
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 AGTech 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.

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AGTech Holdings Limited

亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

**(1) DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION IN RELATION TO
THE ATTAINMENT OF A CONTROLLING STAKE IN
ANT BANK (MACAO) THROUGH ACQUISITION OF
EXISTING SHARES, AND SUBSCRIPTION
FOR NEW SHARES, IN ANT BANK (MACAO); AND DISPOSAL OF
A 30% EQUITY INTEREST IN STAR N CLOUD;
(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FRAMEWORK AGREEMENT;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 34 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-30 of this circular.

A notice convening the SGM to be held at 11:00 a.m. on Wednesday, March 27, 2024 at Suite 3318, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. Whether or not the Shareholders are able to attend the SGM, they are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's Hong Kong branch share registrar, Tricor Abacus 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 SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM (or any adjournment thereof) should they so desire.

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 <https://www.agtech.com>.

* For identification purpose only

March 5, 2024

CHARACTERISTICS OF GEM

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.

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DEFINITIONS

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

“2023 Framework Agreement”	the business cooperation framework agreement dated December 21, 2023 entered into among the Company, Ant Bank (Macao) and relevant members of the Ant Group in relation to, among other things, the provision of payment services and related services by relevant members of the Ant Group to the Group
“affiliated company(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“AGTech Macau”	AGTech (Macau) Limited, a company incorporated under the laws of Macau with limited liability and an indirect wholly-owned subsidiary of the Company
“Ali Fortune”	Ali Fortune Investment Holding Limited, a company incorporated under the laws of the British Virgin Islands and the controlling shareholder of the Company
“Alibaba Group”	Alibaba Holding and its subsidiaries
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depositary shares (each representing eight ordinary shares) listed on the New York Stock Exchange (stock symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988 (HKD Counter) and 89988 (RMB Counter))
“Alipay HK”	Alipay (Hong Kong) Holding Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of Ant Holdco
“Alipay (Macau) Holding”	支付寶(澳門)控股一人有限公司 (Alipay (Macau) Holding Limited), a company incorporated under the laws of Macau with limited liability and an indirect wholly-owned subsidiary of Ant Holdco
“Alipay (Macau) Investment”	支付寶(澳門)投資一人有限公司 (Alipay (Macau) Investment Limited), a company incorporated under the laws of Macau with limited liability and an indirect wholly-owned subsidiary of Ant Holdco
“AMCM”	Autoridade Monetária de Macau (the Monetary Authority of Macau)
“Announcement”	the announcement of the Company dated February 8, 2024 in relation to, among other things, the Transaction and the Framework Agreement
“Annual Caps”	the maximum amounts of annual services fees in relation to the transactions contemplated under the Framework Agreement

DEFINITIONS

“Ant Bank (Macao)”	Ant Bank (Macao) Limited (螞蟻銀行(澳門)股份有限公司), previously known as Xinghui Bank Limited (星匯銀行股份有限公司), a company incorporated under the laws of Macau with limited liability which, as at the Latest Practicable Date, was held as to 33.4%, 33.3% and 33.3% by Alipay (Macao) Holding, Alipay (Macao) Investment and Star N Cloud, respectively
“Ant Group”	Ant Holdco and its subsidiaries and affiliated companies
“Ant Holdco”	螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.) (formerly known as 浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.*)), a company incorporated under the laws of the PRC with limited liability
“Ant Technologies”	Ant International Technologies (Hong Kong) Holding Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of Ant Holdco
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Call Option Agreement”	the call option agreement dated September 3, 2018 entered into between Star N Cloud and Alipay HK in relation to the granting of the Option by Star N Cloud to Alipay HK
“Call Option Termination Agreement”	the termination agreement dated February 8, 2024 entered into between Star N Cloud and Alipay HK in relation to the termination of the Call Option Agreement
“Capital Increase”	the transactions contemplated under the Capital Increase Agreement, namely the subscription by mFinance of 1,500,000 common shares (representing approximately 27.3% of the enlarged issued share capital of Ant Bank (Macao)) to be issued by Ant Bank (Macao) for a total consideration of MOP150,000,000 (equivalent to approximately HK\$145,635,000)
“Capital Increase Agreement”	the conditional capital increase agreement dated February 8, 2024 entered into among mFinance, Ant Bank (Macao), Alipay (Macao) Holding and Alipay (Macao) Investment in relation to the Capital Increase
“CCTs”	the continuing connected transactions under the Framework Agreement

DEFINITIONS

“Closing”	the completion of the Transaction in accordance with the terms and conditions under the Share Transfer Agreement, the Capital Increase Agreement and the Share Transfer Undertaking Agreement
“Closing Conditions”	the conditions precedent to the Closing
“CEO”	the chief executive officer of the Company
“Company”	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8279)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which all the conditions precedent under the Framework Agreement have been satisfied
“Framework Agreement”	the conditional business cooperation and resources sharing framework agreement dated February 8, 2024 entered into among the Company, Ant Bank (Macao) and Ant Technologies in relation to the business cooperation and resources sharing between Ant Bank (Macao) and the Ant Group
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (comprising the independent non-executive Directors, namely Mr. Feng Qing, Dr. Gao Jack Qun Yao and Mr. Chow Siu Lui) established to advise the Independent Shareholders in relation to the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps)

DEFINITIONS

“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps)
“Independent Shareholders”	Shareholder(s), other than Ali Fortune and its associates and other Shareholders (including Mr. Sun Ho, Rainwood Resources Limited and the trustees of the Share Award Scheme) who have a material interest or is deemed or may be perceived to have a material interest in the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) and shall be required to abstain from voting on the relevant resolutions to be proposed at the SGM for approving the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps)
“Junao”	Hangzhou Junao Equity Investment Partnership (Limited Partnership)* (杭州君澳股權投資合夥企業(有限合夥)), a limited liability partnership incorporated under the laws of the PRC which holds approximately 22% equity interest in Ant Holdco
“Junhan”	Hangzhou Junhan Equity Investment Partnership (Limited Partnership)* (杭州君瀚股權投資合夥企業(有限合夥)), a limited liability partnership incorporated under the laws of the PRC which holds approximately 31% equity interest in Ant Holdco
“Latest Practicable Date”	March 1, 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Macau”	the Macau Special Administrative Region of the PRC
“mFinance”	mFinance Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“MOP”	Macau Patacas, the lawful currency of Macau
“Option”	the call option granted by Star N Cloud to Alipay HK to acquire from Star N Cloud the Option Shares pursuant to the Call Option Agreement

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“Option Shares”	83,000 shares in the capital of Ant Bank (Macao), provided, however, if after the date of the Call Option Agreement, Star N Cloud acquires additional shares in Ant Bank (Macao), the number of the Option Shares shall be increased by the following: the number of additional shares, multiplied by 83,000 and divided by 333,000 (rounded to the nearest whole number)
“percentage ratio(s)”	has the meaning ascribed to it under the GEM Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this circular, refers to Chinese Mainland only
“Proposed Sale of Star N Cloud”	the transactions contemplated under the Share Transfer Undertaking Agreement, namely the proposed sale of 30% of the issued share capital of Star N Cloud by AGTech Macau to Mr. Cheung Felix Vitor
“Sale Shares”	1,332,000 issued common shares of Ant Bank (Macao) with par value of MOP100 (equivalent to approximately HK\$97) each, representing 33.3% of the issued share capital of Ant Bank (Macao) as at the Latest Practicable Date or approximately 24.2% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at 11:00 a.m., on Wednesday, March 27, 2024 at Suite 3318, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong to consider and, if thought fit, approve the resolutions in relation to the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps), or any adjournment thereof
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among mFinance, Alipay (Macao) Holding, Alipay (Macao) Investment and Ant Bank (Macao) upon the Closing
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Share Award Scheme”	the share award scheme of the Company adopted on March 17, 2017
“Share Transfer”	the transactions contemplated under the Share Transfer Agreement, namely the proposed acquisition of the Sale Shares from Star N Cloud by mFinance

DEFINITIONS

“Share Transfer Agreement”	the conditional share transfer agreement dated February 8, 2024 entered into between mFinance and Star N Cloud in relation to the Share Transfer
“Share Transfer Undertaking Agreement”	the agreement dated February 8, 2024 entered into between AGTech Macau and Mr. Cheung Felix Vitor in relation to the Proposed Sale of Star N Cloud
“Specific Execution Agreement(s)”	the specific execution agreement(s) to be entered into between Ant Bank (Macao) and the Ant Group to set out detailed terms of execution of the transactions contemplated under the Framework Agreement
“Star N Cloud”	Star N Cloud Network Intelligence Company Limited (星雲網絡科技有限公司), a company incorporated under the laws of Macau with limited liability and, as at the Latest Practicable Date, a 30% indirectly owned associated company of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Technical Services”	has the meaning ascribed to it under the section headed “III. Possible Continuing Connected Transactions – A. The Framework Agreement – Services” in the letter from the Board in this circular
“Technical Services Annual Caps”	has the meaning ascribed to it under the section headed “III. Possible Continuing Connected Transactions – C. Historical Transaction Amounts and Annual Caps” in the letter from the Board in this circular
“Transaction”	the Share Transfer, the Capital Increase and the Proposed Sale of Star N Cloud
“Xingtao”	Hangzhou Xingtao Enterprise Management Consultancy Co., Ltd.* (杭州星滔企業管理諮詢有限公司), a limited liability partnership established under the laws of the PRC and is the executive partner and general partner of Junhan
“Yunbo”	Hangzhou Yunbo Investment Consultancy Co., Ltd.* (杭州雲鉞投資諮詢有限公司), a limited liability partnership established under the laws of the PRC and is the executive partner and general partner of Junao
“%”	per cent.

