and comprehensive brand marketing strategies, seeking to attract more partners to join their market ecosystem.

The agents are all important partners of the Target Company, assisting Target Company in developing markets in their respective regions. Target Company's choice of a sales model involving regional agents and partners is primarily based on the following considerations:

(1) Market penetration and cost reduction: Regional agents are familiar with local markets, enabling them to quickly understand customer needs, formulate targeted sales strategies, and increase market share. Additionally, Target Company do not need to establish branches in every market, allowing Target Company to leverage the agents' existing resources. This reduces investments in manpower, materials, and finances, thereby lowering operational costs.

(2) Risk sharing: Regional agents bear part of the market risks, providing Target Company with a more stable business environment. Through collaboration with agents, the company can diversify market risks and mitigate the impact of market fluctuations.

(3) Pricing autonomy and profit margins: As exclusive operators in their designated regions, regional agents hold absolute control and can independently set prices, achieving profit margins significantly higher than the market average. This pricing autonomy allows agents to better manage costs and profits, enhancing their profitability and ability to handle risks.

(4) Brand resources and market support: As regional agents, they gain access to resources and support provided by Target Company, including product supply, market promotion, and brand and product image development. These resources significantly alleviate the pressure on entrepreneurs, increasing their opportunities and success rates. Furthermore, Target Company offers support for advertising and promotional activity expenses, as well as other marketing policy incentives, to help agents penetrate local markets more effectively.

(5) Exclusive regional contracts and competition Avoidance: Regional agents are granted exclusive operating rights in their authorized areas, preventing competition among Target Company's sales channels and resources within the same region and entered into long-term contracts. This ensures agents secure a larger market share and greater profits in their area while allowing Target Company to reduce internal friction and management costs.

(6) Personalized services: Regional agents have the ability to directly serve customers, offering customized services tailored to specific client needs, thereby meeting their unique demands.

The agents and partners are independent third parties of the Company.

The main operating locations of the Target Company is Hong Kong. The customer base is accumulated from resources of shareholders and the core team over years of historical business development. The chip suppliers are sourced through legitimate agent channels. Other suppliers rely on the well-established supply chain system in mainland China (particularly the Pearl River Delta region).

The business model and process of the Target Company is as follows:

– Register information for partners willing to act as sales agents, mainly including their business information, financial data, and other supporting materials that demonstrate their capability to cooperate.

– Conduct a preliminary review and verification of the aforementioned information, focusing on their operational capabilities, qualifications, and creditworthiness.

– Perform an on-site inspection of sales agents with physical business premises to further assess whether they possess the necessary qualifications and operational capabilities.

– Negotiate the contents of the sales agency contract with potential agents who pass the review, discussing specific terms and details, clarifying management responsibilities and performance evaluation metrics, and ensuring both parties reach a consensus on the cooperation terms.

– Once an agreement is reached, formally sign the sales agency contract, clearly defining the cooperative relationship and responsibilities of both parties.

– File and archive the relevant documents and records of the signed agents.

– Provide the sales agents with operational materials, documents, and other related resources.

– For sales agents who have signed the contract, the sales agent initiates a procurement application for reserve products, relying on these products to carry out daily sales and channel development.

– Based on their operational needs, sales agents dynamically manage the scale of their reserve products and submit procurement applications for supplementary products when replenishment is required.

– Allocate resources for the sales agents' procurement applications for reserve or supplementary products, and complete the preparation and shipping of the corresponding orders.

– Dynamically track the payment status of agents, following up on the collection of payments for the corresponding goods.

The core management and technical team of the Target Company consists of approximately 20 people. The core management team has many years of experience in the information technology industry and management, while the core technical team includes members with research and development experience at Huawei. Additionally, the company has deep technical collaborations with Huazhong University of Science and Technology and the Hong Kong Polytechnic University.

The Target Company aims to achieve data protection through edge security computing and encryption algorithm technologies, creating a commercial/personal space that fully protects private data and information security for users. Based on the zero-trust concept, the Target Company will continue developing decentralized security products and services, gradually expanding applications from computer encryption to mobile devices, instant messaging, data storage, and all IoT terminal devices. In the current internet environment, large companies and platforms maximize user value extraction through centralized management models, which poses both a disadvantage and an advantage for us as advocates of decentralization and zero-trust models which is the Target Company's competitive advantage.

For the industry trends of the Target Company's business, decentralized technology is transitioning from niche innovation to mainstream application, driving profound changes in industry dynamics:

1. Accelerated Technological Convergence: The integration of blockchain with AI and IoT is giving rise to autonomous commercial networks (e.g., automated supply chain settlements). Global DeFi locked value exceeds $100 billion, with an annual growth rate over 120%.

2. User Sovereignty Awakening: Demands for data ownership and profit-sharing are forcing platform transformations. Non-fungible toker (NFT) marketplaces like OpenSea have surpassed $50 billion in annual transaction volume, shifting the creator economy toward a "users-as-shareholders" model.

3. Regulatory Framework Competition: The European Union's Markets in Crypto-Assets Regularion (MiCA) legislation, Hong Kong's virtual asset licensing, and similar efforts aim to balance innovation and compliance, pushing technological upgrades (e.g., privacy computing to meet anti-money laundering requirements).

4. Infrastructure Boom: Distributed storage (e.g., Filecoin's storage capacity growing 300% annually) and cross-chain protocols are maturing, supporting the large-scale adoption of Web3 applications.

5. Geopolitical Competition Intensifies: The United States, China, and the European Union vie for standard-setting dominance, while Singapore, the United Arab Emirates, and others attract over 2,000 Web3 companies through policy incentives.

While performance bottlenecks, user experience barriers, and regulatory uncertainties still limit widespread commercialization – whether viewed from a broad industry or niche perspective – the coexistence of opportunities and challenges is evident. The trend of decentralization reshaping production relationships and trust mechanisms is irreversible, potentially becoming the dominant paradigm of the digital economy by 2030.

(1) Performance bottleneck refers to the contradictions and deficiencies in hardware conditions, network conditions, and technical conditions that arise in any period or situation when matching or supporting the real customer demands or application scenarios of the present. These bottlenecks do not disappear with the iterative computation, improvement, or advancement of hardware, network, or technical conditions. Instead, they persist and evolve due to changes in internal factors and the external environment, as customers' real demands are also continuously increasing and evolving.

(2) User experience barriers refer to issues of smoothness, convenience, or functionality that users encounter when using a product or service. Resolving these barriers is not a one-time fix, as technological progress and the application of new technologies in product iterations or new product development make improving user experience an enduring theme between developers and users.

(3) Regulatory uncertainty refers to the impacts on regional or local markets caused by factors such as intensifying geopolitical competition, policy changes in specific countries or regions, and the disruption of traditional industries by new technologies and innovations.

It is precisely because of the contradictions and deficiencies in the aforementioned scenarios, the volatility of the market environment, and the uncertainty of the policy landscape that we remain confident in the development direction of the data security industry and believe that decentralized business and technical architecture based on the zero-trust concept will become a significant branch in the industry's evolution. We hold an optimistic outlook for the market effects that will result from the subsequent launch of the Target Company's products and services.

Financial information of the Target Company

Set out below is the audited and unaudited financial information of the Target Company for the two financial years ended 31 December 2023 and 2024, which were prepared in accordance with the HKFRS:

	For the year ended 31 December 2023 (audited) *HKD*	**For the year ended 31 December 2024** (unaudited) *HKD*
Revenue	11,762,360	18,720,440
Profit before taxation	496,050	9,515,064
Profit after taxation	388,314	8,195,064

As at 31 December 2024, the total assets and the net asset value based on the unaudited financial information of the Target Company were approximately HKD23,225,705 and HKD10,270,758, respectively. The increase in revenue and profit before tax of the Target Company from 2023 to 2024 is mainly because of the increase in licensing and technology loyalty income of the products and services. The audited financial information of the Target Company for the year ended 31 December 2024 will be available around June 2025.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE TRANSACTIONS

Per the Company's announcement dated 29 October 2024, the Company entered into a non-legally binding memorandum of understanding with the Target Company in relation to the investment cooperation. The Target Company is the prospective partner as mentioned in the announcement. The Company and the Target Company were in the process of discussing possible ways of cooperation. The Company's potential cooperation with the Target Company includes, but is not limited to, business cooperation, technical exchange, equity investment, capital increase and share expansion. As at the Latest Practicable Date, the Target Company has enough working capital and the Company have not yet had any capital commitment or agreement to provide for the Target Company's working capital or research and development. The acquisition of 30% of the Target Company is through commercial negotiation whereas the Company will have a significant influence to the Target Company and the original ultimate beneficial owner, Ms. Niu, will keep a controlling shareholding of the Target Company. Perusal to the memorandum of understanding and the Equity Sale and Purchase Agreement, the Company will have significant influence to the Target Company after the acquisition and the Target Company will have monthly meetings with the Company for (i) updating and receiving feedback about the operation status and financial results of the Target Company (ii) carrying out discussion about the current and upcoming commercial cooperation between the Company and the Target Company according to memorandum of understanding and the Equity Sale and Purchase Agreement.

After entering into the memorandum of understanding per above, the Company has had frequent interaction with technicians of the Target Company to understand the technology of the products and walk through the operation and products of the Target Company. Further, the Company has gained access to the updated financial information of the Target Company to understand its latest operation status. Further, after consideration of the reasons and benefits below, the Company decided to acquire the Target Company. The Target Company is with unique technology and products in Hong Kong and the management of the Company cannot locate other similar target from independent third parties willing to have similar cooperation with the Group at the same time.

For the process of acquiring the Target Company, the management of the Company begins by identifying whether acquiring the Target Company aligns with the Company's strategic goals. Further, financial due diligence is carried out to verify the Target's financial health, legal due diligence is carried out to confirm the Target's legal standing and valuation is carried out to ensure the deal price is fair.

The Group's decision to acquire the Target Company focused on edge security computing and encryption algorithm technology aligns strategically with their core business operations in financial services. The following are reasons for and benefits of this acquisition:

Data Protection and Security Enhancement: By acquiring a company specializing in edge security computing and encryption algorithm technology, the Group can enhance the security measures of its financial service platforms. This acquisition will enable the Group to strengthen data protection, mitigate cybersecurity risks, and ensure the confidentiality, integrity, and availability of sensitive customer information.

IoT Technology Integration: With an increasing reliance on IoT technology in various aspects of life, work, and entertainment, the acquisition of a company focusing on edge security computing will allow the Group to seamlessly integrate IoT devices into its ecosystem. This integration can enhance the functionality of their financial services platform while ensuring that customer data remains secure across all IoT devices.

Zero-Trust Security Model: The acquisition aligns with the Group's vision of creating decentralized security products and services based on the zero-trust concept. By adopting a zero-trust security model, the company can establish strict access controls, continuous monitoring, and data encryption at every touchpoint, thereby enhancing the overall security posture of its operations.

Zero trust is a security strategy for modern multicloud networks. Instead of focusing on the network perimeter, a zero trust security model enforces security policies for each individual connection between users, devices, applications and data. Zero trust operates on the principle of "never trust, always verify" rather than granting implicit trust to all users inside a network. This granular security approach helps address the cybersecurity risks posed by remote workers, hybrid cloud services, personally-owned devices and other elements of today's corporate networks.

Product Diversification and Innovation: Through this acquisition, the Group can diversify its product offerings by introducing advanced security solutions based on cutting-edge encryption algorithms and edge computing technologies. This diversification can attract new customers, drive innovation within the organization, and position the company as a leader in providing secure financial services in a digitally connected world.

Future-Proofing the Business: As technology evolves rapidly, acquiring a company specializing in edge security computing and encryption algorithm technology can future-proof the Group's business operations. By staying ahead of cybersecurity threats and technological advancements, the company can adapt to changing market demands, regulatory requirements, and customer expectations, ensuring long-term sustainability and growth.

Upon the Completion, the Company will hold 30% equity interest in the Target Company and the financial statements of the Target Company will be taken into account by the Group by ways of equity method of accounting.

In summary, the acquisition of a company dedicated to edge security computing and encryption algorithm technology presents the Group with an opportunity to leverage the technology and expertise of the Target Company and enhance data protection, integrate IoT technology securely, adopt a zero-trust security model, diversify product offerings, by introducing advanced security solutions based on cutting-edge encryption algorithms and edge computing technologies and future-proof its business operations by staying ahead of cybersecurity threats and technological advancements, the company can adapt to changing market demands, regulatory requirements, and customer expectations. As mentioned above, the synergy includes leveraging the technology and expertise of the Target Company by using the technology and solution of the Target Company through licensing, cross-referral of respective products and service to customers. This strategic move can strengthen the company's position in the market and foster trust among customers who value privacy and security in their financial transactions.

The Company has management expertise in financial service platform, which could facilitate the upgrade of the financial service platform by using and integrating the Target Company's products and services. As stipulated in the Equity Sale and Purchase Agreement, the Company has access to the updated financial information of the Target Company to understand its latest operation status. The Company and the Target Company will discuss about the current and future cooperation regularly.

Up to the Latest Practicable Date, the Company has no any intention to acquire further interests in the Target Company. The Company does not have a plan to make any capital contribution to the Target Company.

Having considered the above factors, the Board considers that the terms of the Equity Sale and Purchase Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

APPROVAL OF THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Equity Sale and Purchase Agreements. Directors have unanimously approved the Equity Sale and Purchase Agreements, and considered that the terms of the Equity Sale and Purchase Agreements are on normal commercial terms, fair and reasonable, and the Equity Sale and Purchase Agreements are in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As of the Latest Practicable Date, Ms. Niu holds approximately 44.90% of the issued share capital of the Company and is therefore a connected person of the Company. Since one or more applicable percentage ratios (as defined in the GEM Listing Rules) in relation to the Equity Sale and Purchase Agreements are above 5%, according to Chapter 20 of the GEM Listing Rules, the transactions contemplated under the Equity Sale and Purchase Agreements will constitute non-exempt connected transaction of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

As one or more of the relevant percentage ratios (as defined in the GEM Listing Rules) of the Equity Sale and Purchase Agreements exceed 5% but are less than 25%, the Equity Sale and Purchase Agreements constitute discloseable transaction of the Company and are subject to relevant notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the transactions contemplated under the Equity Sale and Purchase Agreements, and Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated under the Equity Sale and Purchase Agreements, and whether such transactions are in the interests of the Company and its shareholders as a whole.

OTHER MATTERS

The Independent Board Committee comprising of all the independent non-executive Directors has been formed to advise the Independent Shareholders on the transactions contemplated under the Equity Sale and Purchase Agreements, and Hooray Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated under the Equity Sale and Purchase Agreements, and whether such transactions are in the interests of the Company and its shareholders as a whole.

There will be no change to the aggregate of the remuneration payable to and benefits in kind receivable by the Directors as a result of the Acquisition.

EGM

The Company will convene the EGM at Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong, on Friday, 23 May 2025 at 12:30 p.m., at which the resolutions will be proposed for the purpose of considering and, if thought fit, approving, among others, the transactions contemplated under the Equity Sale and Purchase Agreements. The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use in connection with the EGM is enclosed with this circular and can also be downloaded from the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fengyinhe.com). If you are not able or do not intend to attend the EGM in person and wish to exercise your right as a Shareholder, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event, not later than 48 hours before the time appointed for holding the EGM or its adjournment (as the case may be). Completion and return of the form of proxy will not preclude any Shareholder from attending in person and voting at the EGM or its adjournment should he/she/it so wishes. If the Shareholder attends and votes at the EGM, the instrument appointing the proxy will be deemed to have been revoked.

As the Latest Practicable Date, to the best of the Director's knowledge, information and belief and having made all reasonable enquiries, other than Ms. Niu who shall abstain from voting at the EGM in respect of the Equity Sale and Purchase Agreements, none of the Directors or Shareholders has a material interest on the resolutions proposed at the EGM, and no Shareholder is required to abstain from voting on any of the resolutions at the EGM.

VOTING BY POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolutions as set out in the notice convening the EGM will be voted by poll and, after being verified by the scrutineer, the results of the poll will be published in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

RESPONSIBILITY STATEMENT

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

RECOMMENDATION

The Directors believe that the proposed resolutions relating to the Equity Sale and Purchase Agreements are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the EGM.

GENERAL

Your attention is drawn to the information set out in the Appendices to this circular.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

For and on behalf of
Fengyinhe Holdings Limited
Liu Yi
Executive Director

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.

Fengyinhe Holdings Limited
豐銀禾控股有限公司
(formerly known as Flying Financial Service Holdings Limited 匯聯金融服務控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8030)

25 April 2025

To the Independent Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE EQUITY SALE AND PURCHASE AGREEMENTS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular dated 25 April, 2025 of the Company (the "**Circular**") of which this letter forms part.