Note: In this circular, the exchange rate of MOP1 to HK\$0.9709 has been used for reference only.

* *For identification purpose only*

LETTER FROM THE BOARD



AGTech Holdings Limited
亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

Executive Directors:

Mr. Sun Ho (*Chairman & CEO*)

Ms. Hu Taoye (*Chief Financial Officer*)

Non-executive Directors:

Mr. Tung Pen Hung

Ms. Qin Yuehong

Mr. Ji Gang

Mr. Zou Liang

Independent non-executive Directors:

Mr. Feng Qing

Dr. Gao Jack Qunyao

Mr. Chow Siu Lui

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head office and principal place of business:

Unit 3912, 39th Floor, Tower Two

Times Square

Causeway Bay

Hong Kong

March 5, 2024

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION IN RELATION TO
THE ATTAINMENT OF A CONTROLLING STAKE IN
ANT BANK (MACAO) THROUGH ACQUISITION OF
EXISTING SHARES, AND SUBSCRIPTION
FOR NEW SHARES, IN ANT BANK (MACAO); AND DISPOSAL OF
A 30% EQUITY INTEREST IN STAR N CLOUD;
AND
(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FRAMEWORK AGREEMENT**

* For identification purpose only

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, (i) the Share Transfer Agreement entered into between mFinance and Star N Cloud, pursuant to which mFinance has conditionally agreed to acquire and Star N Cloud has conditionally agreed to sell the Sale Shares (representing 33.3% of the issued share capital of Ant Bank (Macao) as at the Latest Practicable Date or approximately 24.2% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase) for a consideration of MOP133,200,000 (equivalent to approximately HK\$129,324,000), with 30% of the consideration under the Share Transfer Agreement (i.e. MOP39,960,000 (equivalent to approximately HK\$38,797,000)) being distributed by Star N Cloud to AGTech Macau (an indirect wholly-owned subsidiary of the Company) in proportion to its 30% shareholding in Star N Cloud; (ii) the Capital Increase Agreement entered into among mFinance, Ant Bank (Macao), Alipay (Macau) Holding and Alipay (Macau) Investment, pursuant to which mFinance has conditionally agreed to further contribute MOP150,000,000 (equivalent to approximately HK\$145,635,000) to the share capital of Ant Bank (Macao) by subscribing for 1,500,000 common shares (representing approximately 27.3% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase) to be issued by Ant Bank (Macao) at a price of MOP100 (equivalent to approximately HK\$97) each; (iii) the Share Transfer Undertaking Agreement entered into between AGTech Macau and Mr. Cheung Felix Vitor, pursuant to which AGTech Macau has conditionally agreed to sell and Mr. Cheung Felix Vitor has conditionally agreed to acquire 30% of the issued share capital of Star N Cloud at the par value of MOP300,000 (equivalent to approximately HK\$291,000) upon the completion of the Share Transfer; and (iv) the Framework Agreement entered into among the Company, Ant Bank (Macao) and Ant Technologies, which set out the terms and conditions of the future business cooperation and resources sharing (including the Technical Services) between Ant Bank (Macao) and the Ant Group subject to the Closing.

The purpose of this circular is to provide you with, among other things, (i) details of the Share Transfer Agreement; (ii) details of the Capital Increase Agreement; (iii) details of the Share Transfer Undertaking Agreement; (iv) details of the Technical Services contemplated under the Framework Agreement and the Technical Services Annual Caps; (v) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Transaction and the Technical Services (including the Technical Services Annual Caps); (vi) a letter from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the aforesaid regard; (vii) a valuation report of Ant Bank (Macao); and (viii) the notice convening the SGM.

LETTER FROM THE BOARD

II. THE TRANSACTION

A. THE ATTAINMENT OF A CONTROLLING STAKE IN ANT BANK (MACAO) THROUGH ACQUISITION OF EXISTING SHARES, AND SUBSCRIPTION FOR NEW SHARES, IN ANT BANK (MACAO)

After the Stock Exchange trading hours on February 8, 2024, mFinance (an indirect wholly-owned subsidiary of the Company) entered into (i) the Share Transfer Agreement with Star N Cloud, pursuant to which mFinance has conditionally agreed to acquire and Star N Cloud has conditionally agreed to sell the Sale Shares (representing 33.3% of the issued share capital of Ant Bank (Macao) as at the Latest Practicable Date or approximately 24.2% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase) for a consideration of MOP133,200,000 (equivalent to approximately HK\$129,324,000); and (ii) the Capital Increase Agreement with Ant Bank (Macao), Alipay (Macau) Holding and Alipay (Macau) Investment, pursuant to which mFinance has conditionally agreed to further contribute MOP150,000,000 (equivalent to approximately HK\$145,635,000) to the share capital of Ant Bank (Macao) by subscribing for 1,500,000 common shares (representing approximately 27.3% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase) to be issued by Ant Bank (Macao) at a price of MOP100 (equivalent to approximately HK\$97) each.

1. The Share Transfer Agreement

The principal terms of the Share Transfer Agreement are set out below:

Date

February 8, 2024

Parties

- (i) mFinance (the purchaser); and
- (ii) Star N Cloud (the seller).

As at the Latest Practicable Date, (i) Star N Cloud was held as to 70% and 30% by Cosmic Pilot Limited (a company wholly-owned by Mr. Cheung Lup Kwan Vitor) and AGTech Macau (an indirect wholly-owned subsidiary of the Company), respectively; and (ii) Mr. Cheung Lup Kwan Vitor held 5.01% of the issued share capital of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Star N Cloud, Cosmic Pilot Limited and Mr. Cheung Lup Kwan Vitor is a third party independent of and not connected with the Company and its connected persons.

LETTER FROM THE BOARD

Subject matter

Pursuant to the Share Transfer Agreement, mFinance has conditionally agreed to acquire and Star N Cloud has conditionally agreed to sell the Sale Shares (representing 33.3% of the issued share capital of Ant Bank (Macao) as at the Latest Practicable Date or approximately 24.2% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase).

Consideration

The consideration under the Share Transfer Agreement shall be MOP133,200,000 (equivalent to approximately HK\$129,324,000), which shall be paid by mFinance to Star N Cloud on the Closing date. Such consideration was determined after arm's length negotiations between the parties to the Share Transfer Agreement, having taken into account various factors, including (i) the commercial banking licence of Ant Bank (Macao) in Macao; (ii) the rare opportunity for the Group to further increase its effective equity interest in Ant Bank (Macao) from 9.99% to approximately 51.5% and the control premium for attaining such controlling stake; (iii) the anticipated continuous improvement in Macau's economy as a result of the resumption of tourism in Macao; (iv) the various benefits and expected synergies between Ant Bank (Macao) and the Group as discussed in more details in the paragraph headed "F. Reasons for and Benefits of the Transaction" below; (v) the valuation of a 100% equity interest in Ant Bank (Macao) as assessed by an independent valuer (the "**Valuer**") at approximately MOP450,000,000 (equivalent to approximately HK\$436,905,000) (before the Capital Increase) and MOP600,000,000 (equivalent to approximately HK\$582,540,000) (after the Capital Increase) as at November 30, 2023 (the "**Valuation**"), which exceed the implied valuation for a 100% equity interest in Ant Bank (Macao) at MOP400,000,000 (equivalent to approximately HK\$388,360,000) (before the Capital Increase) and MOP550,000,000 (equivalent to approximately HK\$533,995,000) (after the Capital Increase) as represented by the consideration under the Share Transfer Agreement and the consideration under the Capital Increase Agreement, respectively; and (vi) the fact that 30% of the consideration under the Share Transfer Agreement (i.e. MOP39,960,000 (equivalent to approximately HK\$38,797,000)) shall be distributed by Star N Cloud to AGTech Macau (an indirect wholly-owned subsidiary of the Company) in proportion to its 30% shareholding in Star N Cloud.

The Group intends to fund the consideration of MOP133,200,000 (equivalent to approximately HK\$129,324,000) by its internal cash reserves.

Valuation

The Valuation was assessed by the Valuer by adopting the guideline public company method under the market approach. Under the market approach, the guideline public company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. Fair value arrived from the market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of Ant Bank (Macao), their market values are good indicators of the industry of Ant Bank (Macao). Therefore, the market approach has been adopted in the Valuation.

LETTER FROM THE BOARD

When determining the appropriate valuation multiple to use in the valuation of Ant Bank (Macao), the Valuer considers that the price-to-book (P/B) multiple is the most appropriate valuation multiple for such valuation under the guideline public company method. This is because P/B multiple is one of the most commonly used valuation multiples for capital-intensive business such as financial institutions and intermediary service firms. It relates the fair value of a company's equity value to its net asset and the scale of capital is the key value and profit driver for financial institutions such as Ant Bank (Macao).

Under the Valuation, the Valuer assessed the value of a 100% equity interest in Ant Bank (Macao) based on its net asset value as at September 30, 2023 (being the cut-off date for the latest available management accounts of Ant Bank (Macao) at the time of preparing the Valuation for the purpose of the parties' negotiations of the terms of the Share Transfer and the Capital Increase), multiplied by the median P/B multiple (after adjustments for control premium and lack of marketability discount) of nine comparable companies identified by the Valuer as at November 30, 2023 based on the following principal selection criteria:

- (i) being engaged in the banking industry under Global Industry Classification Standard, as extracted from S&P Capital IQ, similar to Ant Bank (Macao);
- (ii) being listed on major stock exchanges, including but not limited to New York Stock Exchange, Nasdaq, Tokyo Stock Exchange or Korea Stock Exchange;
- (iii) having business model similar to Ant Bank (Macao), i.e. developing and providing digital banking services with no or limited physical branch network; and
- (iv) the financial information of the companies is available to the public.

For details of the Valuation, please refer to the valuation report of Ant Bank (Macao) which set out details of the Valuation and the rationale of the valuation methodology adopted by the Valuer in Appendix I to this circular.

Having considered the above, the Directors concur with the valuation methodology and multiple adopted and the comparable companies selected by the Valuer, and are of the view that the Valuation is fair and reasonable. The Board has reviewed the track records and experience of the Valuer in valuing companies engaging in similar financial and banking business and considered that the Valuer has the relevant expertise in performing the Valuation.

Conditions precedent

The completion of the Share Transfer is conditional upon certain salient conditions precedent, including but not limited to:

- (i) as at the execution date of the Share Transfer Agreement and as at the Closing date, the representations and warranties made by the parties under such agreement are true, accurate and not misleading in all respects and/or in all material respects (as the case may be);

LETTER FROM THE BOARD

- (ii) the parties to the Share Transfer Agreement (or their shareholders, if required) having obtained the necessary internal authorizations in compliance with applicable laws (including the GEM Listing Rules) or their companies' articles of association, including the board and/or shareholders' approval of the execution of the Share Transfer Agreement or the conduct of the Share Transfer;
- (iii) all approvals, no objection letters, permits, registration or filing mandatorily required to be obtained for the Share Transfer having been obtained from the relevant authorities (including but not limited to the AMCM and the Stock Exchange) and such approvals, no objection letters, permits, registration or filing not having been revoked or withdrawn;
- (iv) there being no applicable laws, judgments, awards, rulings or injunctions of courts, arbitration institutions or relevant government authorities that restrict or prohibit the Share Transfer, nor are there any pending or potential litigations, arbitrations, judgments, awards, rulings or injunctions that have or may have a material adverse impact on the Share Transfer, and the execution, delivery, performance of the Share Transfer Agreement and the transactions thereunder not violating any applicable law;
- (v) an amended and restated memorandum and articles of association of Ant Bank (Macao) having been adopted by Ant Bank (Macao) and approved by mFinance and the AMCM;
- (vi) the Capital Increase Agreement having been entered into among mFinance, Ant Bank (Macao), Alipay (Macau) Holding and Alipay (Macau) Investment and the Capital Increase having been completed;
- (vii) the Shareholders' Agreement having been entered into among mFinance, Ant Bank (Macao), Alipay (Macau) Holding and Alipay (Macau) Investment;
- (viii) the Framework Agreement having been entered into among the Company, Ant Bank (Macao) and Ant Technologies and the Framework Agreement (including the Annual Caps) having been approved by the Board and/or the Independent Shareholders (as the case may be);
- (ix) the Call Option Agreement having been terminated; and
- (x) mFinance having conducted due diligence on Ant Bank (Macao) and having been satisfied with the results.

As at the Latest Practicable Date, none of the above conditions had been fulfilled, except that the Capital Increase Agreement in (vi), the Framework Agreement in (viii) and the Call Option Termination Agreement in respect of (ix) above had been executed by the relevant parties thereto, but are all subject to their respective conditions precedent having been fulfilled or waived by writing. Under the Share Transfer Agreement, there is no specific circumstance mentioned therein where the above conditions precedent may be waived.

LETTER FROM THE BOARD

2. The Capital Increase Agreement

The principal terms of the Capital Increase Agreement are set out below:

Date

February 8, 2024

Parties

- (i) mFinance (subscriber);
- (ii) Ant Bank (Macao) (issuer);
- (iii) Alipay (Macau) Holding (an existing shareholder of Ant Bank (Macao)); and
- (iv) Alipay (Macau) Investment (an existing shareholder of Ant Bank (Macao)).

Subject matter

Pursuant to the Capital Increase Agreement, mFinance has conditionally agreed to subscribe for, and Ant Bank (Macao) has conditionally agreed to issue, 1,500,000 common shares of Ant Bank (Macao) (representing approximately 27.3% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase) at a price of MOP100 (equivalent to approximately HK\$97) each.

Consideration

The consideration under the Capital Increase Agreement shall be MOP150,000,000 (equivalent to approximately HK\$145,635,000), which shall be paid by mFinance to Ant Bank (Macao) on the Closing date. The consideration under the Capital Increase Agreement was determined after arm's length negotiation among the parties to the Capital Increase Agreement, having taken into account various factors, including (i) the rare opportunity for the Group to further increase its effective equity interest in Ant Bank (Macao) to approximately 51.5% and the control premium for attaining such controlling stake; (ii) the anticipated continuous improvement in Macau's economy as a result of the resumption of tourism in Macau; (iii) the various benefits and expected synergies between Ant Bank (Macao) and the Group as discussed in more details in the paragraph headed "F. Reasons for and Benefits of the Transaction" below; and (iv) the Valuation for a 100% equity interest in Ant Bank (Macao) at approximately MOP600,000,000 (equivalent to approximately HK\$582,540,000) (after the Capital Increase), which exceeds the implied valuation for a 100% equity interest in Ant Bank (Macao) at MOP550,000,000 (equivalent to approximately HK\$533,995,000) (after the Capital Increase) as represented by the consideration under the Capital Increase Agreement.

The Group Intends to fund the consideration of MOP150,000,000 (equivalent to approximately HK\$145,635,000) by its internal cash reserves.

LETTER FROM THE BOARD

Conditions precedent

The completion of the Capital Increase is conditional upon certain salient conditions precedent, including but not limited to:

- (i) as at the execution date of the Capital Increase Agreement and as at the Closing date, the representations and warranties made by the parties under such agreement are true, accurate and not misleading in all respects and/or in all material respects (as the case may be);
- (ii) the parties to the Capital Increase Agreement having obtained the necessary internal authorizations in compliance with applicable laws (including the GEM Listing Rules) or their companies' articles of association, including the board and/or shareholders' approval of the execution of the Capital Increase Agreement or the conduct of the Capital Increase;
- (iii) all approvals, no objection letters, permits, registration or filing mandatorily required to be obtained for the Capital Increase having been obtained from the relevant authorities (including but not limited to the AMCM and the Stock Exchange) and such approvals, no objection letters, permits, registration or filing not having been revoked or withdrawn;
- (iv) there being no applicable laws, judgments, awards, rulings or injunctions of courts, arbitration institutions or relevant government authorities that restrict or prohibit the Capital Increase, nor are there any litigations, arbitrations, judgments, awards, rulings or injunctions that have or may have a material adverse impact on the Capital Increase, and the execution, delivery, performance of the Capital Increase Agreement and the transactions thereunder not violating any applicable law;
- (v) an amended and restated memorandum and articles of association of Ant Bank (Macao) having been adopted by Ant Bank (Macao) and approved by mFinance and the AMCM;
- (vi) the Share Transfer Agreement having been entered into between mFinance and Star N Cloud and the Share Transfer having been completed;
- (vii) the Shareholders' Agreement having been entered into among mFinance, Ant Bank (Macao), Alipay (Macau) Holding and Alipay (Macau) Investment;
- (viii) the Framework Agreement having been entered into among the Company, Ant Bank (Macao) and Ant Technologies and the Framework Agreement (including the Annual Caps) having been approved by the Board and/or the Independent Shareholders (as the case may be);
- (ix) mFinance having been satisfied with Ant Bank (Macao)'s annual budget for the period from the date of execution of the Capital Increase Agreement to the 12 months after the Closing date;
- (x) mFinance having been satisfied with Ant Bank (Macao)'s working capital forecast for the period from the date of execution of the Capital Increase Agreement to the 24 months after the Closing date; and

LETTER FROM THE BOARD

(xi) there being no material adverse change on Ant Bank (Macao) until the Closing.