Capitalised terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise you on the terms of the Equity Sale and Purchase Agreements, details of which are set out in the letter from the Board in the Circular.

Hooray Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Equity Sale and Purchase Agreements are fair and reasonable; (ii) whether the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) whether the Acquisition is in the interests of the Company and its shareholders as a whole.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 30 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages IFA-1 to IFA-29 of the Circular. Having considered the terms of the Equity Sale and Purchase Agreements and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms of the Equity Sale and Purchase Agreements are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and the entering into of the Equity Sale and Purchase Agreements is in the interests of the Company and the Shareholders as a whole, despite that the Acquisition itself may not be conducted in the ordinary and usual course of business of the Group.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Equity Sale and Purchase Agreements.

Yours faithfully,
Independent Board Committee

Mr. Kam Hou Yin, John	**Ms. Chong Kan Yu**	**Mr. Qi Zhenping**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders of the Acquisition pursuant to the Equity Sale and Purchase Agreements, which has been prepared for the purpose of incorporation in this circular.

25 April 2025

To the Independent Board Committees and the Independent Shareholders,

Dear Sirs and Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE EQUITY SALE AND PURCHASE 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, inter alia, the Equity Sale and Purchase Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular dated 25 April 2025 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified herein.

With reference to the announcement dated 24 January 2025, Ms. Niu, being a controlling shareholder of the Company, is the ultimate beneficial owner of the Vendor. Therefore, the Vendor is an associate of Ms. Niu and a connected person of the Company. Accordingly, the Acquisition pursuant to the Equity Sale and Purchase Agreements constitute a connected transaction of the Company under Chapter 20 of GEM Listing Rules.

Upon the Completion, the Company will hold 30% equity interest in the Target Company and the financial statements of the Target Company will be taken into account by the Group by ways of equity method of accounting.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Kam Hou Yin, John, Ms. Chong Kan Yu and Mr. Qi Zhenping, has been established to advise the Independent Shareholders as to (i) whether the terms of the Equity Sale and Purchase Agreements are fair and reasonable; (ii) whether the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Acquisition is in the interests of the Company and its shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders. We, Hooray Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are independent from and not connected to the Group, the Vendor, the Target Company and their respective shareholders, directors or chief executives, or any of their respective associates or any relevant parties in connection with the Equity Sale and Purchase Agreements.

Except for being appointed as independent financial adviser to the Company in respect of this Acquisition, we have not acted as an independent financial adviser and have not provided any other services to the Company during the past two years.

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Acquisition, and accordingly, are eligible to give independent advice and recommendations on the Equity Sale and Purchase Agreements and the transactions contemplated thereunder.

Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, statements, opinions and representations provided to us by the Company, its representatives, its management (the "**Management**") and the Directors for which they are solely and wholly responsible and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete as at the date of the Circular. We have reviewed documents including, among other things, (i) the Equity Sale and Purchase Agreements; (ii) the annual report of the Company for the year ended 31 December 2022 (the "**Annual Report 2022**"); (iii) the annual report of the Company for the year ended 31 December 2023 (the "**Annual Report 2023**"); (iv) and the interim report of the Company for the six months ended 30 June 2024 (the "**Interim Report 2024**"); (v) the Valuation Report prepared by the Independent Valuer; and (vi) the Circular and the information as set out in the Circular.

We have assumed that all statements of belief, opinion and intention made by the Company, its representatives, the Management and the Directors as set out in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. The Directors confirmed that they have provided us with all information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinion.

Our review and analyses were based upon the information and facts contained or referred to in the Circular, the information provided by the Company and the relevant public information. We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice. In addition, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the Directors, the Management and/or representatives of the Company. We, however, have not conducted any independent in-depth investigation into the business, affairs, financial position or prospects of the Group and the Target Company nor we have carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Equity Sale and Purchase Agreements, we have taken into consideration the following principal factors and reasons.

1. Information of the Group

The Group is principally engaged in various business segments covering: (i) investments in property development projects, (ii) operation of financial services platform, (iii) provision of entrusted loans and other loan services, financial consultation services, and (iv) provision of finance lease services, mainly in the PRC. Despite the Group is principally engaged in various business segments, for the year ended 31 December 2023 and the six months ended 30 June 2024, the Group recorded segment revenue from (i) operation of financial services platform, and (ii) provision of entrusted loan services and financial consultation services.

On 29 June 2022, the Group completed a very substantial disposal (the "**VSD**") in relation to the disposal of certain subsidiaries mainly invested in, among others, property development projects, details of it were set out in the circular of the Company dated 10 May 2022 (the "**VSD Circular**"). According to the VSD Circular, the Group had no plan to change its principal businesses. Despite the remaining group immediately after completion of the VSD (the "**Remaining Group**") would carry on identifying appropriate opportunities of the investment in property development projects, immediately after completion of the VSD, the Remaining Group continued to mainly engage in the operation of the financial service platform (as part of the fin-tech platform) and the provision of consultation services.

According to the Annual Report 2022 and the Annual Report 2023, the Group had been actively seeking various business opportunities to expand and diversify the Group's revenue sources. In particular, various clients and counterparties of the Group indicated to the Group's management that data security is becoming increasingly critical in the financial services industry, and they suggested that offering data security services could add value to the Group's existing financial service platform.

Reference is made to the voluntary announcement of the Company dated 19 September 2023, the Group invested approximately HK$1.5 million to HK$2.0 million for research and development in the new data related business, and the Group intended to develop an integrated product featuring mobile apps, data encryption enabled, decentralised and independent security hardware. On 23 February 2024, the Company announced that it was in the progress of planning and developing a new service platform and leverage the expertise of its financial technology service platform to capture new market opportunities.

Set out below is a summary of the Group's financial information as extracted from the Company's latest published (i) Interim Report 2024; and (ii) Annual Report 2023:

Summary of the Group's financial performance

	For the year ended 31 December		For the six months ended 30 June	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
Operation of financial services platform	75,225	83,408	24,015	77,682
Provision of entrusted loan, pawn loan, other loan services and financial consultation services	1,446	3,899	1,432	6,480
Total revenue	76,671	87,307	25,447	84,162
Other income/(expenses), net	(4,548)	260	8	246
Employee benefit expenses	(7,272)	(5,210)	(3,365)	(2,280)
Other administrative expenses	(52,882)	(52,338)	(5,608)	(39,589)
(Loss)/reversal of allowance on financial assets	(2,377)	(2,966)	2,634	(4,359)
Finance costs	(72)	(48)	(105)	(83)
Profit before income tax expense	9,520	27,005	19,011	38,097
Income tax expense	(6,700)	(10,143)	(4,987)	(10,520)
Profit for the year	2,820	16,862	14,024	27,577
Profit for the year attributable to:				
– Owners of the Company	2,605	16,926	14,009	27,582
– Non-controlling interests	215	(64)	15	(5)
	2,820	16,862	14,024	27,577

As set out in the Interim Report 2024, the revenue of the Group increased by approximately 230.7% from approximately RMB25.4 million for the six months ended 30 June 2023 to approximately RMB84.2 million for the six months ended 30 June 2024. The increase was primarily due to the increase in platform service income and the entrusted loan service income during the period. The profit attributable to the owners of the Company increased by approximately 96.6% from approximately RMB14.0 million for the six months ended 30 June 2023 to approximately RMB27.6 million for the six months ended 30 June 2024. The increase was primarily due to increase in revenue from the financial service platform business.

As set out in the Annual Report 2023, the revenue of the Group increased by approximately 13.9% from approximately RMB76.7 million for the year ended 31 December 2022 to approximately RMB87.3 million for the year ended 31 December 2023. The increase was mainly due to the increase in platform service income. The profit attributable to the owners of the Company increased by approximately 497.9% from approximately RMB2.6 million for the year ended 31 December 2022 to approximately RMB16.9 million for the year ended 31 December 2023. The increase was mainly due to the increase in revenue from the financial service platform business.

Summary of the Group's consolidated financial position

As set out in the Interim Report 2024, the Group recorded (i) the unaudited total assets and net assets of approximately RMB174.4 million and RMB86.8 million, respectively; (ii) the unaudited cash and cash equivalents of approximately RMB19.2 million; and (iii) nil borrowings, as at 30 June 2024.

It is noted from the Letter from the Board that the consideration of the Acquisition shall be satisfied by way of (i) cash consideration of HK$7.0 million, and (ii) issue of the Promissory Notes in the principal amount of HK$20,600,000.

2. Information of the Target Company

The Target Company is a company incorporated on 28 December 2020 under the laws of Hong Kong with limited liability. The Target Company is principally engaged in development and sales of cybersecurity systems to customers across Hong Kong, PRC and Southeast Asia. Its main product is a series of self-developed encryption systems consisting of certain hardware keys and software.

According to the annual returns provided by the management, the Target Company is wholly owned by the Vendor.

Set out below is the audited and unaudited financial information of the Target Company for each of the years ended 31 December 2023 and 2024, respectively, which was prepared in accordance with HKFRS:

	For the year ended 31 December	
	2023	**2024**
	HK$'000	*HK$'000*
	(audited)	(unaudited)
Revenue	11,762	18,720
Profit before taxation	496	9,515

Revenue of the Target Company increased by approximately 59.2% from approximately HK$11.8 million for the year ended 31 December 2023 to approximately HK$18.7 million for the year ended 31 December 2024.

Profit before taxation of the Target Company increased by approximately 19.2 times from approximately HK$0.5 million for the year ended 31 December 2023 to approximately HK$9.5 million for the year ended 31 December 2024.

As at 31 December 2024, the total assets and the net asset value based on the unaudited financial information of the Target Company were approximately HK$23,226,000 and HK$10,271,000, respectively.

3. Reasons for and benefits of the Acquisition

We have summarised the reasons for and benefits of the Acquisition from the Letter from the Board below.

Synergies with core business operations

According to the Annual Report 2023 and Interim Report 2024, the majority of the Group's revenue was derived from its operation on financial service platform. As a financial platform operator, the Group manages sensitive and confidential information, making cybersecurity a crucial aspect of its operation. By acquiring the Target Company focusing on cybersecurity products, the Group can leverage the Target Company's expertise, such as its edge security computing and encryption algorithm technology, to enhance the data protection and security infrastructure of its financial service platform. This will not only improve customer trust and confidence but also reduce the risk of cyber threats. Further, the Group can integrate the IoT devices offered by the Target Company into its ecosystem. This integration can enhance the functionality of its financial service platform.

Diversification of income sources

By leveraging the Target Company's cutting-edge encryption algorithm and edge computing technologies, the Group can enhance the functionality and security of its financial platform. This will enable the Group to offer a broader range of innovative and secure financial products to its customers. Additionally, the Target Company has a different customer base than the Group. Therefore, the Group can gain access to a new income stream that is derived from a new customer base by sharing the operating results of the Target Company.

Strengthening technological capabilities

As advised by the management of the Company, the Target Company has appointed Professor CW. Brian Kei from Hong Kong Polytechnic University as the technical advisor. Professor CW. Brian Kei has vast experience in launching new innovative businesses, automation systems and online securities trading platforms. He is actively involved in industry communities, and has made significant contribution in the developments and collaboration within the financial services industry. Additionally, the Target Company employs a team of 18 information technology engineers and holds several patents for its self-developed systems which emphasize the security of data through advanced encryption technologies. The collaboration resulting from this Acquisition could strengthen the Group's technical competence, enabling the Group to develop enhanced security features for its customers, and thus, in turn, would potentially help the Group to attract new clients and to retain existing ones.

Strategic positioning in high-growth industry

The rapid growth in artificial intelligence, machine learning, and related technologies has driven significant demand for cybersecurity solutions, such as data encryption and data security. The acquisition of the Target Company specialising in edge security computing and encryption algorithm technology positions the Group strategically within this high-growth market. It enables the Group to stay ahead of cybersecurity threats and technological advancements, ensuring it can adapt to changing market demands, regulatory requirements, and customer expectations.

Imminent Need to Enhance the Existing Platform with Data Security Services

According to Annual Report 2022 and Annual Report 2023, various clients and counterparties of the Group suggested that offering data services could add value to the Group's existing financial service platform. In response to this feedback, the Group has spent approximately HK$1.5 million to HK$2.0 million for research and development in this new data-related business segment. Further, the Group intended to develop an integrated product featuring mobile apps, data encryption enabled, decentralized and independent security hardware.

Based on our discussions with the Company, the Company recognises the necessity of enhancing its technical capabilities and expertise to support the platform development as well as fulfilling the customers' expectation. By entering into this Acquisition and despite the Target Company being an associate company, the Company believes it can bring synergies with the core operation as abovementioned, and strengthen its technological capabilities through collaboration with the professional engineering team, led by Professor CW. Brain Kei, in the Target Company.

As announced on 29 October 2024, the Company entered into a non-legally binding memorandum of understanding with the Target Company in relation to the investment cooperation. The Company and the Target Company were in the process of discussing possible ways of cooperation. The Company's cooperation with the Target Company includes, but is not limited to, business cooperation, technical exchange, equity investment, capital increase and share expansion.

Based on our understanding from the management, after entering into the memorandum of understanding, the Company interacted with the technicians of the Target Company to understand the technology of the products and walked through the operation and products of the Target Company. Further, the Company has gained access to the updated financial information of the Target Company to understand its latest operation status. The Company believed that the Target Company was with unique technology and products in Hong Kong and the management of the Company could not locate other similar target from independent third parties willing to have similar cooperation with the Group during such period.

According to the letter from the Board, the acquisition of 30% shares of the Target Company is through commercial negotiation. By obtaining such shares, the Company could obtain a significant influence over the Target Company, while the original ultimate beneficial owner, Ms. Niu, will retain controlling ownership.

Based on our discussion with the management, the Vendor has indicated that full cash payment was not a pre-requisite, and the 2-year Promissory Notes was agreeable by the Vendor. Such settlement method will allow the Company to preserve financial resources for other strategic initiatives.

Additionally, the Company currently has no external debt, and the negotiated interest rate for the Promissory Notes is notably lower than the rates offered by reputable banks in Hong Kong. Taking into account (i) the settlement arrangement allows the Company to preserve financial resources for other strategic initiatives, (ii) the low interest rate compared to market rates, and (iii) the strategic benefits brought by the acquisition to the Company, the Directors are of the view that, and we concur, the acquisition, along with the proposed settlement method, is fair, reasonable, and in the best interests of the Company and its shareholders as a whole.

4. Overview and Prospect of Data Security Business

According to the McKinsey & Company's article "*New survey reveals $2 trillion market opportunity for cybersecurity technology and service providers*" (dated 27 October 2022), the potential market for cybersecurity is enormous, estimated at USD1.5 to USD2.0 trillion, but current solutions only address about 10% of this opportunity. While the market won't reach this size immediately, there's a huge opportunity for providers and investors to innovate, improve technology, and simplify solutions to better serve customers.

With the market statistics, it is expected that the data security business in Hong Kong, PRC and Southeast Asia will continue to grow in the future and the prospect is optimistic. Therefore, we are of the view that the Acquisition provides the Group an opportunity to invest in high growth cybersecurity industry. Based on the above, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

5. Principal Terms of the Equity Sale and Purchase Agreements

The principal terms of the Equity Sale and Purchase Agreements are summarised as follows:

Date : 24 January 2025

Parties : (1) the Company, as the purchaser; and

(2) the Vendor, as the vendor and Ms. Niu is the ultimate beneficial owner.

Subject matter : The Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, 30% of the issued share capital of the Target Company.

Consideration : HK$27,600,000, which shall be satisfied in the following manner:

(i) cash consideration of HK$7,000,000 shall be payable within five business days from the date of the Equity Sale and Purchase Agreements as a deposit and partial payment; and

(ii) issue of a set of Promissory Notes on the Completion Date in the sum of HK$20,600,000 to the Vendor.

Basis of the Consideration	:	The Consideration was determined and arrived with reference to, among other things, the Valuation Report of the Target Company prepared by Peak Vision, being an independent professional valuer. According to the Valuation Report, the appraised value of 30% of the Target Company, which is calculated by using market approach, is approximately HK$27,617,000 as at 31 December 2024.

5.1 Basis of the Consideration

The Consideration of the Equity Sale and Purchase Agreements was determined and arrived at after arm's length negotiation by the parties, with reference to the Valuation Report of the Target Company prepared by Peak Vision. The appraised value of the 30% equity interest of the Target Company, which is calculated by using market approach, is approximately HK$27,617,000 as at 31 December 2024.

Having considered that (i) the Consideration of HK$27,600,000 is slightly lower than the appraised value of the 30% equity interest of the Company as determined in the Valuation Report, and (ii) our work done on the Valuation Report (as detailed below), we are of the view that the Consideration for the Acquisition is fair and reasonable.