As at the Latest Practicable Date, none of the above conditions had been fulfilled, except that the Share Transfer Agreement in (vi) and the Framework Agreement in (viii) above had been executed by the relevant parties thereto, but are all subject to their respective conditions precedent having been fulfilled or waived by writing. Under the Capital Increase Agreement, there is no specific circumstance mentioned therein where the above conditions precedent may be waived.

Composition of the board of directors of Ant Bank (Macao)

The board of directors of Ant Bank (Macao) comprises five members, among which, three will be nominated by mFinance and two will be nominated by Alipay (Macau) Holding and/or Alipay (Macau) Investment. The chairman of Ant Bank (Macao) will be a director nominated by mFinance.

Composition of the supervisory committee of Ant Bank (Macao)

The supervisory committee of Ant Bank (Macao) comprises three members, among which, each of mFinance and Alipay (Macau) Holding and/or Alipay (Macau) Investment will nominate one member, and the remaining one will be a certified public accountant or certified accountant firm.

Board reserved matters

Certain significant matters that are beyond the coverage of the annual budget, or over certain amount and not in the ordinary course of business, including but not limited to (i) purchase or disposal of entities or businesses or engaging in a merger, consolidation, material acquisition, or material investment in any entity, creation of a joint venture or similar arrangement with any third party, (ii) creation or the authorization of the creation of any debt, (iii) provision of any loans or advancement, (iv) creation, transfer or redemption of any mortgage or other encumbrances, (v) commencement, termination or settlement of any dispute, litigation or arbitration, and (vi) acquisition of any material asset or asset that will result in a material adverse impact on the business of Ant Bank (Macao), shall be approved by at least one director nominated by each of mFinance and Alipay (Macau) Holding and/or Alipay (Macau) Investment.

Shareholders reserved matters

Certain matters, including but not limited to (i) issuance of equity securities or other equity convertible securities, (ii) redemption of equity securities, (iii) liquidation, dissolution or winding-up, (iv) amendment or termination of any agreements that may affect the shareholding structure, (v) amendment or approval of any share schemes, and (vi) selection of underwriters or listing exchanges for any initial public offering, shall be approved by at least three-fourths of the total voting rights of shareholders.

Pre-emptive rights

If Ant Bank (Macao) proposes to issue any securities (subject to customary exclusions), each shareholder shall have the right to subscribe for a pro rata proportion of such new securities that are proposed to be issued on the same terms and conditions (including price) as any other shareholder.

LETTER FROM THE BOARD

Right of first refusal

If any shareholder proposes to transfer any equity security of Ant Bank (Macao) to any third party, the other shareholder shall have the right of first refusal in relation to such transfer.

Tag-along right

If mFinance proposes to transfer any equity security of Ant Bank (Macao) to any third party and Alipay (Macao) Holding or Alipay (Macao) Investment does not exercise their right of first refusal, Alipay (Macao) Holding and Alipay (Macao) Investment shall have the tag-along right in relation to such transfer.

Anti-dilution right

Each shareholder shall have anti-dilution protection for any new securities issuances of Ant Bank (Macao) (subject to customary exclusions) at a per share price lower than the relevant subscription price previously paid by such shareholder.

Articles of association of Ant Bank (Macao)

As, upon the Closing, the issued share capital and the number of issued common shares will be increased from MOP400,000,000 and 4,000,000 shares to MOP550,000,000 and 5,500,000 shares respectively, and mFinance will become a shareholder of Ant Bank (Macao) and Star N Cloud will cease to be a shareholder of Ant Bank (Macao), Ant Bank (Macao) shall amend its articles of association to reflect the Capital Increase. In addition, it is expected to contain the terms as outlined in the paragraphs headed “Composition of the board of directors of Ant Bank (Macao)”, “Composition of the supervisory committee of Ant Bank (Macao)”, “Board reserved matters” and “Shareholders reserved matters” above. As at the Latest Practicable Date, the details of the articles of association of Ant Bank (Macao) had yet to be finalized.

3. The Call Option Termination Agreement

After the Stock Exchange trading hours on February 8, 2024, Star N Cloud and Alipay HK entered into the Call Option Termination Agreement, pursuant to which Star N Cloud and Alipay HK agreed to terminate the Call Option Agreement upon the completion of the Capital Increase. Alipay HK also agreed not to exercise the Option pursuant to the Call Option Agreement from the date of the Call Option Termination Agreement to the completion of the Capital Increase or the date on which the Share Transfer Agreement is terminated in accordance with the terms thereunder, whichever is earlier. As at the Latest Practicable Date, the Company indirectly held a 30% equity interest in Star N Cloud, and Star N Cloud was not a subsidiary of the Company. Accordingly, the Call Option Termination Agreement does not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules or a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. For details of the Call Option Termination Agreement, please refer to the Announcement.

LETTER FROM THE BOARD

4. The Shareholders' Agreement

Upon the Closing, mFinance will enter into the Shareholders' Agreement with Alipay (Macau) Holding, Alipay (Macau) Investment and Ant Bank (Macao), which is expected to contain terms and stipulate shareholder rights customary for transactions of this nature. The detailed terms of the Shareholders' Agreement have yet to be finalized before the Closing, but it is expected to contain key corporate governance and shareholders' rights terms as outlined in the paragraphs headed "Composition of the board of directors of Ant Bank (Macao)", "Composition of the supervisory committee of Ant Bank (Macao)", "Board reserved matters", "Shareholders reserved matters", "Pre-emptive rights", "Right of first refusal", "Tag-along right" and "Anti-dilution right" above under this Letter from the Board in this circular.

B. DISPOSAL OF A 30% EQUITY INTEREST IN STAR N CLOUD

The Share Transfer Undertaking Agreement

After the Stock Exchange trading hours on February 8, 2024, AGTech Macau entered into the Share Transfer Undertaking Agreement with Mr. Cheung Felix Vitor. Details are as follows:

Date

February 8, 2024

Parties

- (i) AGTech Macau (the seller); and
- (ii) Mr. Cheung Felix Vitor (the purchaser).

Mr. Cheung Felix Vitor is the son of Mr. Cheung Lup Kwan Vitor, who is the owner of Cosmic Pilot Limited which holds a 70% equity interest in Star N Cloud. As at the Latest Practicable Date, save as disclosed above and being the purchaser under the Share Transfer Undertaking Agreement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Cheung Felix Vitor was a third party independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the Share Transfer Undertaking Agreement, AGTech Macau has conditionally agreed to sell and Mr. Cheung Felix Vitor has conditionally agreed to acquire 30% of the issued share capital of Star N Cloud at the par value of MOP300,000 (equivalent to approximately HK\$291,000) upon the completion of the Share Transfer.

LETTER FROM THE BOARD

Consideration

The consideration under the Share Transfer Undertaking Agreement shall be MOP300,000 (equivalent to approximately HK\$291,000), which shall be paid by Mr. Cheung Felix Vitor to AGTech Macau on the date of the entering into the equity transfer document upon the Closing between AGTech Macau and Mr. Cheung Felix Vitor in relation to the sale of 30% of the equity interest in Star N Cloud by AGTech Macau to Mr. Cheung Felix Vitor. The consideration of MOP300,000 was determined after arm's length negotiations between the parties to the Share Transfer Undertaking Agreement, having taken into account the fact that the unaudited net liabilities of Star N Cloud as at December 31, 2023 (based on its latest available management accounts) was approximately MOP807,140 (equivalent to approximately HK\$783,652).

It is expected that the Group will record a net gain of approximately MOP300,000 (equivalent to approximately HK\$291,000) as a result of the Proposed Sale of Star N Cloud, which is arrived at after taking into account the difference between the consideration under the Share Transfer Undertaking Agreement and the Group's unaudited carrying amount of the investment in Star N Cloud. The Group intends to apply the proceeds from the Proposed Sale of Star N Cloud as general working capital.

Conditions precedent

The completion of the Proposed Sale of Star N Cloud is conditional upon (i) the completion of the Share Transfer, and (ii) Star N Cloud having repaid the shareholder's loan of MOP39,960,000 (equivalent to approximately HK\$38,797,000) to AGTech Management Limited (being a subsidiary of the Company and a nominee for AGTech Macau to receive the repaid amount).

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

C. THE CLOSING

The Closing shall take place on or before the tenth business day after the Closing Conditions having been fulfilled or waived.

Upon the Closing, the Company will indirectly hold approximately 51.5% of the issued share capital of Ant Bank (Macao) through mFinance. Ant Bank (Macao) will become an indirect non-wholly owned subsidiary of the Company and the financial statements of Ant Bank (Macao) will be consolidated into the financial statements of the Group. The Group will cease to have any interest in Star N Cloud and Star N Cloud will cease to be a 30% indirectly owned associated company of the Company upon the Closing.

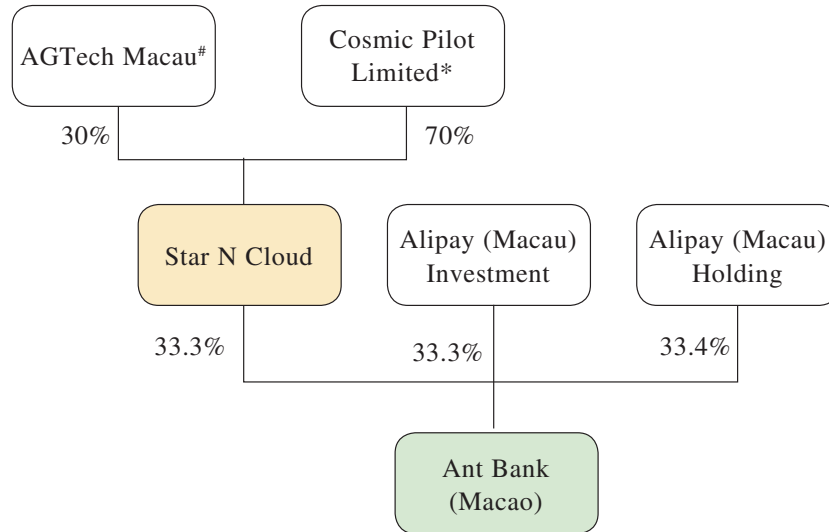
LETTER FROM THE BOARD

D. INFORMATION ON ANT BANK (MACAO) AND STAR N CLOUD

1. Shareholding Structures of Ant Bank (Macao) and Star N Cloud

Set out below are the shareholding structures of Ant Bank (Macao) and Star N Cloud as at the Latest Practicable Date and immediately after the Closing:

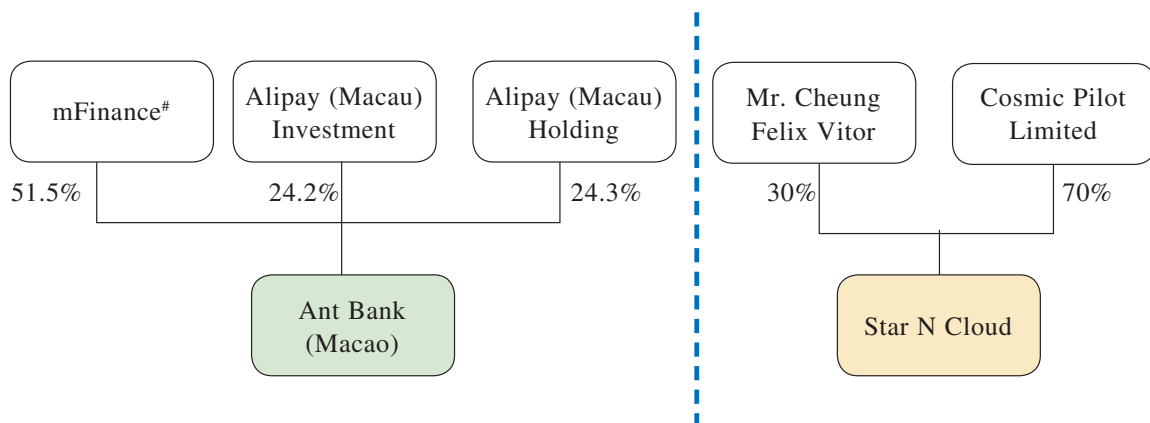
(i) *As at the Latest Practicable Date:*



being an indirectly wholly-owned subsidiary of the Company

* being a company wholly-owned by Mr. Cheung Lup Kwan Vitor

(ii) *Immediately after the Closing:*



being an indirectly wholly-owned subsidiary of the Company

LETTER FROM THE BOARD

2. Information on Ant Bank (Macao)

Business

Ant Bank (Macao) is a company incorporated under the laws of Macau with limited liability. As at the Latest Practicable Date, its issued share capital was MOP400,000,000 (equivalent to approximately HK\$388,360,000) and it currently operates the following principal lines of digital banking business:

- mobile payment services via the “Alipay (Macao)” e-wallet;
- financial banking services such as deposits and loans, targeting primarily residents and small and medium-sized enterprises (“SMEs”) of Macau. Ant Bank (Macao) focuses on inclusive financial services to provide credit loan services to Macau SMEs engaged in the retailing, catering and department stores sectors; and
- cross-border remittance services: the “Alipay (Macao)” e-wallet was the first e-wallet in Macau to provide cross-border remittance services to the Chinese Mainland. Users of such e-wallet can remit funds to bank cards linked to their Alipay accounts in the Chinese Mainland subject to a daily maximum limit, and enjoy real-time settlement and preferential exchange rates. In addition, Ant Bank (Macao)’s cross-border remittance services for enterprises are able to reach more than 30 countries or regions such as Singapore, Europe and Hong Kong, and be denominated in different currencies including United States dollars, Hong Kong dollars and Euros.

License and approval

As advised by the legal advisers of the Company as to Macau law, Ant Bank (Macao) has obtained the license required for operating as a commercial bank under the AMCM for carrying out its principal business. The license has no expiration date and the change in control of Ant Bank (Macao) resulting from the Share Transfer and the Capital Increase will not render the license invalid. Nevertheless, the prior approval from the AMCM for change in control or ownership of Ant Bank (Macao) as a result of the Share Transfer and the Capital Increase is required and is one of the Closing Conditions.

LETTER FROM THE BOARD

Financial Information

Set out below is the financial information of Ant Bank (Macao) for the two years ended December 31, 2021 and 2022 and for the nine months ended September 30, 2023 prepared in accordance with Macau Generally Accepted Accounting Principles (the “**Macau GAAP**”). There is no material difference between the Macau GAAP and the Hong Kong Financial Reporting Standards in respect of the figures below.

	For the year ended December 31, 2021 (audited)		For the year ended December 31, 2022 (audited)		For the nine months ended September 30, 2023 (unaudited)	
	<i>Equivalent to approximately</i>		<i>Equivalent to approximately</i>		<i>Equivalent to approximately</i>	
	<i>MOP</i>	<i>HK\$</i>	<i>MOP</i>	<i>HK\$</i>	<i>MOP</i>	<i>HK\$</i>
Net loss before tax	41,618,056	40,406,971	37,002,672	35,925,894	27,665,992	26,860,912
Net loss after tax	41,618,056	40,406,971	37,002,672	35,925,894	27,665,992	26,860,912

The unaudited net asset of Ant Bank (Macao) as at September 30, 2023 (based on its unaudited management accounts of Ant Bank (Macao) for the nine months ended September 30, 2023) was MOP234,948,882 (equivalent to approximately HK\$228,111,870).

3. Information on Star N Cloud

Star N Cloud is a company incorporated under the laws of Macau with limited liability. It is an investment holding vehicle with no other business activities. The material asset of Star N Cloud is its equity interests in Ant Bank (Macao). As at the Latest Practicable Date, the issued share capital of Star N Cloud was MOP1 million (equivalent to approximately HK\$0.97 million).

Financial Information

Set out below is the financial information of Star N Cloud for the two years ended December 31, 2021 and 2022 prepared in accordance with the Macau GAAP. There is no material difference between the Macau GAAP and the Hong Kong Financial Reporting Standards in respect of the figures below.

	For the year ended December 31, 2022 (audited)		For the year ended December 31, 2023 (unaudited)	
	<i>Equivalent to approximately</i>		<i>Equivalent to approximately</i>	
	<i>MOP</i>	<i>HK\$</i>	<i>MOP</i>	<i>HK\$</i>
Net (loss)/profit before tax	(5,952,761)	(5,779,536)	17,853,979	17,334,428
Net (loss)/profit after tax	(5,952,761)	(5,779,536)	17,693,515	17,178,634

LETTER FROM THE BOARD

The unaudited net liabilities of Star N Cloud as at December 31, 2023 was MOP807,140 (equivalent to approximately HK\$783,652).

E. FINANCIAL EFFECTS OF THE TRANSACTION

Upon the Closing, (i) the Company will indirectly hold approximately 51.5% of the issued share capital of Ant Bank (Macao) through mFinance. Ant Bank (Macao) will become an indirect non-wholly owned subsidiary of the Company and the financial statements of Ant Bank (Macao) will be consolidated into the financial statements of the Group; and (ii) the Group will cease to have any interest in Star N Cloud and Star N Cloud will cease to be a 30% indirectly owned associated company of the Company.