Further, we note that the Consideration is higher than the proportionate net asset value of the Target Company as at 31 December 2024. Having said that, asset-light industry is typically valued by its earnings, and asset-intensive industry is typically valued at the physical and/or the tangible assets on books. Technology companies, such as the Target Company, are typically regarded as asset-light industry, since they derive value from its technical competence, software developed and intellectual properties owned which are not typically recorded on books as an asset. As such, we understand from the Board that, and we concur, the revenue and/or income of the Target Company is not primarily driven by its net asset value, and thus its net asset value is not an appropriate benchmark to determine the value of the Consideration in a fair and reasonable manner.

5.2 Our work done on the Valuation Report

With a view to evaluate the basis of determination of the appraised value of the Target Company, we have reviewed and discussed the contents of the Valuation Report with the representatives of Peak Vision Appraisals Limited (the "**Independent Valuer**").

As part of our work performed, we have reviewed the key assumptions adopted by the Independent Valuer as set out under the section headed "10.0 Valuation Assumptions" in the Valuation Report. We understand from the Independent Valuer that these key assumptions are in line with other similar valuations conducted by the Independent Valuer and are therefore considered to be reasonable.

We have discussed with the representatives of the engagement team of the Independent Valuer as to their expertise, valuation experience, their scope of work and valuation procedures conducted in relation to the valuation of the Target Company. We have reviewed and enquired into the qualifications and experience of the Independent Valuer in relation to the preparation of Valuation Report, and noted that the Independent Valuer is a firm specialising in provision of valuation services for its clients engaging in different industries for various purposes.

In relation to the expertise of the Independent Valuer, we noted that the signor of the Valuation Report, Mr. Nick C. L. Kung is a member and a Registered Valuer of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice) who has over 20 years of experience in the professional valuation field. In assessing the Independent Valuer's experiences, we have obtained information on the Independent Valuer's track records on other valuations and noted that the Independent Valuer had acted as the valuer for a wide range of public companies listed in Hong Kong for similar transactions. In addition, we have also obtained the information relevant to the qualifications and credentials of the team members involved in this valuation exercise. As such, we are of the view that the Independent Valuer is qualified, experienced and competent in performing business valuation in respect of the valuation of the Target Company.

In relation to the scope of work, we noted from the engagement letter entered into between the Company and the Independent Valuer that the scope of work was appropriate for the Independent Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Independent Valuer in the Valuation Report. Having considered the above, we are of the view that the Independent Valuer are qualified, experienced and competent in performing business valuations and providing a reliable opinion in respect of the valuation of the Target Company.

We have also enquired with the Independent Valuer as to its independence from the Company and the parties to this Acquisition and were given to understand that the Independent Valuer is an independent third party of the Company, the parties to this Acquisition and their connected persons. The Valuer also confirmed to us that it was not aware of any relationship or interest between itself, the Company, any parties to this Acquisition or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. The Independent Valuer confirmed to us that apart from normal professional fees payable to it in connection with its engagement for the valuation, no arrangements exist whereby it will receive any fee or benefit from the Company, the parties to this Acquisition and their associates. Given the above, we are of the view that the Independent Valuer is independent from the Company in respect of the valuation of the Target Business.

Valuation Methodology

In arriving at the appraised value of the Target Company, the Independent Valuer has considered three approaches, income approach, asset approach, market approach.

Based on our understanding from the Independent Valuer, the income approach was considered to be inappropriate as (i) the long-term forecasts inherently rely on various subjective assumptions, which may not be sustainable over time, (ii) the Target Company's profit history has been relatively volatile, making it challenging to derive reliable future cash flow projections, and (iii) preparing financial projections for the Target Company involves significant subjective judgement and uncertainties, which could lead to an unreliable result.

The asset approach is also considered to be inappropriate as (i) the valuation of the Target Company should reflect its status as a going concern, and the asset approach, however, typically provides a static snapshot of a company's value based on its assets at a specific point in time, which does not account for its ongoing operations, (ii) the simple summation of all the assets fails to capture the synergies and future economic benefits generated by the business as a whole.

In contrast, the market approach is considered to be the most appropriate as (i) this approach relies on observable market data, reducing the need for subjective assumptions, (ii) it incorporates current market sentiment and trends, providing a more realistic reflection of the Target Company's value in the context of its industry and peers, and (iii) the market approach produces a more objective and less biased valuation of the Target Company by making reference to the comparable companies and their multiples.

The market approach can be applied through two commonly used methods, namely the guideline public company method and the comparable transaction method. The comparable transaction method utilises information on transactions involving assets and/or businesses that are the same as or similar to the subject assets and/or businesses. However, for this particular valuation exercise, it is difficult to acquire sufficient and timely information of such transactions. Therefore, in this valuation exercise, the market value of the 30% equity interest in the Target Company is developed through the guideline public company method.

We have conducted independent research and, on a best-effort basis, reviewed circulars published on the website of the Stock Exchange which satisfy the following criteria, including but not limited to: (i) transactions involving the acquisition of a privately owned company with business operations similar to that of the Target Company involving sales and development of cybersecurity systems; (ii) majority of the subject company's revenue being derived from Hong Kong and/or the PRC; (iii) the subject company was profit-making; and (iv) the circulars despatched by companies listed on the Main Board or GEM of the Stock Exchange from 1 January 2024 up to the Valuation Date, representing a twelve-month period which we consider to be recent and reasonable. Based on our independent research, there was no comparable transaction that met all of the above criteria. Given that no recent comparable transaction could be identified, we concur with the Independent Valuer that the comparable transaction method is not appropriate for the valuation of the Target Company.

Having considered the above, we concur with the Independent Valuer that the guideline public company method under market approach is the most appropriate method for appraising the fair value of the Target Company.

Based on our understanding from the Independent Valuer, the guideline public company method requires research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the 30% equity interest in the Target Company. In arriving the appraised value of 30% equity interest in the Target Company, the Independent Valuer has considered the following commonly used benchmark multiples:

Benchmark multiple	**Abbreviation**	**Analysis**
Price-to-Earnings	P/E	Inappropriate as P/E incorporates the effect of leverage (interest expense reduces net income) and other non-operating items that could potentially distort the results.
Price-to-Book	P/B	Inappropriate as P/B does not account for the profitability of the business, and fails to reflect the true earnings power of value of the business
Price-to-Sales	P/S	Inappropriate as P/S focuses on the top line revenue of a company without taking into account profitability and cost structure.
Enterprise Value-to-Earnings before interests and taxes	EV/EBIT	Adopted, as (i) earnings is the primary determinant of value, and (ii) enterprise multiples are useful for comparisons across comparable companies with different capital/asset structures because they exclude the distorting effects of individual companies' capital/asset levels, and the ratio tends to be more stable

In light of the above, we concur with the view of the Independent Valuer that EV/EBIT is an appropriate and common benchmark multiples to determine the appraised value of 30% equity interest in the Target Company.

In selecting appropriate comparable companies, the Independent Valuer has selected (i) companies that were listed either in Hong Kong, PRC or Taiwan, (ii) public companies that were being listed on its stock exchange for at least two years, (iii) the companies are principally engaged in cybersecurity industry, and (iv) at least 80% of its revenue contributed by the business similar to the business of the Target Company, whereas any listed company that was in liquidation or was incurring operating loss is excluded.

Company Name (stock code)	**Listing venue**	**Date of listing**	**Principal activities**	**Percentage of revenue contributed by the business similar to the Target Company**	**EV/EBIT (times)**
Venustech Group Inc (002439.SZ)	Shenzhen Stock Exchange	June 2010	Provision of network security solutions, including threat detection, data protection, cloud security, and security management services, to governments, enterprises, and financial institutions.	99%	66.7
Hangzhou DPtech Technologies Co Ltd (300768.SZ)	Shenzhen Stock Exchange	April 2019	Provision of network security solutions, including firewall systems, intrusion detection, data security, and cloud security products, to enterprises, governments, and telecom operators.	80%	79.7
Beijing ABT Networks Co Ltd (688168.SS)	Shanghai Stock Exchange	September 2019	Provision of network security solutions, including intrusion prevention, threat detection, and cloud-based security services, primarily for government, finance, and enterprise sectors.	100%	231.5 *(outlier)*
Integrity Technology Group Inc (688244.SS)	Shanghai Stock Exchange	October 2022	Provision of cybersecurity solutions, including data security, endpoint protection, and threat intelligence, primarily serving government, finance, and enterprise clients.	100%	114.1 (outlier)

Company Name (stock code)	Listing venue	Date of listing	Principal activities	Percentage of revenue contributed by the business similar to the Target Company	EV/EBIT (times)
Acer Cyber Security Inc (6690.TWO)	Taiwan Stock Exchange	July 2018	Provision of cybersecurity solutions, including threat detection, endpoint protection, and managed security services, primarily for enterprises and government organisations.	88%	25.3
Koal Software Co Ltd (603232.SS)	Shanghai Stock Exchange	April 2017	Provision of information security solutions, including encryption, data protection, and network security products, primarily for government, finance, and enterprise sectors.	100%	349.0 *(outlier)*

Based on our understanding from the Independent Valuer, these six comparable companies is an exhaustive list of comparable companies based on exhaustive search by the Independent Valuer on the Refinitiv database, which is widely regarded as a reputable, renowned and long-established provider of financial market data and closely tied to its former parent company, Thompson Reuters. These comparable companies share common features with high similarity with the Target Company that they are all software companies offering information security products to protect data and ensure information safety. For details of the background information of each of the comparable companies, please refer to "*Appendix I – Appendix A – Description of Guideline Public Companies*" in this Circular.

Based on our understanding from the Independent Valuer, the EV/EBIT multiple should generally not exceed 100 times before any adjustments are applied. Having considered that the unreasonably high multiples may indicate potential speculative growth expectation which may not be sustainable and could resulting in overvaluation, the Independent Valuer is of the view that, and we concur, it is more appropriate to exclude those comparable companies with unadjusted EV/EBIT over 100 times for the sake of prudence. Accordingly, the Independent Valuer has utilised EV/EBIT multiples below 100 times and incorporated appropriate adjustment factors for further analysis.

In this regard, we are of the view that the exclusion of unreasonable high multiples by the Independent Valuer to avoid potential overvaluation is fair and reasonable.

Size and region adjustments

Based on our understanding from the Independent Valuer, as the businesses of the comparable companies are located in different regions, they are thus exposed to different macroeconomic and market risks. Moreover, the comparable companies are often of significantly different size from the Target Company. Larger companies are generally perceived as bearing lower risk in terms of business operation and financial performance, therefore they deserve higher valuation multiples. On the other hand, smaller companies are generally perceived as riskier and therefore they are usually having lower valuation multiples.

Set out below is the major differences between the Target Company and the three comparable companies (not being identified as outlier) in terms of size and region:

Company name (stock code)	**Size**	**Region**
Venustech Group Inc (002439.SZ)	Revenue of approximately RMB3.3 billion (or HK$3.6 billion) to RMB3.9 billion (or HK$4.2 billion) for the year ended 2024; Net loss attributable to owners of the Company of approximately RMB146 million (or HK$158 million) to RMB246 million (or HK$266 million) for the year ended 2024; Total assets of approximately RMB13.8 billion (or HK$14.9 billion) as at 30 September 2024; and Net assets of approximately RMB11.5 billion (or HK$12.4 billion) as at 30 September 2024.	Revenue: all derived from the PRC; and Place of business: PRC

Company name (stock code)	Size	Region
Hangzhou DPtech Technologies Co Ltd (300768.SZ)	Revenue of approximately RMB1.0 billion (or HK$1.1 billion) for the year ended 2023; Net profit attributable to owners of the Company of approximately RMB126.6 million (or HK$136.7 million) for the year ended 2023; Total assets of approximately RMB3.7 billion (or HK$4.0 billion) as at 30 September 2024; and Net assets of approximately RMB3.2 billion (or HK$3.5 billion) as at 30 September 2024.	Revenue: more than 99.9% derived in PRC; less than 0.1% in Hong Kong and overseas; and Place of business: PRC
Acer Cyber Security Inc (6690.TWO)	Revenue of approximately NTD2.1 billion (or HK$0.8 billion) for the year ended 2024; Net profit attributable to owners of the Company of approximately NTD230.1 million (or HK$55.2 million) for the year ended 2024; Total assets of NTD4.7 billion (or HK$1.1 billion) as at 31 December 2024; and Net assets of NTD3.0 billion (or HK$0.7 billion) as at 31 December 2024.	Revenue: 99.7% derived from Taiwan; and 0.3% derived from other jurisdictions; and Assets: more than 99.9% based in Taiwan, less than 0.1% based in other jurisdictions.

Company name (stock code)	**Size**	**Region**
Target Company	Revenue of approximately HK$18.7 million for the year ended 31 December 2024; Net profit of approximately HK$9.5 million for the year ended 31 December 2024; Total assets of approximately HK$23.2 million as at 31 December 2024; and Net assets of approximately HK$10.3 million as at 31 December 2024.	Revenue: mainly derived from Hong Kong; and Place of business: Hong Kong.

Thus, the base multiple, EV/EBIT, of each comparable companies was adjusted into the adjusted EV/EBIT multiple (the "**Adjusted EV/EBIT**") to reflect the differences in size and location between the comparable companies and Target Company.

Company name (stock code)	**EV/EBIT** *(times)*	**Size differential** *(Note 1)*	**Region differential** *(Note 2)*	**Adjusted EV/EBIT (times)** *(Note 3)*
Venustech Group Inc (002439.SZ)	66.7	5.49%	-0.14%	14.6
Hangzhou DPtech Technologies Co Ltd (300768.SZ)	79.7	5.30%	-0.14%	15.6
Acer Cyber Security Inc (6690.TWO)	25.3	2.00%	0.00%	16.8
			Maximum	16.8
			Minimum	14.6
			Average	15.7
			Median	15.6

Notes:

1. The size differentials are determined by the difference between (i) the size premium of each of the comparable companies, and (ii) the size premium of the Target Company, plus the specific risk premium, with reference to the Cost of Capital Navigator, Center for Research in Security Prices Deciles Size Study as of 31 December 2023, published by Kroll (formerly Duff and Phelps).

2. The region differentials are determined by the difference between (i) region risk premium (or sometime known as country risk premium) of the jurisdiction that the comparable company engaged in, and (ii) the region risk premium of the jurisdiction that the Target Company engaged in, with reference to the Country Default Spreads and Risk Premiums study issued and last updated by Aswath Damodaran in January 2025.

3. The adjusted EV/EBIT is derived from adjusting the EV/EBIT with reference to the formula described in "*Adjusting Guideline Multiples for Size*" published by Mattson, Shannon and Drysdale published in September/October 2001 Valuation Strategies, being: 1 ÷ (1 ÷ EV/EBIT + size differential + region differential).

In deriving the size differential for the comparable companies, the Independent Valuer has made reference to the study titled "*Adjusting Guideline Multiples for Size*" by Michael Mattson, Don Shannon and Don M. Drysdale, published in the September/October 2001 Valuation Strategies (the "**Guideline**"). This study suggests the adjustment of the multiples for the difference in company sizes, which are determined by the market capitalisation of the companies. The Independent Valuer advised us that (i) the above formula was subsequently cited by an article "*Market Multiples Adjustments For Differences In Risk Profile – An Airline Company Example*" published by Nina Milenkovi *(KPMG LLC Belgrade, Kraljice Natalije 11, 11000 Belgrade, Serbia)* in 2015, and (ii) this size adjustment methodology is widely recognised and utilised by professional valuers in the industry. Based on our independent research conducted, such size-adjustment with reference to the Guideline is not uncommon in business valuation, particularly in the use of guideline public company method. As such, we are of the view that the Independent Valuer's reference to the Guideline is fair and reasonable.

Based on the unaudited financial information of the Target Company for the year ended 31 December 2024, the earnings before interests and taxes (excluding investment income and other income) amounted to approximately HK$7,897,000. By applying the adjusted EV/EBIT multiple of 15.7 times, as calculated above, the implied enterprise value of the Target Company would be HK$123,719,000 before applying the marketability discount as detailed below.

Despite the comparable companies are of larger scale of operation, mostly have higher profitability level (in absolute amount term), have wider business scope and of more advanced stage of development, having considered that (i) the Independent Valuer did not directly apply the base EV/EBIT of the comparable companies, but instead adjusting them by the respective size differentials as well as the region differentials, (ii) the methodology of adjustment and the respective formula are widely adopted in the industry, and (iii) this methodology of adjustment was made with reference to reputable study and renowned publications, we are of the view that such differences between the comparable companies and the Target Company have been appropriately taken into account in the valuation conducted by the Independent Valuer, and such valuation methodology is fair and reasonable.