As the total consideration under the Share Transfer and Capital Increase of MOP283,200,000 (equivalent to approximately HK\$274,959,000) will be funded by the Group's internal resources, the Group's cash and bank balances is expected to decrease by the same amount. Meanwhile, the Group is expected to receive proceeds of MOP300,000 (equivalent to approximately HK\$291,000) and MOP39,960,000 (equivalent to approximately HK\$38,797,000) from the Proposed Sale of Star N Cloud. As a result of the above, the expected net impact on the Group's cash and bank balances is a decrease of MOP242,940,000 (equivalent to approximately HK\$235,871,000), representing approximately 87.9% of the Group's net cash as at December 31, 2023. Notwithstanding this, (i) the Group had an additional fixed deposits held at bank of approximately HK\$256.0 million as at December 31, 2023 and (ii) the consideration under the Capital Increase of MOP150,000,000 (equivalent to approximately HK\$145,635,000) will be retained in Ant Bank (Macao), which together with pre-invest net cash of Ant Bank (Macao) will become part of the Group's after the Closing.

For illustrative purpose, the unaudited net profit after tax of the Group for the nine months ended September 30, 2023 as extracted from the third quarterly report of the Company for the nine months ended September 30, 2023 was approximately HK\$26.7 million. According to the unaudited management accounts of Ant Bank (Macao) for the nine months ended September 30, 2023, Ant Bank (Macao) recorded net loss after tax of approximately HK\$26.9 million. Having considered the above and the net gain on the Proposed Sale of Star N Cloud of approximately HK\$0.3 million arising from the Transaction, the result of the Group will be affected by the loss-making result of Ant Bank (Macao). The above analysis has not taken into account any post-Transaction synergies that may accrue to the Group under the section headed "F. Reasons for and Benefits of the Transaction" below. Shareholders should note that the earnings or loss contribution from Ant Bank (Macao) after the Closing will depend on the future performance of Ant Bank (Macao), and the actual effect of the Transaction on the assets and liabilities of the Group (as enlarged by Ant Bank (Macao)) will depend on the financial position of Ant Bank (Macao) as at the date of the Closing, all of which could not be ascertained as at the Latest Practicable Date.

LETTER FROM THE BOARD

F. REASONS FOR AND BENEFITS OF THE TRANSACTION

In relation to the Share Transfer and the Capital Increase:

The Group already holds an indirect effective equity interest of 9.99% in Ant Bank (Macao) through Star N Cloud, and two of the Directors (i.e. Mr. Sun Ho and Mr. Ji Gang) are also directors of Ant Bank (Macao). The Share Transfer and the Capital Increase provide a rare opportunity for the Group to further invest and attain a controlling stake of approximately 51.5% in Ant Bank (Macao) following the Closing.

The Group believes that the Share Transfer and the Capital Increase are in line with the Group's business strategy of supporting the digital transformation of financial services in Macau and the Greater Bay Area by strengthening infrastructure and platforms, so as to becoming a modern fintech and innovation group in Macau and the Greater Bay Area in the PRC. The Share Transfer and the Capital Increase will facilitate (i) the synergy between the electronic payment business of the Group in Macau with the digital banking businesses (e.g. deposits, credit loans and cross-border remittance) of Ant Bank (Macao) to connect scenarios and resources of the ecosystem with payment plus inclusive finance to meet the consumption and financing needs of Macau residents and small and medium-sized merchants; and (ii) synergy with different business units of the Group such as lifestyle, cultural and entertainment and e-commerce businesses with the resources of the ecosystems of the Alibaba Group and the Ant Group. By combining the unique leisure and tourism advantages of Macau to create featured cross-border financial services and attract more cross-border tourists (who are eligible to receive such services) to visit Macau, the Group can provide more comprehensive services to customers including Macau residents and tourists from all over the world, so as to support Macau's economic recovery and growth, and at the same time further diversifying and expanding the revenue sources of the Group. Other than the Transaction, the Company currently does not have any plans or intention to acquire or commence any new business or downscale or dispose any of its existing business. The Company will continue to support Ant Bank (Macao)'s business plan (including but not limited to insurance agency business and securities trading business of Ant Bank (Macao)).

With the completion of the Share Transfer and the Capital Increase, the business scope of the Group will expand from digital payment services and digital local consumer services to digital financial services.

In relation to the Proposed Sale of Star N Cloud:

As Star N Cloud will no longer hold any shares in Ant Bank (Macao) following completion of the Share Transfer and the purpose of the formation of Star N Cloud is for investment in Ant Bank (Macao), the Board resolved to sell the Group's 30% equity interest in Star N Cloud, subject to the completion of the Share Transfer.

In view of the above, all Directors (including the independent non-executive Directors whose view has been set out in this circular after considering the advice and recommendation of the Independent Financial Adviser) are of the view that the terms of the Transaction are fair and reasonable, and the Transaction is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

III. POSSIBLE CONTINUING CONNECTED TRANSACTIONS

A. THE FRAMEWORK AGREEMENT

Ant Bank (Macao) and the Ant Group have been cooperating on different areas, including resources sharing services, remittance and settlement services, technical services, transfer of creditors' rights and related services, deposit services, marketing services and loan services.

As at the Latest Practicable Date, Ali Fortune, the controlling shareholder of the Company holding 6,502,723,993 Shares (representing approximately 55.7% of the issued share capital of the Company), was indirectly owned as to 60% and 40% by Alibaba Holding and Ant Holdco, respectively. Ant Holdco is indirectly held by Alibaba Holding as to approximately 33% of its equity interest. The Ant Group (including Ant Technologies) are associates of Alibaba Holding and hence connected persons of the Company under the GEM Listing Rules. As Ant Bank (Macao) will become an indirect non-wholly owned subsidiary of the Company upon the Closing, the aforesaid services between Ant Bank (Macao) and the Ant Group will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules after the Closing. To ensure that such existing and future business cooperation between Ant Bank (Macao) and the Ant Group will comply with the requirements of the GEM Listing Rules with effect from the Closing, after the Stock Exchange trading hours on February 8, 2024, the Company, Ant Bank (Macao) and Ant Technologies entered into the Framework Agreement to set out the terms and conditions of the future business cooperation and resources sharing between Ant Bank (Macao) and the Ant Group subject to the Closing. The principal terms of the Framework Agreement are set out below:

Date

February 8, 2024

Parties

- (i) the Company (for itself and on behalf of its subsidiaries);
- (ii) Ant Bank (Macao); and
- (iii) Ant Technologies (for itself and on behalf of the direct or indirect subsidiaries and affiliated companies of Ant Holdco).

Services

Subject to the approval of the relevant regulatory authorities (if required), pursuant to the Framework Agreement, the Ant Group agreed to provide Ant Bank (Macao) with (i) resources sharing services; (ii) remittance and settlement services; (iii) Technical Services; and (iv) transfer of creditors' rights and related services, and Ant Bank (Macao) agreed to provide the Ant Group with (i) deposit services, (ii) marketing services; and (iii) loan services. The above services under the Framework Agreement (excluding the Technical Services) are exempt from independent shareholders' approval pursuant to Chapter 20 of the GEM Listing Rules. For details of the above services under the Framework Agreement, please refer to the Announcement.

LETTER FROM THE BOARD

The Technical Services to be provided by the Ant Group to Ant Bank (Macao) refers to technical services and resources in relation to payment and financial and e-banking, including the supply of technical infrastructure and hardware and software resources and other technical services and support required by Ant Bank (Macao) for its business needs and operation (collectively, the “**Technical Services**”). The Technical Services are the only CCTs under the Framework Agreement that require the approval of Independent Shareholders pursuant to Chapter 20 of the GEM Listing Rules.

Term and conditions precedent

Subject to the fulfilment of the conditions precedent under the Framework Agreement as set out below, the term of the Framework Agreement shall commence on the Effective Date and end on March 31, 2026:

- (i) the approval of the Board and/or the Independent Shareholders at the SGM by way of poll (as the case may be) in relation to the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) in accordance with the GEM Listing Rules having been obtained;
- (ii) all requirements as may be imposed by the relevant regulatory authorities (including the Stock Exchange) in relation to the Framework Agreement and the transactions contemplated thereunder, if any, having been complied with by all the parties, and all authorizations, approvals and permits necessary for the performance of its respective obligations under the Framework Agreement and the transactions contemplated thereunder in accordance with all applicable legal and regulatory requirements (including the GEM Listing Rules) having been obtained;
- (iii) the Framework Agreement having been signed and stamped with the official seals (if applicable) by all parties to the Framework Agreement; and
- (iv) Ant Bank (Macao) having become an indirect non-wholly owned subsidiary of the Company.

As at the Latest Practicable Date, only condition (iii) and the Board approval stated in condition (i) above had been fulfilled.

Pricing policy

As a general principle, the pricing and other terms under the Framework Agreement and the Specific Execution Agreements shall be determined in the ordinary and usual course of business on normal commercial terms (as defined under the GEM Listing Rules) and shall be negotiated on an arm’s length basis between the parties thereto.

LETTER FROM THE BOARD

For services to be provided by the Ant Group to Ant Bank (Macao):

The terms to be offered by the Ant Group to Ant Bank (Macao) shall be in line with and not less favorable than those offered to other third parties independent of the Ant Group; or where there is no comparable scale or type of transactions conducted by the Ant Group with such independent third parties, the terms offered by Ant Bank (Macao) to the Ant Group should be in line with and not more favorable than those offered by Ant Bank (Macao) to other independent third parties. In particular, the service fees charged by the Ant Group to Ant Bank (Macao) shall be within the normal range of service fees payable by other independent third parties for the same or similar services offered by the Ant Group; or where there is no comparable scale or type of services provided by the Ant Group to such independent third parties, the service fees charged by the Ant Group to Ant Bank (Macao) shall be within the normal range of service fees payable by Ant Bank (Macao) to other independent third party service providers.

In particular, for the Technical Services, the service fees for the Technical Services shall be calculated based on a Cost-plus Basis, or based on the specific fees and fee plan charged by the Ant Group or its service providers to the public (including independent third party customers) on their official websites. The pricing of the payment, financial and e-banking related Technical Services newly launched by the Ant Group will make reference to the pricing policy of existing similar services, with discounts offered by the Ant Group according to the estimated total volume of services to be purchased by Ant Bank (Macao) (e.g. a deeper discount for the total service fees for the aforesaid Technical Services may be given by the Ant Group when the volume of services purchased by Ant Bank (Macao) increases). The relevant costs and expenses are subject to confirmation by both Ant Group and Ant Bank (Macao) and were determined with reference to the relevant tax regulations, comparable transactional information, and in accordance with the principles of arm's length transactions.

“Cost-plus Basis” means the fees for the relevant Technical Services shall be calculated based on the actual costs for the provision of such services plus certain margin (which is expected to be primarily within the range of 5% to 11%, with the possibility that the margin shall be even lower than 5% for some sundry Technical Services that may be demanded by Ant Bank (Macao) in the future) which shall be calculated by an independent professional institution (one of the four largest international professional accounting firms) as designated by the Ant Group with reference to the applicable tax laws and regulations, comparable transactional information, and in accordance with the principles of arm's length transactions.

In view of the fact that the aforesaid margin is expected to be primarily within a modest range of 5% to 11% or even lower than 5% for some sundry Technical Services, and the final margin percentage shall be proposed by an independent professional institution as designated by the Ant Group (which shall be an international accounting firm) on a fair and reasonable basis, the Company considers that such pricing basis for the Technical Services is fair and reasonable.

LETTER FROM THE BOARD

For services to be provided by Ant Bank (Macao) to the Ant Group:

The terms to be offered by Ant Bank (Macao) to the Ant Group shall be in line with and not more favorable than those offered to other third parties independent of the Company and its connected persons; or where there is no comparable scale or type of transactions conducted by Ant Bank (Macao) with such independent third parties, the terms offered by the Ant Group to Ant Bank (Macao) should be in line with and not less favorable than those offered by the Ant Group to other independent third parties. In particular, the service fees charged by Ant Bank (Macao) to the Ant Group shall be within the normal range of service fees payable by other independent third parties for the same or similar services offered by Ant Bank (Macao); or where there is no comparable scale or type of services provided by Ant Bank (Macao) to such independent third parties, the service fees charged by Ant Bank (Macao) to the Ant Group shall be within the normal range of service fees payable by the Ant Group to other independent third party service providers.

Payment term

All of the service fees chargeable under the Framework Agreement shall be settled pursuant to the payment terms set out in the Specific Execution Agreements to be entered into between the parties thereto, which shall be within a few working days from the date of transactions or on a monthly basis (as the case may be).

Specific Execution Agreements

Pursuant to the Framework Agreement, Ant Technologies may from time to time enter into or procure the Ant Group members to enter into Specific Execution Agreements with Ant Bank (Macao) for the provision of the services specified in the Framework Agreement to each other. Those Specific Execution Agreements will set out detailed terms of the transactions (including but not limited to the details of business cooperation, scope of services, service fees and payment terms) in accordance with the general terms agreed in the Framework Agreement.

B. REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

Ant Bank (Macao) and the Ant Group have been cooperating on different areas, including resources sharing services, remittance and settlement services, technical services, transfer of creditors' rights and related services, deposit services, marketing services and loan services. In order to maintain such cooperation and ensure that it will comply with the requirements of the GEM Listing Rules with effect from the Closing, the Framework Agreement was entered into by the Company, Ant Bank (Macao) and Ant Technologies. The Board considers that the Framework Agreement and the transactions contemplated thereunder will foster closer cooperation between the Group (in particular, Ant Bank (Macao) following the Closing) and the Ant Group in relation to the Group's business in Macau, thereby enhancing the source of revenue of the Group.

LETTER FROM THE BOARD

In view of the above, in respect of all the CCTs (including the Technical Services), all Directors (including the independent non-executive Directors whose view has been set out in this circular after considering the advice and recommendation of the Independent Financial Adviser) are of the view that, the terms of the Framework Agreement (including the Technical Services) and the Annual Caps (including the Technical Services Annual Caps) are fair and reasonable, and the CCTs (including the Technical Services) are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

C. HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

1. Historical Transaction Amounts for the Technical Services

The historical transaction amounts of the service fees for the Technical Services paid by Ant Bank (Macao) to the Ant Group for the past two years ended December 31, 2023 were HK\$18,403,000 and HK\$34,648,000, respectively. The increase in service fees for the Technical Services in 2023 over 2022 was mainly due to the fact that additional Technical Services were required by Ant Bank (Macao) in relation to the research and development (“R&D”) of new products (including the Faster Payment System, credit loan services for individuals and a securities trading system), and the R&D and testing costs for a cloud computing project that were allocated by the Ant Group to Ant Bank (Macao) since 2023.

2. Annual Caps for the Technical Services

The annual caps (the “**Technical Services Annual Caps**”) of the service fees for the Technical Services payable by Ant Bank (Macao) to the Ant Group under the Framework Agreement for the term from April 1, 2024/the Effective Date to March 31, 2026 are set out below:

	For the period from April 1, 2024/ the Effective Date to March 31, 2025 HK\$'000	For the period from April 1, 2025 to March 31, 2026 HK\$'000
The service fees for the Technical Services payable by Ant Bank (Macao) to the Ant Group	38,100	42,400

Technical Services Annual Caps are determined primarily with reference to: (i) the expected demand of Ant Bank (Macao) for the Technical Services contemplated under the Framework Agreement and the relevant service fees payable by Ant Bank (Macao) to the Ant Group during the term of the Framework Agreement; (ii) the historical volume of the Technical Services purchased by Ant Bank (Macao) and the service fees paid by Ant Bank (Macao) to the Ant Group for the Technical Services for the two years ended December 31, 2023; and (iii) certain buffer for additional services that may be required by Ant Bank (Macao).

LETTER FROM THE BOARD

D. INTERNAL CONTROL MEASURES FOR THE CCTS

Following the Closing, when, from time to time, the Ant Group and Ant Bank (Macao) are expected to enter into any Specific Execution Agreement, the relevant team responsible for negotiating the terms of business cooperation and resources sharing with the Ant Group should submit the draft Specific Execution Agreement for review by the Company's chief financial officer who will check that the terms to be offered by the Ant Group to Ant Bank (Macao) shall be in line with and not less favorable than those offered to other third parties independent of the Ant Group; or where there is no comparable scale or type of transactions conducted by the Ant Group with such independent third parties, the terms offered by Ant Bank (Macao) to the Ant Group should be in line with and not more favorable than those offered by Ant Bank (Macao) to other independent third parties. In particular, the service fees charged by the Ant Group to Ant Bank (Macao) shall be within the normal range of service fees payable by other independent third parties for the same or similar services offered by the Ant Group; or where there is no comparable scale or type of services provided by the Ant Group to such independent third parties, the service fees charged by the Ant Group to Ant Bank (Macao) shall be within the normal range of service fees payable by Ant Bank (Macao) to other independent third-party service providers.

Furthermore, the Group has internal controls in place to monitor the utilization of the Annual Caps which require the submission of monthly reports on the accumulated amounts of the CCTs by the finance team to the Company's chief financial officer, the company secretary and the person in charge of internal control function. The company secretary shall promptly liaise with the business team as and when any of the Annual Caps has been 70% utilized in order to agree and implement measures to control and avoid exceeding any of the Annual Caps. The Framework Agreement includes a customary provision, pursuant to which Ant Technologies shall, and/or shall procure the Ant Group to, subject to applicable laws and regulations, generally allow the auditors of the Company or Ant Bank (Macao) (as the case may be) access to information necessary to report on the CCTs. The parties to the Framework Agreement have also agreed that they must abide by the GEM Listing Rules when performing their obligations under the terms of the Framework Agreement, including but not limited to the Annual Caps as set out in the announcement or circular issued by the Company in accordance with the GEM Listing Rules. If the accumulated amounts of the CCTs are about to exceed the Annual Caps which will result in the Group being unable to perform its contractual obligations stipulated under the terms of the Framework Agreement and/or the Specific Execution Agreements (as the case may be), the Group shall be allowed to temporarily suspend the performance of its contractual obligations stipulated in such agreements until the Group complies with the GEM Listing Rules (including obtaining approval of the revised annual cap amount(s) for the CCTs), and such temporary suspension shall not constitute a breach of any provisions of such agreements by the Group. The parties to the Framework Agreement have also agreed to amend or update the relevant terms of the Framework Agreement and/or the Specific Execution Agreements (as the case may be) in response to any future amendments to the GEM Listing Rules in relation to connected transaction requirements.