Marketability discount

The Independent Valuer has considered a marketability discount in determining the valuation of the Target Company. According to the Independent Valuer, a lack of marketability discount is applied because ownership interests in closely held companies are typically less liquid and not as readily marketable as comparable interests in publicly listed companies. As a result, shares in privately held companies are generally worth less than similar shares in publicly traded companies.

The Independent Valuer applied a marketability discount of 20.4%, which was determined with reference to the Stout Restricted Stock Study Companion Guide (2024 Edition) (the "**Companion Guide**"). Based on our independent research, the marketability discount rates published in the Companion Guide are widely recognised and adopted in professional business valuations. Therefore, we consider the Independent Valuer's application of a marketability discount to be reasonable and appropriate.

After applying 20.4% marketability discount, the value of the Target Company would be HK$98,480,000. The Independent Valuer further adjusted this value by (i) adding the cash and cash equivalents of the Target Company of approximately HK$76,000 as at 31 December 2024, and (ii) deducting debts of the Target Company of approximately HK$6,499,000 as at 31 December 2024. This resulted in an indicated value of HK$92,057,000. Consequently, the appraised value of 30% equity interest in the Target Company amounts to HK$27,617,000.

Cross-checking analysis

For the purpose of cross-checking of the valuation, we conducted an independent research, on a best effort basis, and reviewed the principal activities as disclosed in the latest published annual reports and/or interim reports of the companies listed on the Stock Exchange to identify listed companies that share common features with the Target Company.

In our cross-checking approach, we have used similar selection criteria as the Independent Valuer but with a slightly broader scope of services, fewer exclusions and focus on companies listed on the Stock Exchange in Hong Kong. The selection criteria included but not limited to (i) the principal activities included provision of information technology products or services, and (ii) the major products or services were focusing on data security, ideally utilizing encryption technology in providing data security and/or cybersecurity solution.

The following table sets forth the exhaustive list of the comparable companies identified on best effort basis in our cross-checking analysis:

	Company name	Stock code	Market Capitalisation as at 28 February 2025 (HK$)	P/E [(1)]	EV/EBIT	Principal business
1	Computer and Technologies Holdings Ltd	46.HK	447,132,000	26.3	17.8	Development and provision of software across human resources management, information management and property management, provision of IT security service including security risk management and security audit and training, and provision of IT solutions and integration services.
2	Future Data Group Limited	8229.HK	235,072,000	Loss	Loss	Provision of an integrated system with network connectivity, cloud computing and security elements and maintenance service.
3	Edvance International Holdings Limited	1410.HK	204,860,000	Loss	44.2	Distribution of IT security products and provision of IT security services
4	Shanghai Jiaoda Withub Information Industrial Co Ltd	8205.HK	36,960,000	Loss	Loss	Provision of business application solutions and applications, software development, installation and maintenance of network and data security products, sales of electrical products and accessories, building intelligent system integration, and distribution of IT products.

	Company name	Stock code	Market Capitalisation as at 28 February 2025 (HK$)	P/E [(1)]	EV/EBIT	Principal business
5	Nexion Technologies Limited	8420.HK	23,082,000	Loss	Loss	Provision of information and communications technology solutions, focusing on the provision of cybersecurity solutions and software as a service.
			Maximum	26.3	44.2	
			Minimum	26.3	17.8	
			Average	26.3	31.0	
			Median	26.3	31.0	
	Target Company		**92,057,000** [(2)]	**12.0**	**11.7** [(3)]	

Notes:

1. Latest published annual earnings exclude other revenue, investment income, or other gains and losses.

2. The valuation is arrived at by the Independent Valuer.

3. Calculated by the valuation of HK$92,057,000 divided by the earnings before interests and taxes (excluding investment income and other income) of HK$7,897,000.

We concur with the Independent Valuer's view that earning is the primary determinant of value, thus P/S ratio is not considered. We also understand from the Independent Valuer that P/B ratio is typically used for asset intensive industry and is not appropriate for asset light industry like the Target Company. As such, both the P/S ratio and P/B ratio are not used in this analysis. Although we understand that, according to the Independent Valuer, EV/EBIT ratio is a more appropriate metric than P/E ratio to measure the Target Company since the P/E ratio might have distorting effect across different capital structures between the comparable companies and the Target Company, we consider that there is no harm to illustrate the P/E ratio as well. Therefore, for the purpose of this cross-checking exercise, the P/E ratio and EV/EBIT ratio of each of the comparable companies, together with that of the Target Company, are set out in this analysis.

From the above table, Future Data Group Limited (8229.HK), Shanghai Jiaoda Withub Information Industrial Co Ltd (8205.HK) and Nexion Technologies Limited (8420.HK) have no P/E ratio and EV/EBIT ratio due to their loss in earnings. Among the remaining two comparable companies, Edvance International Holdings Limited (1410.HK) has no applicable P/E ratio due to loss in earnings and has its EV/EBIT of 44.2 times, while Computer and Technologies Holdings Ltd (46.HK) has its P/E ratio of 26.3 times and EV/EBIT of 17.8 times.

As such, for the purpose of P/E analysis, there is only one comparable company with P/E ratio of 26.3 times. For the purpose of EV/EBIT analysis, the industry average and the median is 31.0 times, both being the average of (i) 17.8 times from Computer and Technologies Holdings Ltd (46.HK), and (ii) 44.2 times from Edvance International Holdings Limited (1410.HK).

Further, the Target Company has its P/E ratio of 12.0 times and EV/EBIT ratio of 11.7 times, both are lower than that of the comparable companies and the industry average and median.

In light of more than half of the comparable companies was loss-making and thus the P/E ratios and EV/EBIT ratios of them were not applicable, the industry average and median arrived from this analysis highly depend on the remaining two comparable companies. While we observed that there would be more comparable companies if we had broadened the scope to include IT companies not focusing on data security, we consider that may not be meaningful taking into account of the principal business of the Target Company is provision of data security solution instead of generic IT products or services.

In this regard, we believe the above list of comparable companies identified by us on the best effort basis is fair and representative for cross-checking purpose, notwithstanding that the majority of these comparable companies did not result in applicable ratio. Given the constraint that the majority of the results of these comparable companies were not applicable due to loss-making, the Independent Board Committee and the Independent Shareholders should be aware that the results of this cross-checking analysis may not completely represent the market dynamics of the data security and/or the cybersecurity industry and should be considered for reference only.

Having discussed with the Independent Valuer and the management of the Company, we understand that (i) the nature of services provided by the Target Company is relatively unique in the industry, despite sharing common features like utilisation of encryption technology and provision of cyber security products or services, the content of the products and services between the Target Company and the comparable companies are not entirely identical, and (ii) the Independent Valuer has observed and taken into account that the number of comparable companies listed in Hong Kong that can be utilised in its valuation may be limited, so that it has already extended its scope to China and Taiwan to arrive in its valuation.

As such, despite this cross-checking analysis may suggest that the valuation of the Target Company is in the interests of the Company and the Shareholders as a whole, we consider that this cross-checking approach is not appropriate to assess the fairness and reasonableness of the valuation.

Our view

Based on our review of the Valuation Report and discussion with the Independent Valuer, nothing has come to our attention that causes us to doubt the reasonableness of the preparation of the Valuation Report. In view of the above, we consider that the valuation performed by the Independent Valuer, as well as the basis, assumptions and methodology adopted in the Valuation Report, to be reasonable and appropriate.

5.3 Promissory Notes

As disclosed in the Letter from the Board, part of the Consideration (HK$20,600,000) shall be settled by way of issue of a set of two-year interest-bearing Promissory Notes at 2.5% per annum by the Company on the Completion Date. Interest shall be paid annually. Please refer to the section headed "*1. INTRODUCTION - Promissory Notes*" for further details of the terms and conditions.

According to our understanding from the Company, the interest rate was determined after arm's length negotiations with reference to the lending rate of loans of financial institutions.

Based on our independent research, the best lending rate as quoted by each of The Hongkong and Shanghai Banking Corporation Limited and the Bank of China (Hong Kong) on their websites as at the Latest Practicable Date is 5.25% per annum; and the best lending rate as quoted by Standard Chartered Bank (Hong Kong) Limited on its website as at the Latest Practicable Date is 5.5% per annum.

Furthermore, we have identified an exhaustive list, on the best effort basis, of comparable companies listed on the Stock Exchange of Hong Kong that published announcement on issuance of interest-bearing Promissory Notes in the past 24 months prior to the date of announcement (i.e. 25 January 2023 to 24 January 2025). Details of the comparable companies based on the selection criteria above are illustrated as follows:

Company name (stock code)	Date of announcement	Connected Transaction (Y/N)	Currency and principal amount	Interest rate	Maturity
China Ruifeng Renewable Energy Holdings Limited (527.HK)	26 June 2024	N	HK$13,600,000	5.0%	3 years

Company name (stock code)	Date of announcement	Connected Transaction (Y/N)	Currency and principal amount	Interest rate	Maturity
Energy International Investments Holdings Limited (353.HK)	17 June 2024	N	HK$86,022,000	4.8%	3.5 years
Japan Kyosei Group Company Limited (627.HK)	13 June 2024	Y	HK$400,000,000	3.0%	5 years
Chuan Holdings Limited (1420.HK)	14 February 2024	Y	S$8,000,000	8.0%	4 years
Brii Biosciences Limited (2137.HK)	14 February 2024	N	USD2,500,000	11.5% (being the greater of 8.0% or Prime rate of Wall Street Journal + 4.0%)	2 years and 7 months
Huili Resources Group Ltd (1303.HK)	29 December 2023	N	HK$37,360,000	5.0%	5 years
Comtec Solar Systems Group Ltd (712.HK)	28 December 2023	N	HK$22,000,000	5.875%, being the HSBC Prime rate and subsequently reduced to 5.25%	over 1 year (15 business days after issuance of audited accounts 2024)
Central Wealth Group Holdings Ltd (139.HK)	29 November 2023	N	HK$50,000,000	3.0%	2 years
Hatcher Group Ltd (formerly VBG International Holdings Ltd) (8365.HK)	6 October 2023	N	HK$27,957,900	5.0%	5 years
Zhong Jia Guo Xin Holdings Co Ltd (formerly Asia Resources Holdings Ltd) (899.HK)	23 August 2023	N	HK$156,833,600	3.0%	1 year

Company name (stock code)	Date of announcement	Connected Transaction (Y/N)	Currency and principal amount	Interest rate	Maturity
Jiading International Group Holdings Ltd (formerly Farnova Group Holdings Ltd) (8153.HK)	15 August 2023	N	RMB2,100,000	10.0%	1 year
Fire Rock Holdings Limited (1909.HK)	7 May 2023	N	RMB64,000,000	3.0%	2.67 years (maturity by 31 December 2025)
Roma (meta) Group Ltd (formerly Roma Group Limited) (8072.HK)	28 April 2023	N	HK$1,250,000	12.0%	1 year
Cool Link (Holdings) Limited (8491.HK)	13 March 2023	N	HK$17,800,000	8.0%	1 year
Basic House New Life Group Ltd (formerly AL Group Ltd) (8360.HK)	21 March 2023	Y	HK$500,000	3.0%	2 years
			Maximum	12.0%	
			Minimum	3.0%	
			Average	6.0%	
			Median	5.0%	
Target Company				2.5%	

We note that the interest rate of 2.5% per annum for the Promissory Notes is (i) lower than the best lending interest rates as quoted by reputation financial institutions in Hong Kong, and (ii) the lowest among the comparable companies that published announcement in relation to issue of interest-bearing Promissory Notes in the past 24 months. Therefore, we consider that the interest rate of the Promissory Notes is no less favourable than those offered by independent third parties.

6. Financial Effect of the Acquisition

Earnings

As stated in the Letter from the Board, the Target Company will be owned as to 30% by the Company and will be accounted for as an associate of the Company by using equity method. The Target Company will not become a subsidiary of the Company, and the financial information of the Target Company will not be consolidated into the financial statements of the Group.

Based on the unaudited financial information of the Target Company, the profit before taxation was approximately HK$9.5 million for the year ended 31 December 2024. Upon Completion, the financial results of the Target Group will be recognised as share of results of associates of the Company.

Since part of the Consideration will be settled by issue of the 2.5% per annum interest-bearing Promissory Notes, assuming there is no early repayment, the annual interest expense would be approximately HK$0.5 million.

Should the Target Company sustain its profitability in future, the Acquisition is expected to have positive financial effects on earnings of the Company.

Cash and cash equivalents

Given part of the Consideration will be settled in cash, it is expected that the cash position of the Group will decrease as a result of the Acquisition. The cash consideration of HK$7.0 million represents approximately 39.0% of the Group's cash and cash equivalents balance as at 30 June 2024 of approximately RMB19.2 million.

Liabilities

As set out in the Interim Report 2024, the Group has no interest-bearing debts or borrowings as at 30 June 2024. The issue of Promissory Notes in principal amount of HK$20,600,00 will be accounted for as the liabilities of the Group upon Completion.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial positions of the Group will be upon completion of the Acquisition.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the terms of the Equity Sale and Purchase Agreements are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and the entering into of the Equity Sale and Purchase Agreements is in the interests of the Company and the Shareholders as a whole, despite that the Acquisition itself may not be conducted in the ordinary and usual course of business of the Group.

We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated under the Equity Sale and Purchase Agreements.

Yours faithfully,
for and on behalf of
HOORAY CAPITAL LIMITED

Rebecca Mak	**Simon Cheung**
Managing Director	*Director*

Note: Ms. Rebecca Mak is a responsible officer to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and she has over 20 years of experience in the corporate finance industry.

Mr. Simon Cheung is a responsible officer to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and he has over 11 years of experience in the corporate finance industry.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, the Independent Valuer, in connection with its valuation of the Target Company.

Peak Vision
Appraisals Limited

Unit 702, 7th Floor, Capital Centre
No. 151 Gloucester Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

25 April 2025

The Board of Directors
Fengyinhe Holdings Limited
Room 1007, 10th Floor, West Wing
Tsim Sha Tsui Centre
66 Mody Road
Tsim Sha Tsui, Kowloon
Hong Kong

Dear Sirs,

Re : Valuation of 30% equity interest of OnlyOwner Technology Limited

In accordance with your instruction, we have conducted a valuation of the market value of 30% equity interest of OnlyOwner Technology Limited (the "**Target Company**"). It is our understanding that the Target Company is a computer information service confidentiality provider that focuses on the encryption protection of private information. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of 30% equity interest of the Target Company as at 31 December 2024 (the "**Valuation Date**").

This report states the purpose of valuation and basis of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF VALUATION

This report is being prepared solely for the use of the directors and management (together, the "**Management**") of Fengyinhe Holdings Limited (the "**Company**") for internal reference and incorporation into the circular of the Company in connection with proposed acquisition of the Target Company. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited. As advised, the Company intends to acquire 30% equity interest of the Target Company.

Peak Vision Appraisals Limited ("**Peak Vision Appraisals**") acknowledges that this report may be used by the Management as one of the sources of information for the proposed acquisition of the Target Company and may also be made available to the auditors of the Company for auditing reference only. The proposed acquisition, if materialised, and the corresponding transaction price would be the result of negotiations between the transacting parties. The Management should be solely responsible for determining the consideration of the proposed acquisition, in which Peak Vision Appraisals is not involved in the negotiation and has no comment on the agreed consideration. Peak Vision Appraisals assumes no responsibility whatsoever to any person other than the Management in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 BASIS OF VALUE

Our valuation has been prepared in accordance with the HKIS Valuation Standards 2024 published by the Hong Kong Institute of Surveyors (the "**HKIS**"), the RICS Valuation – Global Standards (Effective from 31 January 2025) published by the Royal Institution of Chartered Surveyors (the "**RICS**") and the International Valuation Standards (Effective 31 January 2025) published by the International Valuation Standards Council, where applicable.

Our valuation of the Target Company is based on the going concern premise and conducted on market value basis. **Market Value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

3.0 SOURCES OF INFORMATION

In the course of our valuation, we have performed company visit of the Target Company in January 2025 and had discussion with the Management on the development of the Target Company and the prospect of the software security industry. We have also relied on the following major documents and information in the valuation analysis. Some of the information and materials are furnished by the Management. Other information is extracted from public sources such as government sources, Refinitiv, Kroll Cost of Capital Navigator*, etc.

* *Kroll Cost of Capital Navigator is a global cost of capital tool and data delivery platform developed by Kroll Inc. (rebranded from Duff & Phelps LLC in 2022), which is a leading independent corporate investigation, risk consulting and financial advisory solutions provider established in 1972.*

The major documents and information include the following:

- Copies of certificate(s) or license(s) and other relevant information of the Target Company as provided by the Management or extracted from public sources;
- Company profile of the Target Company;
- Historical financial information such as income statements and balance sheet of the Target Company as provided by the Management;
- Operational information of the Target Company as discussed with the Management; and
- Industry and economic data.

We consider that we have obtained adequate information from the sources described above to provide a reliable opinion of the market value.

4.0 LIMITATIONS AND RELIANCE ON INFORMATION

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

This report is based upon business, financial and other information provided by the Management. We have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

Preparation of this report does not imply that Peak Vision Appraisals has audited in any way the financial or other information of the Target Company. It is understood that the financial information provided is prepared in accordance with generally accepted accounting principles and has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Target Company as at the respective financial statement dates.

5.0 BUSINESS REGISTRATION DETAILS

OnlyOwner Technology Limited (the Target Company) is a limited liability company incorporated in Hong Kong on 28 December 2020 with BRN 72509400. The registered office and principal place of business of the Target Company is Room 1007, 10th Floor, West Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

6.0 BUSINESS OVERVIEW

According to the company website of the Target Company, the Target Company specializes in computer information service confidentiality, with a focus on encryption protection for private information. The Target Company aims to provide enhanced security measures that allow users to enjoy the benefits of internet of things while ensuring their data's safety. The Target Company continuously strives to upgrade their encryption algorithms and integrate higher protection level security chips to adapt to increasingly complex digital environments.

6.1 Revenue of the Target Company

Through partnerships with agents in key regions in the People's Republic of China ("**PRC**") (including Jiangsu Province, Anhui Province, Chongqing City, Guizhou Province) and countries in the Southeast Asia Region, the Target Company has established distribution channels distributing products of the Target Company. With the introduction of new products and services, the Target Company aim to further expand sales channels and diversify sales methods, particularly through the Target Company's own brand marketing strategies, seeking more partners to join the distribution network.

6.2 Product

The Target Company has developed its encryption system called "網璽" (the "**System**"). The System mainly consists of hardware keys (host machine and slave machine) and relevant software. The System is attached to 3 devices, i.e. 1 host machine and 2 slave machines. The System's main functions are shown as follows:

Encrypted Security Zone:

By using the hardware host/slave machine, the user may create files on the existing storage medium (such as hard drives) and connect them to a normal disk drive. Through the visual security zone interface of the software, the user may access the created files. When the host/slave machine is unplugged by a user, all files mounted on the driver disk will be encrypted and concealed, thereby blocking external access.

Directional Encrypted Sharing:

The user's encrypted data with relevant marks can only be accessed by using the host/slave machine. The encryption package with directional sharing has random secret keys, with each package assigned with a unique secret key.

Host/Slave Machine Settings:

The same encrypted zone is shared by the host and slave machines to recover the lost data in the security zone after the loss of a single machine. However, the directional encryption and sharing function apply to the host machine only; while the salve machine has no permission for sharing, creating, expanding, exporting and deleting in the security zone.

The System is designed to secure confidentiality of data exchanges between systems or over networks. The System has utilized state secret encryption technology to provide high-level security assurances to ensure that users' information are protected under various scenarios like unattended computer operation, computer under maintenance, computer lost, customs inspection, unsecured email transfer, cloud platform operation, unauthorized access or tampering, etc.

Figure 1: Appearance of the System

Source: Management

The System is divided into software and hardware parts and the entire system runs on Windows and supports Windows 7 or above. The flow charts for the first use, daily use and friend management and encrypted sharing processes are shown as follows:

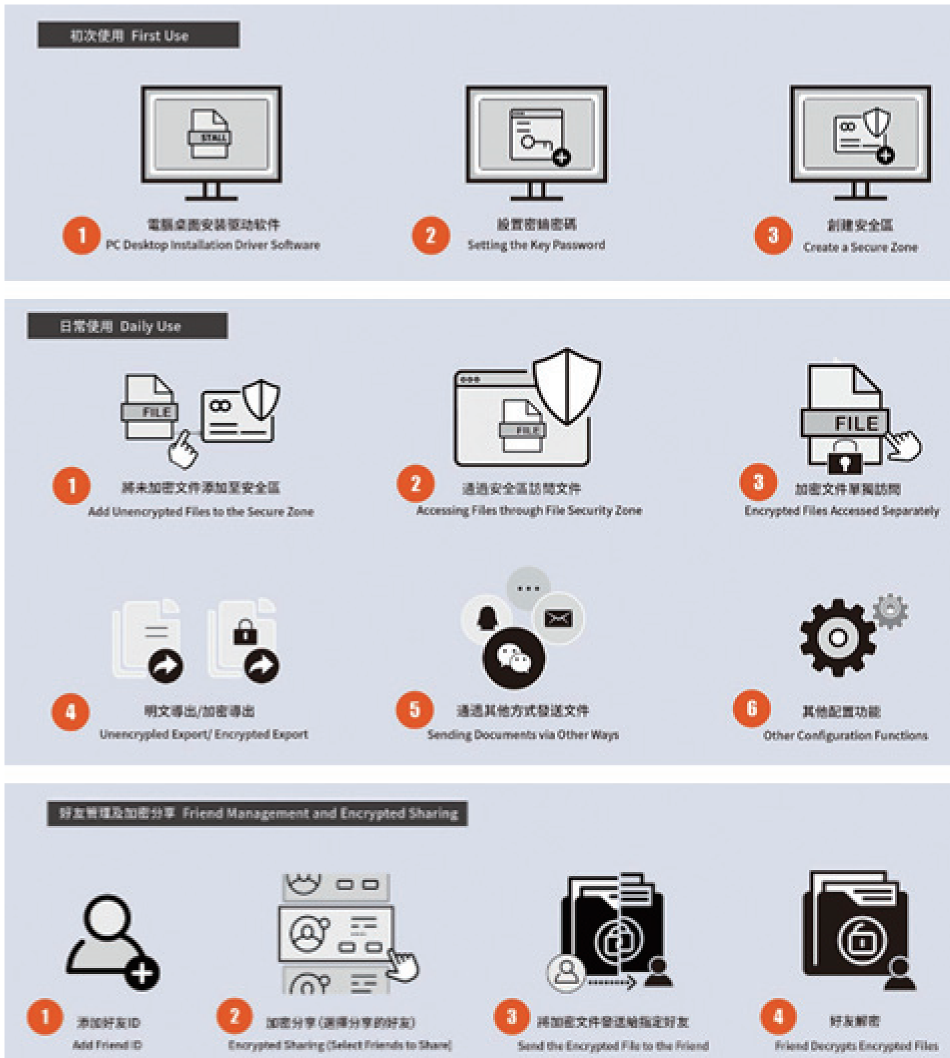

Figure 2: Flow charts of the System

Source: Management

6.3 Development Team of the Target Company

As advised, the Target Company has invited Professor CW. Brian Kei from Hong Kong Polytechnic University as the technical advisor of the Target Company. Dr. Brian Kei is a Professor of Practice at the School of Accounting and Finance of the Hong Kong Polytechnic University. He received his Doctor of Business Administration from the Hong Kong Polytechnic University and B. Engineering (Computer Engineering) from McMaster University (Canada). His consulting and research interests include financial services, fintech, blockchain, big data, machine learning, natural language processing and robotic process automation. Dr. Brian Kei has been a Professional Engineer (Ontario, Canada) since 1992. He served as head of information technology and general manager in various international financial services organizations. He has vast experience in launching new innovative businesses, automation systems and online securities trading platforms. He is actively involved in industry communities and has significant contribution in the developments and collaboration of financial services industry. He is also the vice chairman of The Institute of Securities Dealers in Hong Kong.

The Target Company also had a team with 18 information technology engineers as at the Valuation Date, constantly improving current products and developing new products and services for the Target Company.

6.4 Patents

As advised, the Target Company holds several patents related to the System, emphasizing the security of data through advanced encryption technologies.

According to the Patents Registry Intellectual Property Department of the Government of Hong Kong, the basic information regarding the patents registered in Hong Kong are shown as follows:

Patent No.	:	HK20056693
Application No.	:	22021043018.1
Title of invention	:	A SECURE FILE SHARING METHOD AND SYSTEM BASED ON GUOMI ALGORITHM
Proprietor	:	OnlyOwner Technology Limited (the Target Company)
Patent terms	:	20 years commencing on 25 November 2021

Table 1: Patent 1 registered in Hong Kong

Source: Management

Patent No.	:	HK30059107
Application No.	:	32021043014.8
Title of invention	:	A COMPUTER FILE SECURITY ENCRYPTION METHOD, DECRYPTION METHOD AND READABLE STORAGE MEDIUM
Proprietor	:	OnlyOwner Technology Limited (the Target Company)
Patent terms	:	8 years commencing on 25 November 2021

Table 2: Patent 2 registered in Hong Kong

Source: Management

According to the patent granted by China National Intellectual Property Administration ("**CNIPA**"), the basic information regarding the patent registered in the PRC is shown as follows:

Invention name	:	一種基於國密算法的安全的文件共享方法和系統
Inventor	:	陳洪; 劉中奎; 張亞斌
Patent number	:	ZL 2021 1 1438791.2
Patent application date	:	30 November 2021
Patent holder	:	傲然技術有限公司 (OnlyOwner Technology Limited, the Target Company)
Publication date	:	30 January 2024
Patent period	:	From 30 November 2021 to 29 November 2041

Table 3: Patent registered in the PRC

Source: Management

6.5 Historical Financial Performances

According to the financial information provided by the Management, the historical financial performance of the Target Company for the year ended 31 December 2024 is shown as follows:

	Year ended 31 December 2024 *(HK$)*
Revenue	18,720,000
Cost of sales	(7,813,000)
Gross profit	10,907,000
Investment income	573,000
Other income	1,288,000
Other operating expenses	(3,010,000)
Earnings before interests and taxes	**9,758,000**

* *Figures above are subject to rounding*

Table 4: Historical financial performances of the Target Company

Source: Management

As at the Valuation Date, the Target Company had a net asset position of approximately HK$10,271,000.

7.0 INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to the software security industry, and the development, operations and other relevant information of the Target Company. In addition, we have made relevant inquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to the financial information and other pertinent data concerning the Target Company provided to us by the Management.

The valuation of the Target Company requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Target Company;

- Historical information of the Target Company;
- Financial performances and positions of the Target Company;
- Proposed business development of the Target Company;
- Regulations and rules of the software security industry;
- Economic and industry data affecting the software security industry and other dependent industries;
- Market-derived investment return(s) of similar business; and
- Industry and economic data.

8.0 GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to obtain the market value of the Target Company, namely the Market Approach, the Asset Approach and the Income Approach. Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the specific characteristics of the subject of the valuation. It is also common practice to employ a number of valuation methods under each approach. Therefore, no single business valuation approach or method is definitive.

8.1 Market Approach

The Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to sales and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to arrive an indication of value.

8.2 Asset Approach

The Asset Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the fund that has been made available to purchase the business assets needed.

This fund comes from investors who buy stocks of the business entity (equity) and investors who lend fund to the business entity (debt). After collecting the total amounts of fund from equity and debt, and converted into various types of assets of the business entity for its operations the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

8.3 Income Approach

The Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

9.0 VALUATION ANALYSIS

9.1 Valuation Approach and Methodology

In the process of valuing the Target Company, we have considered the nature of the Target Company, specialty of its operations, its current condition, and the industry it is participating. Having considered the three general valuation approaches, we consider that the Market Approach would be appropriate and reasonable in the valuation of the market value of the Target Company.

In this valuation, the Income Approach is not adopted as long-term forecasts are unavailable and preparing forecasts inherently relies on various subjective assumptions, which may or may not be sustainable. Furthermore, profit of the Target Company was relatively volatile. Therefore, preparing the financial projection of the Target Company involves subjective judgement and uncertainties. In contrast, the Market Approach is better suited to capturing market sentiment and producing a less biased valuation of the Target Company as it requires fewer subjective inputs.

The Asset Approach is not applied as the valuation of the Target Company is conducted on a going concern basis, and the summation of its assets is inappropriate as such method ignores the future economic benefits of the business as a whole and market sentiment regarding the shares of the Company. We have therefore solely relied on the Market Approach in determining our opinion of value.

Under the Market Approach, we have considered two commonly used methods of valuation, the Guideline Public Company Method and the Comparable Transactions Method. The Guideline Public Company Method is applied as there are a certain number of public traded companies engaged in the same or similar line of business as the Target Company that can be identified. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to permit meaningful comparison. The application of Comparable Transactions Method is limited as there are insufficient comparable transactions and information to form a reliable opinion of value.

For the valuation of the Target Company, we have employed the enterprise value to earnings before interests and taxes ("**EV/EBIT**") ratio. We consider the EV/EBIT ratio is more appropriate in valuing the Target Company when compared to other commonly adopted price multiples such as price to sales ("**P/S**") ratio, price to book ("**P/B**") ratio and price to earnings ("**P/E**") ratio due to the following reasons:

- Earnings is the primary determinant of value;
- P/S ratio and P/B ratio do not account for the profitability of the business, and fail to reflect the true earnings power and value of the business;

- Enterprise multiples are useful for comparisons across comparable companies with different capital / asset structures because they exclude the distorting effects of individual companies' capital / asset levels, and the ratio tends to be more stable; and

- The P/E ratio only looks at the equity portion and ignores debt. In the course of our valuation, we noticed the Target Company has substantial amount of debt level (approximately HK$6,499,000) as compared to its net asset value (HK$10,271,000). Using P/E ratio might have distorting effect for comparisons across comparable companies with different capital / asset structures. As such, we consider P/E ratio is not appropriate in this valuation.

9.2 Guideline Public Companies

In the course of our valuation, we have performed an exhaustive search of the Refinitiv database and identified a total of 6 guideline public companies for our analysis. The Target Company is a computer information service confidentiality provider that focuses on the encryption protection of private information, and there are no perfect match of guideline public companies with exactly the same financial performance, business operations and risk profile as the business subject. However, the guideline public companies we identified are also engaged in the software security business and therefore we consider they are subject to similar business, industry and economic risks and rewards as the Target Company.

Selection criteria of guideline public companies are listed as follows:

a. Companies that are actively traded and publicly listed in the PRC, Hong Kong or Taiwan;

b. Companies that have been publicly listed for at least 2 years before the Valuation Date;

c. Companies principally engaged in the software or internet security activities according to The Refinitiv Business Classification*;

d. Under the abovementioned software or internet security classification, at least 80% of the revenue is derived from the provision of products or services in relation to encryption, software security, cybersecurity, network security, internet security, digital security, password security or authentication; and

e. Companies that are generating operating profit according to Refinitiv.

* The Refinitiv Business Classification ("***TRBC***") *is an industry classification of global companies developed by Refinitiv (formerly known as "**Thomson Reuters**"), a global provider of financial information and news. TRBC is designed to categorize companies and their financial instruments into sectors and industries, providing a standardized framework for investment analysis, portfolio management, and benchmarking.*

Based on our exhaustive search of the Refinitiv database using the criteria above, we have compiled an exhaustive list of guideline public companies, including the 6 companies listed below:

Refinitiv Ticker	Name	Market Capitalization as at the Valuation Date *(HK$'million)*	Enterprise Value as at the Valuation Date *(HK$'million)*	Normalized Earnings Before Interest and Taxes[(1)] *(HK$'million)*
002439.SZ	Venustech Group Inc.	20,511	17,497	262
300768.SZ	Hangzhou DPtech Technologies Co., Ltd.	11,990	9,033	113
603232.SS	Koal Software Co., Ltd.	3,235	2,923	8
688168.SS	Beijing ABT Networks Co., Ltd.	3,198	3,333	14
688244.SS	Integrity Technology Group Inc.	2,785	2,607	23
6690.TWO	Acer Cyber Security Inc.	1,473	1,656	65

(1) Normalized earnings before interest and taxes for the trailing 12 months ended 30 September 2024

(2) The above figures are sourced from Refinitiv database

Table 5: Comparable Guideline Public Companies based on our exhaustive search of the Refinitiv database

Source: Refinitiv

A table showing comparisons between the Target Company and the guideline public companies is shown as follows:

Company	Business model	Type of products and services and applications	Types of customers	Operating Scale	Percentage of revenue having similar business as the Target Company[(2)]	Development Stage
OnlyOwner Technology Limited (the Target Company)	Research and development ("**R&D**"), direct sales or licensing of proprietary security solutions focusing on encryption protection for data security intrusion prevention	Encryption solutions technologies included, both hardware and software, designed to protect private information through advanced encryption algorithms	Government, enterprises, financial institutions and individuals	Revenue for year ended 31 December 2024: HK$18.72 million	N/A	Growing

Company	Business model	Type of products and services and applications	Types of customers	Operating Scale	Percentage of revenue having similar business as the Target Company[(2)]	Development Stage
Venustech Group Inc (002439.SZ)	R&D, manufacture, sales of security products for data security intrusion prevention	Cloud network security, data element security, identity trust and password application security, industrial Internet security and other emerging security fields, included both hardware and software	Government, enterprises, individual, family	Revenue for TTM[(1)] ended 30 September 2024: RMB4,299 million	99%	Mature
Hangzhou DPtech Technologies Co., Ltd. (300768.SZ)	R&D, production, and sales in network security and application delivery for data security intrusion prevention	Unified software platform and high-performance hardware platform, included both hardware and software, based on innovation, with network security as the core, and an overall solution that integrates network security, application delivery, and basic network functional modules in the field of enterprise communications	Government, power energy, enterprises in finance, education, medical care, transportation, etc. industries	Revenue for TTM[(1)] ended 30 September 2024: RMB1,133 million	80%	Mature
Koal Software Co., Ltd. (603232.SS)	R&D, production, sales and service of products related to digital trust and data security intrusion prevention	Information security software products based on cryptographic technology such as identity supply, identity management, identity authentication, transmission protection, access control, and data encryption, as well as related security services	Government, enterprises in finance and military industries	Revenue for TTM[(1)] ended 30 September 2024: RMB563 million	100%	Relatively mature

Company	Business model	Type of products and services and applications	Types of customers	Operating Scale	Percentage of revenue having similar business as the Target Company[(2)]	Development Stage
Beijing ABT Networks Co., Ltd. (688168.SZ)	R&D, sales of network security software for data security intrusion prevention	Network security defence control, network monitoring and early warning, etc., multi-category network security products, included both hardware and software, including security gateways, security management, full traffic security, data security, cloud security and security services	Government, state owned enterprises	Revenue for TTM[(1)] ended 30 September 2024: RMB570 million	100%	Relatively mature
Integrity Technology Group Inc. (688244.SS)	R&D, production, sales of security products for data security intrusion prevention	Digital wind tunnel testing and evaluation, network range and operation, security protection and control, and network security services, included both hardware and software	Government and enterprises	Revenue for TTM[(1)] ended 30 September 2024: RMB398 million	100%	Relatively mature
Acer Cyber Security Inc. (6690.TWO)	R&D and technical services in cybersecurity for data security intrusion prevention	Information security related services, including pre-incident prevention, in-incident detection, post-incident response and disaster recovery software solutions	Government and enterprises	Revenue for TTM[(1)] ended 30 September 2024: TWD2,064 million (i.e. around RMB459 million)	88%	Relatively mature

* *Figures above are subject to rounding*

Notes:

(1) TTM means trailing twelve months

(2) This is the percentage of revenue having similar business as the Target Company which means the percentage of revenue derived from the provision of products or services in relation to encryption, software security, cybersecurity, network security, internet security, digital security, password security or authentication under the software or internet security classification of the TRBC. We consider that when a business contributes to at least 80% of total revenue of a business entity, it already represents the principal business of such company.

Table 6: Summary of business model, types of products and services and applications, types of customers, operating scale, percentage of revenue having similar business and development stage between the Target Company and the guideline public companies

Source: Refinitiv, annual reports and company websites

Based on the selection criteria as set out on the above table, no Hong Kong listed guideline public company can be identified which is able to fulfil all the selection criteria. Although the Target Company is a Hong Kong-based company, it has partnered with agents in various regions in the PRC (including Jiangsu Province, Anhui Province, Chongqing City, Guizhou Province) and countries in the Southeast Asia Region and has established distribution channels to distribute its products. As such, we consider the selected guideline public companies in the PRC or Taiwan also share the similar geographic risk as the Target Company and thus are also appropriate to be taken into consideration.

The six guideline public companies and the Target Company share several similarities. First and foremost, both the guideline public companies and the Target Company are software companies offering information security products to protect data and ensure information safety. As such, these companies operate within the same industry and are subject to similar economic and technological conditions. Despite the differences in scale, profitability, product range and stage of development (addressed below), we believe that the guideline public companies face similar risks and rewards, making them fair and representative for the valuation of the Target Company.

While the guideline public companies identified are larger in scale (in terms of market capitalization), have higher profits, have a wider product range and a more advanced stage of development, they are still representative and fair for the valuation for several reasons:

Higher market capitalization and profits: These are due to the larger operating size of the guideline public companies when compared to the Target Company. In view of this, we have adjusted the multiple ratios of the guideline public companies to reflect the higher risk of investing in a company of smaller size. For details of the adjustment, please refer to Section 9.3 of the valuation report. Furthermore, despite the higher absolute profits of the guideline public companies, the average earnings before interest and taxes (EBIT) margin of the Target Company during the last three years outperformed that of the guideline public companies identified (as shown in the following table). This indicates that the Target Company has a more efficient operations and more effective cost management, which can lead to sustainable growth and higher profitability over time.

Refinitiv Ticker	Name		Average latest 3 financial years normalized EBIT margin
002439.SZ	Venustech Group Inc.	:	14%
300768.SZ	Hangzhou DPtech Technologies Co., Ltd.	:	13%
603232.SS	Koal Software Co., Ltd.	:	–1%

Refinitiv Ticker	Name		Average latest 3 financial years normalized EBIT margin
688168.SS	Beijing ABT Networks Co., Ltd.	:	7%
688244.SS	Integrity Technology Group Inc.	:	11%
6690.TWO	Acer Cyber Security Inc.	:	11%
N/A	The Target Company	:	22%

* *Figures above are subject to rounding*

Wider product range and more advanced stage of development: Although the guideline public companies have a greater product range and are at a more advanced stage of development, both the guideline public companies and the Target Company focus on information security products to protect data and ensure information safety. Despite the greater variety of products, they are developed for the same purpose, i.e., aiming to achieve data and information safety. Therefore, despite the greater product range, they all fall under the same product category, and the industry risk is not significantly diversified, which would not lead to a significantly higher valuation in our opinion.

Furthermore, according to our understanding, the security products offered by the Target Company are second-generation products, and several new applications are under final testing before launch. This indicates that the Target Company, despite being in an earlier stage of development, is growing well. Nonetheless, we have added an additional risk premium to reflect the higher risk (due to the narrower product range and earlier stage of development) compared to the guideline public companies. For details of the adjustment, please refer to Section 9.3 of the valuation report.

Considering the above differences between the guideline public companies and the Target Company have been factored into adjusting the multiple ratios, we are of the view that our valuation derived from the adjusted multiple is a fair and reasonable valuation. For details of the business overview of the above guideline public companies, please refer to Appendix A.

9.3 Multiple Ratios

In order to form a meaningful and fair valuation, we have adjusted the differences in characteristics between the Target Company and the guideline public companies.

Different companies are exposed to different levels of risk, therefore, the multiples of guideline public companies should be adjusted so that they reflect the risk of the Target Company. In the course of our valuation, we have assessed the risk relative to the guideline public companies by making reference to their sizes and listing locations, and accordingly adjusted the multiples upward or downward where appropriate based on the differences.

A number of studies[(3)] were conducted in the United States which concludes that the risk premium associated with a small company is over and above the amount that would be warranted. An investor would demand more in order to compensate for the additional risk over that of the entire stock market when investing in a small size company. Thus, in this appraisal, the comparable company multiples are size-adjusted with reference to "Adjusting Guideline Multiples for Size" by Michael Mattson, Don Shannon and Don M. Drysdale published in September/October 2001 Valuation Strategies[(4)], which is an independent research commonly adopted by practitioners, with the following formula adopted in deriving the size adjustment:

$$\text{Adjusted Multiple} = \frac{1}{\dfrac{1}{\text{Multiple}} + \text{Size differentials*}}$$

The above formula was subsequently cited by an article "Market Multiples Adjustments For Differences In Risk Profile – An Airline Company Example" published by Nina Milenkovi (KPMG LLC Belgrade, Kraljice Natalije 11, 11000 Belgrade, Serbia) in 2015.

In the course of our valuation, we have made reference to Cost of Capital by Kroll Cost of Capital Navigator as at 31 December 2023, which is an independent research commonly adopted by practitioners, for the size differentials.

Based on the above formula, we have further added the differentials of country risk and specific risk premiums, determined with reference to the data published on Damodaran Online[(5)] (http://pages.stern.nyu.edu/~adamodar/), updated in 2025.

(3) *These studies include "Risk Premium Report 2013" published by Duff & Phelps LLC (now known as "**Kroll Inc.**"), a leading global independent financial advisory solutions provider specializing in valuation services; and "Volatility and Premiums in US Equity Returns" published by Eugene F. Fama and Kenneth R. French, in which Eugene F. Fama shared the Nobel Memorial Prize in Economic Sciences for his empirical analysis of asset prices.*

(4) *The lead author, Michael Mattson, is a self-employed valuation professional. He received his MBA from the University of Chicago and previously worked with Ibbotson & Associates, PricewaterhouseCoopers, Lasalle Consulting Group, and McGraw-Hill/DRI before going out on his own. He wrote the chapter on guideline public company analysis for Jim Hitchner's book, Financial Valuation: Applications and Models.*

(5) *Damodaran Online is prepared by Aswath Damodaran, who is currently a Professor of Finance at the Stern School of Business at New York University. Mr. Damodaran has published several books, including four books on equity valuation and two on corporate finance. He has also published papers in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies.*

The breakdown of the total differential is shown as follows:

Refinitiv Ticker	Name	Size Premium	Size Differential	Country Risk Premium	Country Differential	Specific Risk Premium Differential	Total Differential
002439.SZ	Venustech Group Inc.	1.21%	3.49%	0.94%	(0.14%)	2.00%	5.3%
300768.SZ	Hangzhou DPtech Technologies Co., Ltd.	1.39%	3.30%	0.94%	(0.14%)	2.00%	5.2%
603232.SS	Koal Software Co., Ltd.	1.99%	2.71%	0.94%	(0.14%)	2.00%	4.6%
688168.SS	Beijing ABT Networks Co., Ltd.	1.99%	2.71%	0.94%	(0.14%)	2.00%	4.6%
688244.SS	Integrity Technology Group Inc.	1.99%	2.71%	0.94%	(0.14%)	2.00%	4.6%
6690.TWO	Acer Cyber Security Inc.	4.70%	0.00%	0.80%	0.00%	2.00%	2.0%
The Target Company		4.70%		0.80%			

Note: The size differentials and country differentials were calculated by subtracting the respective size premiums and country risk premiums of the guideline public companies from the size premium of the Target Company (i.e. 4.70%) and the country risk premium of the Target Company (i.e. 0.80%) respectively, which are consistent with the suggested calculation method as mentioned in the article "Market Multiples Adjustments For Differences In Risk Profile – An Airline Company Example" as set out in section 9.3.

The size premiums were assigned according to the Center for Research in Security Prices, LLC ("**CRSP**") Deciles Size Study ranking companies from largest (Decile 1) to smallest (Decile 10) by market capitalization shown as follows :

Decile	Low End Breakpoint (USD in million)	High End Breakpoint (USD in million)	Size Premium
10	1.58	212.64	4.70%
9	213.04	554.52	1.99%
8	555.88	1,046.04	1.14%
7	1,050.08	1,862.49	1.39%
6	1,864.29	3,010.81	1.21%
5	3,011.22	4,621.79	0.95%
4	4,622.26	7,461.28	0.64%
3	7,493.61	14,820.05	0.61%
2	14,910.72	36,391.11	0.46%
1	36,942.98	2,662,326.05	-0.06%

Smaller companies typically have higher size premiums in business valuation because they face greater risks and uncertainties compared to larger firms. Kroll Cost of Capital Navigator shows that smaller firms historically deliver higher returns to compensate for these risks, leading to a higher size premium applied in valuation models. The premium is quantified using size-based portfolios, where smaller market capitalization companies exhibit higher expected returns. In the course of our valuation, we consider the Target Company has the smallest size as compared to the guideline public companies. As such, we have assigned the highest size premium (i.e. 4.70%) to the Target Company according to the CRSP Deciles Size Study and considers that it is already sufficient to reflect the scale difference between the Target Company (smaller scale) as compared to the guideline public companies (larger scale).

We consider the more mature the guideline public company, the more advanced of the development stage and the higher market capitalization it should be, thus the larger size differential should be applied as compared to the Target Company. In the course of our valuation, we consider that difference of development stage between the Target Company and the guideline public companies had already factored in the size differentials.

The country risk premiums were determined with reference to Damodaran Online as prepared by Aswath Damodaran, which assess the additional risk of investing in a specific country compared to a mature market (i.e. the United States) to ensure the country risk premiums reflect both sovereign and equity market risks.

We have further considered that the guideline public companies offer more diversified product ranges than the Target Company. Besides, we also consider that the Target Company is still at the growing stage with higher uncertainties of development. As such, we have further applied 2% specific risk premium.

No specific risk premiums were applied to the guideline public companies. In the course of our valuation, we only applied 2% specific risk premiums to Target Company. Again, as mentioned in the abovementioned note, the specific risk premium differentials of 2% as compared the Target Company to all guideline public companies were calculated by : Specific risk premium of the Target Company (i.e. 2%) – Specific risk premium of the guideline public companies (i.e. all at 0%)

Control premium refers to the additional amounts paid to acquire control of a company, typically through obtaining a majority stake (over 50%). In our case, the Company intends to acquire 30% equity interest of the Target Company. Since a 30% equity interest typically does not provide control, reflecting the lack of decision-making power, it is not a standard valuation practice to apply a control premium. Instead, 30% equity interest should be valued as a at the minority stake position.

As for the market capitalization calculation of the guideline public companies, they are all calculated by the stock's closing share prices multiplied by their respective outstanding shares. Most stock market transactions involve small blocks of shares, not enough to grant control. The closing price is set by these trades, which are driven by supply and demand for minority interests. Investors buying these shares do not gain control, so the price does not factor in the extra value of any controlling right. Thus, they are all trading at minority stake positions without taking into account of any control premium as well. This is in line with the purpose of the Company's intention to acquire 30% equity interest (as minority position) of the Target Company.

Refinitiv Ticker	**Name**	**EV/EBIT**	**Total Differential**	**Adjusted EV/EBIT(1)**
002439.SZ	Venustech Group Inc.	66.74	5.3%	14.61
300768.SZ	Hangzhou DPtech Technologies Co., Ltd.	79.67	5.2%	15.58
603232.SS	Koal Software Co., Ltd.	349.03(2)	4.6%	20.60(2)
688168.SS	Beijing ABT Networks Co., Ltd.	231.51(2)	4.6%	20.00(2)
688244.SS	Integrity Technology Group Inc.	114.18(2)	4.6%	18.37(2)
6690.TWO	Acer Cyber Security Inc.	25.33	2.0%	16.81
	Mean			17.66
	Mean (exclude outliers)			15.67
	Applied ratio			15.67

* *Figures above are subject to rounding*

Notes:

(1) The adjusted EV/EBIT is calculated from EV/EBIT and total differential with the following formula: 1 / (1 / EV/EBIT) + total differential

(2) These are extreme outliers which are not applicable for comparable analysis. We consider those unadjusted EV/EBIT ratios of over 100x to be unreasonably high because it may indicate overvaluation due to speculative growth expectation which may not be sustainable.

The EV/EBIT ratio shown above is calculated by dividing the enterprise value by the normalized earnings before interest and taxes of the guideline public companies.

Based on the above table, after excluding outliers, the adjusted EV/EBIT ratio of the guideline public companies ranged from the minimum of 14.61x to the maximum of 16.81x, resulting in a mean (exclude outliers) of approximately 15.67x. In the course of our valuation, we consider EV/EBIT ratio of guideline public companies larger than 100x to the extremely high. Generally such high ratios may result in higher and sometimes unreasonably high valuation multiple.

In general, we require three or more good comparables that are subject to similar risks and rewards as the Target Company to derive a representative valuation. In this case, based on our exhaustive search, we have identified three good comparables that are all software companies offering information security products. As such, these companies face similar industry risks and rewards. Furthermore, after adjusting for size and specific risks, the multiples of the guideline public companies are relatively close, which supports the validity of using these guideline public companies. Therefore, the guideline public companies are sufficient and representative for determining the value of the Target Company.

Based on the financial information of the Target Company, the normalized earnings before interests and taxes (i.e. excluding investment income and other income and interest expenses in the sum of approximately HK$1,618,000) of the Target Company for the year ended 31 December 2024 was approximately HK$7,897,000.

9.4 Lack of Marketability Discount

We have adopted a lack of marketability discount of approximately 20.4% as ownership interest in closely held companies are typically not readily marketable compared to similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The discount of 20.4% was determined with reference to Stout Restricted Stock Study Companion Guide (2024 Edition).

9.5 Cash and Debts

In computing the market value of the Target Company, we have adjusted the assessed enterprise value for the cash and debts of the Target Company as at the Valuation Date. Based on the financial information provided by the Management, the cash and debts as at 31 December 2024 were as follows:

	(HK$'000)
Cash	76
Debts	(6,499)

* *Figures above are subject to rounding*

9.6 Valuation

Based on our analysis as at the Valuation Date, the mean of the adjusted EV/EBIT ratio of the guideline public companies was approximately 15.67x.

By applying the normalized earnings before interests and taxes (i.e. excluding investment income and other income) of approximately HK$7,897,000 of the Target Company and adjusting for lack of marketability discount (in accordance with *Section 9.4*) and cash and debts (in accordance with *Section 9.5*), the indicative value of 100% equity interest of the Target Company (non-controlling basis) as at the Valuation Date was in the sum of HK$92,057,000.

Based on the above, we are of the opinion that the market value of 30% equity interest of the Target Company as at the Valuation Date was in the sum of **HK$27,617,000 (HONG KONG DOLLARS TWENTY SEVEN MILLION SIX HUNDRED AND SEVENTEEN THOUSAND ONLY)**. Our calculation is tabulated as follows:

	(HK$)
Applied EV/EBIT ratio	15.67x
Multiplication factor (Normalized Earnings Before Interests and Taxes)	7,897,000
	123,719,000
Adjustment:	
Less: Lack of marketability discount	(25,239,000)
	98,480,000
Add: Cash	76,000
Less: Debts	(6,499,000)
Indicative Value of 100% Equity Interest of the Target Company (Non-controlling basis) under EV/EBIT ratio	92,057,000
Market Value of 30% Equity Interest of the Target Company (Non-controlling basis) under EV/EBIT ratio	**27,617,000**

9.7 Sensitivity Analysis

In the course of our valuation, we have also performed a sensitivity analysis in the case if the extreme outliers of adjusted EV/EBIT ratios are all adopted. The ratio would be:

Refinitiv Ticker	Name	EV/EBIT	Adjusted EV/EBIT
002439.SZ	Venustech Group Inc.	66.74	14.61
300768.SZ	Hangzhou DPtech Technologies Co., Ltd.	79.67	15.58
603232.SS	Koal Software Co., Ltd.	349.03	20.60
688168.SS	Beijing ABT Networks Co., Ltd.	231.51	20.00
688244.SS	Integrity Technology Group Inc.	114.18	18.37
6690.TWO	Acer Cyber Security Inc.	25.33	16.81
	Mean		17.66
	Applied ratio		17.66

Based on the above table, the adjusted EV/EBIT ratio of the guideline public companies ranged from the minimum of 14.61x to the maximum of 20.60x, resulting in a mean of approximately 17.66x.

By applying the normalized earnings before interests and taxes (i.e. excluding investment income and other income) of approximately HK$7,897,000 of the Target Company and adjusting for lack of marketability discount (in accordance with *Section 9.4*) and cash and debts (in accordance with *Section 9.5*), the indicative value of 100% equity interest of the Target Company (non-controlling basis) as at the Valuation Date would be in the sum of HK$104,598,000. The indicative value of 30% equity interest of the Target Company (non-controlling basis) under EV/EBIT ratio would be in the sum of HK$31,379,000.

For those extreme EV/EBIT ratios exceeding 100x, this implies a payback period of more than 100 years for an investment to recover its initial cost, which is literally unrealistic. If these extreme EV/EBIT ratios are deemed to be unreasonable metrics in the first place, we consider that these three ratios should be excluded from our subsequent valuation processes and the higher indicative value derived from this sensitivity analysis would therefore also not be considered fair and reasonable.

10.0 VALUATION ASSUMPTIONS

- For the Target Company to continue as a going concern, the Target Company will successfully carry out all necessary activities for the development of its business;

- Key management, competent personnel, professional and technical staff will all be retained to support the ongoing operations of the Target Company;

- The availability of finance will not be a constraint on the forecast growth of the Target Company's operations in accordance with the business plans;

- Market trends and conditions where the Target Company operates will not deviate significantly from the economic forecasts in general;

- The financial information of the Target Company as supplied to us has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Target Company as at the respective financial statement dates;

- There will be no material changes in the business strategy of the Target Company and its operating structure;

- Interest rates and exchange rates in the localities for the operations of the Target Company will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licences or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target Company operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, technological, economic or financial conditions and taxation laws in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Company.

11.0 LIMITING CONDITIONS

Our conclusion of the market value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for the accuracies.

We have relied to a considerable extent on the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibility for operational and financial information that has not been provided to us is accepted.

Certain facts, information, statistics and data relating to the economic and industry overview that are presented in this report are derived from publicly available official government sources as well as industry reports prepared by external independent market researchers. We are of the view that the sources of this information are appropriate sources for such information and have exercised reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, and thus no representation is given as to its accuracy or correctness, and accordingly, it should not be unduly relied on.

We have not investigated the title to or any legal liabilities against of the Target Company and have assumed no responsibility for the title to or any legal liabilities against the Target Company. In forming our opinion, we have assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings.

To the extent that there are legal issues relating to financial instruments, assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Peak Vision Appraisals assumes no responsibility and offers no legal opinion or interpretation on any issue.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration based on information furnished by the Management / engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

12.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HK$).

The Management has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

We hereby confirm that we are independent and have no material connection or involvement with the Target Company, the Company and its subsidiaries, associates, affiliates, or the value reported herein and that we are in a position to provide an objective and unbiased valuation. Our fee is not contingent upon any actions or events or the outcome of our conclusions.

For the subject valuation, Peak Vision Appraisals does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the HKIS and / or the RICS, where applicable.

In accordance with the RICS Valuation – Global Standards (Effective from 31 January 2025), we are also required to draw your attention to the possibility that this valuation may be investigated by the RICS for compliance with such standards.

13.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed and key assumptions appended above, we are of the opinion that the market value of 30% equity interest of the Target Company as at the Valuation Date was in the sum of **HK$27,617,000 (HONG KONG DOLLARS TWENTY SEVEN MILLION SIX HUNDRED AND SEVENTEEN THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited

Nick C. L. Kung
MRICS, MHKIS, R.P.S. (GP), RICS Registered Valuer, MCIREA
Director
Corporate Valuation

Chern Sung Lee
CFA, CPA, MRICS
Director
Corporate Valuation

Note: (1) Mr. Nick C. L. Kung is a member of the Royal Institution of Chartered Surveyors (the RICS) and member of the Hong Kong Institute of Surveyors (the HKIS), RICS Registered Valuer, Registered Professional Surveyor (General Practice) and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) and has more than 20 years of experience in the valuation of business assets and business entities in Hong Kong and overseas.

(2) Mr. Chern Sung Lee is a CFA Charterholder, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Royal Institution of Chartered Surveyors and has more than 10 years of experience in the valuation of business assets and business enterprises in Hong Kong and overseas.

Appendix A

Description of Guideline Public Companies

Venustech Group Inc. (002439.SZ) is a China-based company, principally engaged in the research and development, manufacture and distribution of information and network security products, as well as the provision of security services. The company's security products include security gateway, security monitoring and data security and platforms. The company also provides security services and tools, and hardware among others. Its products are applied in government, telecommunication, finance, education, electric power, transportation and petrochemical industries, among others. The company distributes mainly in domestic markets. According to Refinitiv, 99% of the revenue was derived from the provision of information network security and 100% of the revenue was derived from the PRC during the six months ended 30 June 2024.

Hangzhou DPtech Technologies Co., Ltd. (300768.SZ) is a China-based company principally involved in the research and development, manufacturing and sales of enterprise-level network communication products, as well as the provision of related professional services for users. The company's main products include network security products, application delivery products and basic network products which are used in the user network exit, server front-end position or routing switching core, and network sink or core node, among others. The company primarily conducts its businesses in domestic market. According to Refinitiv, 80% of the revenue was derived from the provision of network security products and 100% of the revenue was derived from the PRC during the six months ended 30 June 2024.

Koal Software Co., Ltd. (603232.SS) is a China-based company principally engaged in the research and development, manufacture and sales of commercial passwords software products based on public key infrastructure (PKI). The company's main products include PKI infrastructure products, PKI security application products and general security products. The company distributes its products within China domestic market. According to Refinitiv, 100% of the revenue was derived from the provision of passwords software products and 100% of the revenue was derived from the PRC during the six months ended 30 June 2024.

Beijing ABT Networks Co Ltd (688168.SS) is a China-based company mainly engaged in the research, development and sales of network security core software products. The company's main products are embedded security gateway, virtualized security gateways, and security management products. Embedded security gateways include next generation firewalls and network behavior management & audition components, which are used in data communication networks. Virtualized security gateways utilize universal servers as hardware carrier, and they are used in large data center and cloud computing center. Security management products mainly include traffic visualization, policy visualization, and cloud security management products. According to Refinitiv, 100% of the revenue was derived from the provision of network security core software products during the year ended 31 December 2023. According to the annual report, 84.6% of the revenue was derived from the PRC during the year ended 31 December 2023.

Integrity Technology Group Inc (688244.SS) is a China-based company mainly engaged in the research and development, production and sales of network security products, as well as the provision of network security services. Its products and services mainly include network shooting range products, security control and honeypot products, security tool products, security protection series services, network security competition services and other services, among which other services mainly include online and offline training services. Its security tool products are mainly for government supervision departments, and other services are mainly for individuals, enterprises and institutions. The company mainly operates in the domestic market. According to Refinitiv, 100% of the revenue was derived from the provision of information security software and network range series products, digital wind tunnel test evaluation and security and control services and 100% of the revenue was derived from the PRC during the six months ended 30 June 2024.

Acer Cyber Security Inc. (6690.TWO) is a Taiwan-based company mainly engaged in providing professional electronic information management services. The company mainly provides information security services, including the Security Monitoring and Protection Center (SOC) operation services, the security information sharing analysis and monitoring services (ISAC), flood prevention monitoring services, anti-virus monitoring services, decentralized blocking attack drill services, system vulnerability scanning, among others; as well as computer room, cloud service and commercial software sales, including enterprise exclusive computer room rental, host performance monitoring, backup service, information system maintenance outsourcing management, disaster recovery planning service and drill, emergency preparation aid center. According to Refinitiv, 88% of the revenue was derived from the provision of information security service during the year ended 31 December 2023. According to the annual report, 99.9% of the revenue was derived from Taiwan during the year ended 31 December 2023.

Appendix B

Industry Overview

GLOBAL DATA SECURITY MARKET ANALYSIS

According to a research published by Mordor Intelligence, the data security market size is estimated at US$34.30 billion in 2025, and is expected to reach US$81.11 billion by 2030, at a compound annual growth rate ("**CAGR**") of 18.78% during the forecast period (2025–2030).

Data volumes have been growing because of information applications, including storing and mining massive or commercial data. These applications are dynamic and multifunctional. Data Security is crucial for preserving the authenticity and integrity of the data as well as for preventing attacks. Additionally, hackers are deploying malware like Odinaff, Danabot, Camubot, Backswap, etc., which has increased data vulnerability to security threats, leading businesses and customers to demand more effective security solutions.

According to the Center for Strategic and International Studies ("**CSIS**") and McAfee, cybercrimes cost the globe around US$600 billion annually, or 0.8% of global GDP, and encompass data damage and destruction, money theft, lost property, intellectual property theft, and other sectors. The development of security and vulnerability management software and services is anticipated to be accelerated by such causes.

The need for the data security market has grown due to rising digitalization trends and digital data generation. The creation of digital data has dramatically expanded over the last few decades, and this trend is anticipated to continue. The growing daily use of digital devices like smartphones and laptops is one of the main factors causing this rise in digital data generation. Additionally, the Data Security Market has expanded due to the rising popularity of the Internet of Things ("**IoT**") and the data produced by numerous IoT devices.

Strict laws, like GDPR, PCI DSS, ISO, and others, are being placed on businesses as they go through a digital transformation to protect systems from data breaches, irrespective of the sector or industry that the organization operates. Regulations and compliances require enterprises to implement efficient security solutions, which supports the expansion of the data security market.

Implementing data security technologies like Data Auditing, Data Real-time Alerts, Data risk assessment, Data minimization, and Purging of stale data could help organizations prevent breaches, reduce risk, and sustain protective security measures to prevent data loss.

Finding and analyzing sensitive data among the structured and unstructured data collected from various sources has become a significant concern, which is expected to hamper the market growth. Moreover, young start-ups' cybersecurity budgets must be increased to implement Next-Generation Firewalls (NGFWs) and Advanced Threat Protection (ATP) technologies. Small businesses in emerging economies need help adopting data security solutions due to significant concerns, including a shortage of capital and limited investment.

Since many employees work from home and connect the company's data, which is more important, government, public, and private businesses have launched many initiatives to overcome phishing attempts during COVID-19. Additionally, the use of third-party applications has grown significantly during the pandemic. As a result of all these factors, IT infrastructure is now more susceptible to viruses and cyberattacks. Companies have been compelled to enhance security measures, which has benefited the global data security market.

Appendix C

Economic Overview

HONG KONG ECONOMIC OVERVIEW

According to the Hong Kong Trade Development Council ("**HKTDC**"), for the first three quarters of 2024 as a whole, GDP increased by 2.6% in real terms over a year earlier. The Hong Kong Government (the "**Government**") adjusted the real GDP growth forecast for 2024 to 2.5%. Consumer prices rose by 1.4% in November year-on-year. The Government forecasts underlying consumer price inflation at 1.1% for the year of 2024. The value of retail sales, in nominal terms, decreased by 7.3% year-on-year in November 2024. For the first eleven months of 2024, total retail sales dropped by an estimated 7.1% year-on-year. The seasonally adjusted unemployment rate stayed at a low level of 3.1% for the period September-November 2024, same as the level of August-October 2024. During January-November 2024, the value of total merchandise exports increased by 9.1% over the same period last year.

Hong Kong is one of the most services-oriented economies in the world, with services sectors accounting for 93.4% of the GDP in 2022. According to World Trade Organization (WTO), Hong Kong is the world's 10th largest exporter of merchandise trade in 2023. According to the UNCTAD World Investment Report 2024, global FDI inflows to Hong Kong amounted to US$112.7 billion in 2023, ranked 4th globally, behind the United States (US$310.9 billion), mainland China (US$163.3 billion) and Singapore (US$159.7 billion). In terms of FDI outflows, Hong Kong ranked 5th globally with US$104.3 billion. The top 4 were the United States (US$404.3 billion), Japan (US$184.0 billion), mainland China (US$147.9 billion) and Switzerland (US$105.0 Billion). In terms of FDI stock, Hong Kong was the world's 6th largest host with US$2,107.0 billion (UNCTAD figures), after the United States, the United Kingdom, mainland China, the Netherlands and Singapore, as well as the world's 5th largest investor with US$2,028.5 billion in 2023. According to a triennial survey conducted by the Bank for International Settlements, Hong Kong is the 2nd largest foreign exchange market in Asia and the 4th largest in the world in 2022, with the average daily turnover of forex transactions increasing by 9.8% from US$632.1 billion in April 2019 to US$694.4 billion in April 2022. Hong Kong is a global offshore RMB business hub. According to SWIFT, Hong Kong is the largest offshore RMB clearing centre in July 2024, sharing about 83% of the world's RMB payments. As at the end of July 2024, Hong Kong's stock market ranked the 4th largest in Asia and the 7th largest in the world, with the total market capitalisation reaching US$4.0 trillion. As of December 2023, Hong Kong is also the 6th largest IPO fundraising market in the world, with US$5.9 billion raised through IPO in 2023. Hong Kong is an important banking and financial centre in the Asia Pacific. Hong Kong is the 3rd leading global financial centre, according to the Global Financial Centres Index (36th edition, September 2024).

The Hong Kong International Airport was the world's busiest airport for international air cargo in 2023. Hong Kong is also one of the world's busiest container ports, ranking 9th in the world in terms of container throughput in 2022.

Supported by excellent connectivity with mainland China and the rest of the world, strong research and development capability, world-class universities, Hong Kong is fast becoming an innovation and technology hub. According to the Global Innovation Index, Hong Kong ranked 18th globally in 2024.

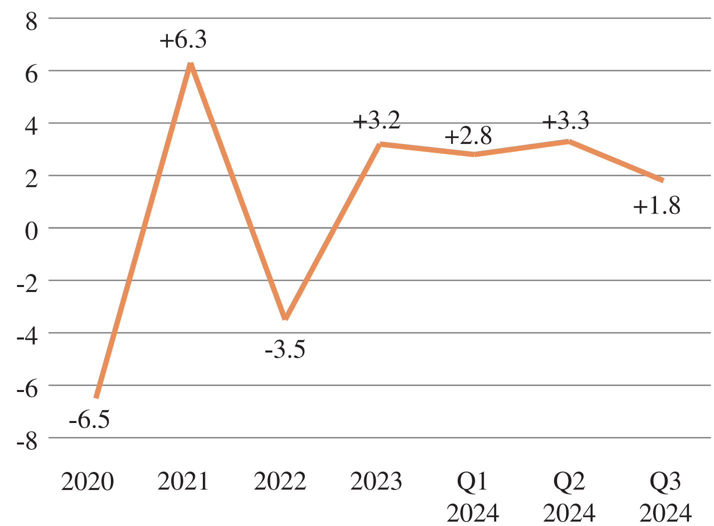

Figure 3: Real GDP growth (Year-on-year % change)

Source: HKTDC

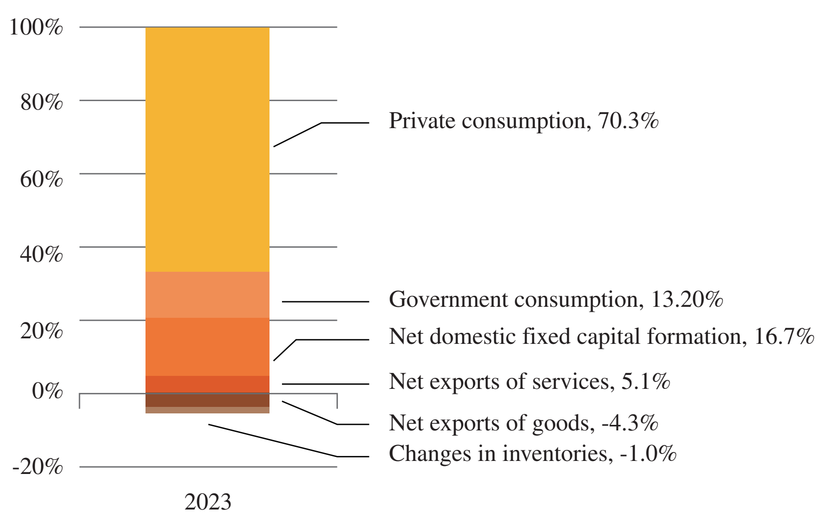

Figure 4: GDP composition (% share of GDP)

Source: HKTDC

	2022	2023	2024 (Latest)
Population, Year-end *(mn)*	7.33	7.50	–
Gross Domestic Product *(US$ bn)*	363.4	383.5	286.0[a]
GDP Per Capita *(US$)*	49,464	50,889	–
Real GDP Growth *(%)*	-3.5	+3.2	2.6[b]
Inflation *(% Change in Composite CPI)*	+1.9	+1.7	+1.4[c]
Unemployment Rate *(%)*	4.3	–	3.1[e]
Retail Sales Growth *(%)*	-0.9	+16.2	-7.1[d]
Number of Visitors *(thousand)*	604.6	34,000	40,247[c]
Visitor Arrivals Growth *(%)*	+561.5	+5,524	+33.8[d]

[a] January–September 2024; [b] year-on-year change, January–September 2024; [c] January–November 2024; [d] year-on-year change, January–November 2024; [e] year-on-year change, September–November 2024

Table 6: Major economic indicators

Source: HKTDC

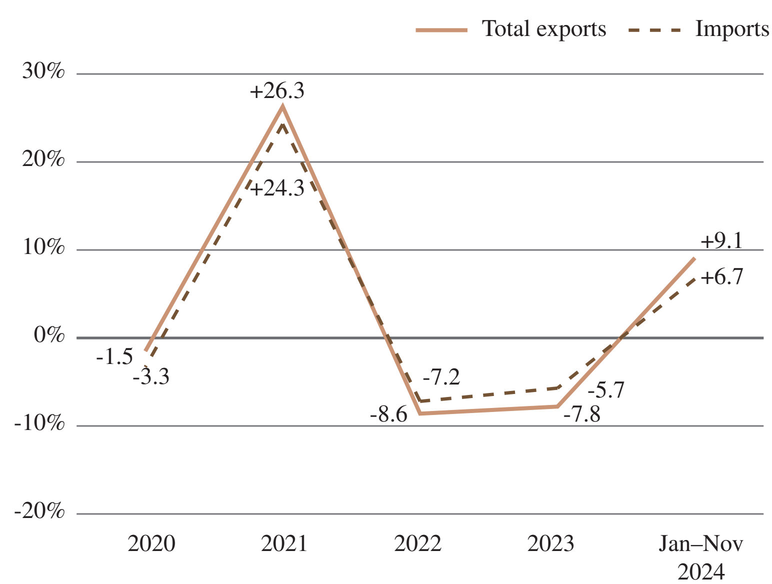

Figure 5: Merchandise trade growth (Year-on-year % change)

Source: HKTDC

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

As at the Latest Practicable Date

Authorised:	*HK$*
50,000,000,000	500,000,000
Issued and fully paid or credited as fully paid:	
339,219,440	3,392,194.40

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, none of the Directors nor chief executive of the Company had or was deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, or as otherwise, notified to the Company and the Stock Exchange pursuant to Sections 324 and 347 of the SFO of the Model Code to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange as required to be disclosed under the Takeovers Code.

(b) Interests and short positions of the substantial shareholders in shares and underlying shares of the company

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of the issued shares
Ms. Niu Chengjun	Beneficial owner	152,298,268	44.90

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons or corporations (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business of the Group) were entered into by members of the Group during two years preceding the date of this circular and are or maybe material:

(i) the placing agreement dated Friday, 26 April 2024 entered into between the Company and the placing agent in relation to the placing arrangement of the rights issue; and

(ii) on 24 January 2025, the Company and the Vendor entered into the Equity Sale and Purchase Agreements whereby the Company agreed to acquire the Sale Shares, representing approximately 30% of the issued share capital of the Target Company, from the Vendor.

5. MATERIAL LITIGATION

Save as to such litigation and legal proceedings as disclosed in the circular of the Company dated 10 May 2022 and as disclosed in the Company's announcements dated 26 March 2021, 26 January 2022 and 22 February 2022, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. DIRECTORS' SERVICE CONTRACT

Ms. Liu Yi, being executive Director, has renewed or entered his/her service contract with the Company on 23 May 2022, for a term of three years. The aforementioned service contracts with the Company for the executive Directors shall be terminated by not less than three months' notice in writing served by either party.

Each of Mr. Kam Hou Yin, John, Ms. Chong Kan Yu and Mr. Qi Zhenping, being the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of two years commencing 23 February 2023 and 3 September 2024, respectively. The aforementioned appointment letters with the Company for each of the independent non-executive Directors shall be automatically renewed and extended for successive term of one year and may be terminated either after the initial term by either party by giving at least three months' notice in writing or be terminated after one year of the initial term.

Save as disclosed above, none of the Directors had entered, or been proposed to enter, into any service contract with the Company or any other member of the Group.

7. DIRECTORS INTEREST IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 December 2024, being the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

There were no contracts or arrangements subsisting as at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, except as disclosed below, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024, the date to which the latest published audited accounts of the Company have been made up.

10. EXPERTS AND CONSENTS

(a) The following is the qualifications of the experts who have provided advice referred to or contained in this circular:

Name	Qualification
Hooray Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong)
Peak Vision Appraisals Limited	Independent professional valuer

(b) As at the Latest Practicable Date, the experts named above had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

(c) The experts named above have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters of advice and references to their names in the form and context in which the respectively appear.

(d) As at the Latest Practicable Date, the experts named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2024 (being the date to which the latest published audited financial statements of the Group were made up).

11. GENERAL

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is Room 1007, 10/F, West Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(c) The branch share registrar and transfer office in Hong Kong of the Company is Tricor Investor Services Limited, 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The company secretary of the Company is Mr. Leung Man Kit. Mr. Leung was appointed as the company secretary of the Company on 23 February 2023.

(e) The compliance officer of the Company is Mr. Leung Man Kit. Mr. Leung was appointed as compliance officer on 23 May 2022.

(f) The company's audit committee (the "Audit Committee") currently comprises all three independent non-executive Directors, namely, Mr. Kam Hou Yin, John, Ms. Chong Kan Yu and Mr. Qi Zhenping. The primary duties of the Audit Committee are, among others, to review and oversee the financial reporting principles and practices adopted as well as internal control procedures and issues of the Group. It also reviews quarterly, interim and the final results of the Group prior to recommending the same to the Board for consideration. Mr. Kam Hou Yin, John has appropriate professional qualifications, accounting and financial management expertise as required under the GEM Listing Rules. For further information in relation to the background and directorships (and past directorships), if any, of members of the Audit Committee, please refer to the 2023 Annual Report published on 30 April 2024.

(g) The principal place of business of Draco Capital Limited is 4/F, Connaught Harbour Front House, 35–36 Connaught Road West, Sheung Wan, Hong Kong.

(h) The principal place of business of Hooray Capital Limited is Room A & B2, 11/F Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

(i) The principal place of business of Peak Vision Appraisals Limited is Unit 702, 7/F Capital Centre, No. 151 Gloucester Road, Wan Chai, Hong Kong.

(j) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.

13. THE AUDIT COMMITTEE

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company's annual report and interim financial reports before submission to the Board. The Audit Committee comprises of three members, namely Mr. Kam Hou Yin, John, Ms. Chong Kan Yu and Mr. Qi Zhenping, all being Independent Non-Executive Directors. Mr. Kam Hou Yin, John currently serves as the chairman of the Audit Committee.

Mr. KAM Hou Yin, John (金孝賢先生) was appointed as an independent non-executive Director on 23 February 2023.

Mr. KAM Hou Yin, John (金孝賢先生), aged 51, is a member of Standing Committee of National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會) of Futian District, Shenzhen. Mr. Kam holds the degree of Master of Business Administration from The Tsinghua University in China and The University of Manchester in the United Kingdom. He is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Kam has over 20 years' experience in corporate, personal and interbank business. Mr. Kam was the Senior Partner of Shenzhen Zhujin Supply Chain Management Co. Ltd. from November 2018 to December 2020. He was appointed as an Executive Director and Chief Executive Officer of Century Ginwa Retail Holdings Limited from 2 May 2017 to October 2018 and was Zone Manager — Corporate Banking Division and General Manager of Shenzhen Branch of The Bank of East Asia (China), Limited from July 2012 to March 2017 and Zone Manager (Western China) — Corporate Banking Division and General Manager of Xi'an Branch of The Bank of East Asia (China), Limited from November 2006 to June 2012. Mr. Kam was appointed as Co-Chief Executive Officer of DTXS Silk Road Investment Holdings Company Limited from 12 March 2021 and he was an executive director and chief executive officer of DTXS Silk Road Investment Holdings Company Limited (Stock code: 620) during the period from September 2021 to November 2022. Mr. Kam has been an independent non-executive director of China Ocean Group Development Limited (Stock code: 8047) since March 2020.

Ms. CHONG Kan Yu (莊瑾瑜女士) was appointed as an independent non-executive Director on 23 February 2023.

Ms. CHONG Kan Yu (莊瑾瑜女士), age 59, been a general manager of Nam Yu International Investment Company Limited (藍瑜國際投資有限公司) since 1989, a company principally engaged in business of cross-border logistic and sea freight forwarding. Ms. Chong has been a director of Vigor Development (China) Company Limited (龍駿發展(中國)有限公司) since 1992 and a director of Bestowal Investment Holdings Limited (龍澤投資集團有限公司) since 2000. Ms. Chong has over 20 years' experience in trading, logistic and real estate and property development. Ms. Chong holds various positions in different social and commercial associations. She was the special committee member of Chinese People's Political Consultative Conference of Dongguang (Hong Kong and Macau) (東莞市(港澳)中國人民政治協商會議), the honorary chairman of the Women's Federation of Guangdong Provincial Association for the Promotion of Exchanges Across Taiwan Straits (廣東省海峽兩岸交流促進會婦女聯會) and the vice-chairman of the Houjie branch of Dongguan Waishang Investment Enterprise Association (東莞外商企業協會厚街分會) and the honorary chairman of Overseas Friendship Association of Dongguan (東莞市海外聯誼會). Ms. Chong is currently a special representative of Shenzhen of All-China Women's Federation Hong Kong Delegates (港區婦聯代表聯誼會), a consultant of Friendship Association of Hong Kong Xiamen (香港廈門聯誼總會), and the vice-chairman of the Agriculture Committee of Guangdong Provincial Association for the Promotion of Exchanges Across Taiwan Straits (廣東省海峽兩岸交流促進會農業委員會).

Mr. Qi Zhenping was appointed as an independent non-executive Director on 3 September 2024.

Mr. Qi, aged 43, is the CEO and strategic development risk control officer of Shenzhen Taikunda Investment Group Co., Ltd. (深圳市泰坤達投資集團有限公司). Mr. Qi has invested in a number of investment and trading companies in Shenzhen and Hohhot. During the real estate booming period, he had served numerous real estate development companies in South China, providing financial planning and strategic consulting services; during the state's rally to support the real economy, he has served tens of local listed companies and hundreds of SMEs in the technology and innovation industry, providing equity, acquisition and merger, financial consulting and other services, and has participated in investment and financing risk management planning and operation for 18 years. He also has extensive experience in investment and financing risk management, risk compliance, and corporate strategic development. He has organized debt restructuring for several real estate, listed companies, and manufacturing companies, each project involving hundreds of billions dollars.

Mr. Qi founded Shenzhen Zhongcheng Huaxin Investment Co., Ltd. (深圳市中誠華信投資有限公司) on 21 December 2014, and served as the executive general manager. He is mainly engaged in equity investment, entrusted management of equity investment funds, investment consulting, and information consulting.

Mr. Qi founded Shenzhen Zhongcheng Huaxin Trading Co., Ltd. (深圳市中誠華信貿易有限公司) on 13 February 2014, and served as the general manager, mainly engaged in domestic trading and bulk commodity trading.

Mr. Qi founded Shenzhen Kuntaida Financial Consulting Services Co., Ltd. (深圳市坤泰達財務諮詢服務有限公司) on 15 October 2014, and has provided financial consulting and financing consulting services to hundreds of SMEs.

14. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.fengyinhe.com) for the period of 14 days commencing from the date of this circular:

(a) The Equity Sale and Purchase Agreements;

(b) the written consent of each of the experts referred to in the section headed "Experts and Consents" in this appendix;

(c) the letter from the Board as set out in this circular;

(d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page IBC-1 to IBC-2 of this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-29 of this circular; and

(f) the valuation report in relation to the Film Project, the text of which is set out in Appendix I to this circular.

Fengyinhe Holdings Limited
豐銀禾控股有限公司

(formerly known as Flying Financial Service Holdings Limited 匯聯金融服務控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8030)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Fengyinhe Holdings Limited 豐銀禾控股有限公司 (the "**Company**") will be held at Units 1203B, 1204–1205, 12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 23 May 2025 at 12:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution:

ORDINARY RESOLUTION

To consider and approve the following resolution:

"**THAT:**

(a) the transaction contemplated under the Equity Sale and Purchase Agreements, a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification, is hereby approved; and

(b) all acts done and things executed and all such documents or deeds entered into in connection with the implementation of the Equity Sale and Purchase Agreements and the transaction contemplated thereunder is hereby approved, and any one Director be and is hereby authorised to do all such acts and things and execute all such documents or deeds and to take all steps as the Director may in his/her discretion consider necessary, desirable or expedient in connection with the implementation of the Equity

Sale and Purchase Agreements or the transaction contemplated thereunder and to make and agree to such variations, amendments or waivers of matters relating thereto, as are, in the opinion of the Director, necessary or desirable."

Yours faithfully,
By order of the Board
Fengyinhe Holdings Limited
Liu Yi
Executive Director

Hong Kong, 25 April 2025

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business:
Room 902, Block A
Xiangnian Plaza
No. 4060, Qiaoxiang Road
Gaofa Community
Shahe Street, Nanshan District
Shenzhen, China

Notes:

1. Unless the context otherwise stated, capitalised terms used in this notice shall have the meaning as those defined in the circular of the Company dated 25 April 2025.

2. To ascertain the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 20 May 2025 to Friday, 23 May 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the EGM, all transfer documents of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. (Hong Kong time) on Monday, 19 May 2025.

3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

4. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

5. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be).

6. Completion and return of the proxy forms will not preclude a member from attending and voting in person at the meeting or any adjourned meeting should he so wish.

7. As at the date hereof, the Board comprises (i) one executive Director, namely Ms. Liu Yi; and (ii) three independent non-executive Directors, namely Mr. Kam Hou Yin, John, Ms. Chong Kan Yu and Mr. Qi Zhenping.