LETTER FROM THE BOARD

As part of the overall monitoring of the CCTs, sample checks will be conducted by the Group's internal audit department at least annually on, among other things, the pricing, payment terms and the utilization of the Annual Caps. In particular, when conducting sample checks, the Group's internal audit department will, where applicable, compare the pricing and payment terms under the Specific Execution Agreements with those provided by independent third parties and/or those disclosed publicly for similar services to confirm whether the pricing and payment terms are fair and reasonable. The Group's internal audit department will also review monthly utilization monitoring sample reports to confirm whether the monthly utilization monitoring reports have been submitted to the management and whether the CCTs are within the Annual Caps. In addition, the CCTs in respect of the Shared Services (as defined in the Announcement) and Technical Services will be subject to annual review by the independent non-executive Directors and the auditors of the Company of their terms and the relevant annual caps, and the Company is required to report the findings of such annual review in its annual report in compliance with the GEM Listing Rules.

IV. INFORMATION ABOUT THE PARTIES

1. The Company and the Group

The Company was incorporated in Bermuda and the Shares are listed on GEM of the Stock Exchange. The Group is an integrated technology and services company engaged in electronic payment services, lottery, lifestyle, games and entertainment, marketing technical services, e-commerce and non-lottery hardware supply markets with a focus on Chinese Mainland and Macau. As a member of the Alibaba Group, the Group is the exclusive lottery platform of Alibaba Group and the Ant Group.

2. mFinance

mFinance is a company incorporated under the laws of Hong Kong with limited liability. It is an investment holding vehicle with no other business activities and an indirect wholly-owned subsidiary of the Company.

3. AGTech Macau

AGTech Macau is a company incorporated under the laws of Macau with limited liability. It is an investment holding vehicle with no other business activities and an indirect wholly-owned subsidiary of the Company.

4. Star N Cloud

Star N Cloud is a company incorporated under the laws of Macau with limited liability. It is an investment holding vehicle with no other business activities. As at the Latest Practicable Date, it was held as to 70% and 30% by Cosmic Pilot Limited (a company wholly-owned by Mr. Cheung Lup Kwan Vitor) and AGTech Macau, respectively. Upon the Closing, the Group will cease to have any interest in Star N Cloud and Star N Cloud will cease to be a 30% indirectly owned associated company of the Company.

LETTER FROM THE BOARD

5. Ant Bank (Macao)

Ant Bank (Macao) is a company incorporated under the laws of Macau with limited liability. It is principally engaged in the provision of mobile payment services and financial banking services in Macau. As at the Latest Practicable Date, the share capital of Ant Bank (Macao) was held as to 33.4%, 33.3% and 33.3% by Alipay (Macao) Holding, Alipay (Macao) Investment and Star N Cloud, respectively. Upon the Closing, Ant Bank (Macao) will be held as to approximately 51.5%, 24.3% and 24.2% by mFinance, Alipay (Macao) Holding and Alipay (Macao) Investment, respectively.

6. Alipay HK, Ant Technologies, Alipay (Macao) Holding and Alipay (Macao) Investment

Alipay HK is a company incorporated under the laws of Hong Kong with limited liability. It is an investment holding vehicle with no other business activities and an indirect wholly-owned subsidiary of Ant Holdco.

Ant Technologies is a company incorporated under the laws of Hong Kong with limited liability. It is an investment holding vehicle with no other business activities and an indirect wholly-owned subsidiary of Ant Holdco.

Each of Alipay (Macao) Holding and Alipay (Macao) Investment is a company incorporated under the laws of Macau with limited liability. Each of them is a holding company and an indirect wholly-owned subsidiary of Ant Holdco.

As at the Latest Practicable Date, Junhan and Junao held approximately 31% and 22% of Ant Holdco's total issued shares, respectively. Xingtao is the executive partner and general partner of Junhan; Yunbo is the executive partner and general partner of Junao; and each of Xingtao and Yunbo is held by five individuals as to 20% each. The remaining issued shares in Ant Holdco are held as to approximately 33% by Taobao (China) Software Co., Ltd.* (淘寶(中國)軟件有限公司), an indirect wholly-owned subsidiary of Alibaba Holding, and as to approximately 14% by other minority shareholders.

7. Mr. Cheung Felix Vitor

Mr. Cheung Felix Vitor is the son of Mr. Cheung Lup Kwan Vitor who is the sole owner of Cosmic Pilot Limited, which holds a 70% equity interest in Star N Cloud.

* For identification purpose only

LETTER FROM THE BOARD

V. GEM LISTING RULES IMPLICATIONS

1. The Share Transfer Agreement, the Capital Increase Agreement and the Share Transfer Undertaking Agreement

As the highest applicable percentage ratio in relation to the aggregate amount of the Share Transfer and the Capital Increase exceeds 5% but is less than 25%, the Share Transfer and the Capital Increase (when aggregated) constitute a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. As the highest applicable percentage ratio in relation to the Proposed Sale of Star N Cloud is less than 5%, the Proposed Sale of Star N Cloud does not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules. As the Transaction involves both an acquisition and a disposal, pursuant to Rule 19.24 of the GEM Listing Rules, the Transaction will be classified by reference to the larger of the acquisition and the disposal. Based on the aforesaid, the Transaction constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, Ali Fortune, the controlling shareholder of the Company holding 6,502,723,993 Shares (representing approximately 55.7% of the issued share capital of the Company), was indirectly owned as to 60% and 40% by Alibaba Holding and Ant Holdco, respectively. Ant Holdco is indirectly held by Alibaba Holding as to approximately 33% of its equity interest. Ant Bank (Macao) is an indirect 66.7%-owned subsidiary of Ant Holdco and its other 33.3% equity interest is held by Star N Cloud. Each of Alipay (Macao) Holding and Alipay (Macao) Investment is an indirect wholly-owned subsidiary of Ant Holdco. Each of Ant Holdco, Ant Bank (Macao), Alipay (Macao) Holding and Alipay (Macao) Investment is an associate of Alibaba Holding and a connected person of the Company. Accordingly, the Capital Increase constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules, and since the Proposed Sale of Star N Cloud is conditional on the completion of the Share Transfer, which in turn is conditional on the completion of the Capital Increase, the Transaction constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and will be subject to the announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules as its consideration exceeds HK\$10 million.

2. The Framework Agreement

As the Ant Group are associates of Alibaba Holding and hence connected persons of the Company, the Framework Agreement and the CCTs constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. As one or more of the applicable percentage ratios in relation to the highest Technical Services Annual Caps after aggregated with the relevant annual caps in respect of technical services provided by the Ant Group under the 2023 Framework Agreement exceed 5%, the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

As (i) Mr. Tung Pen Hung and Ms. Qin Yuehong are employees of Alibaba Group; (ii) Mr. Sun Ho and Mr. Ji Gang are also directors of Ant Bank (Macao); and (iii) Mr. Zou Liang is an employee of the Ant Group, each of these Directors is deemed or may be perceived to have a material interest in the Transaction and the Technical Services contemplated under the Framework Agreement and had therefore abstained from voting on the Board resolutions for approval of the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps).

VI. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Feng Qing, Dr. Gao Jack Qun Yao and Mr. Chow Siu Lui, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps). The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

VII. THE SGM

The SGM will be convened and held at 11:00 a.m. on Wednesday, March 27, 2024 at Suite 3318, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong for the Shareholders to consider and, if thought fit, pass the resolutions to approve the Transaction and Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps). Any Shareholder with a material interest in the Transaction and/or the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) and his/her/its associates shall abstain from voting on the resolution(s) approving the same.

To the best of the Directors' knowledge, belief and information, having made all reasonable enquiries, as at the Latest Practicable Date, (i) Ali Fortune was interested in 6,502,723,993 Shares (representing approximately 55.7% of the issued share capital of the Company); (ii) Mr. Sun Ho was interested in 2,052,408,000 Shares (representing approximately 17.58% of the issued share capital of the Company); and (iii) Rainwood Resources Limited, in which Mr. Cheung Lup Kwan Vitor (who has an indirect equity interest in Ant Bank (Macao)) held 52% equity interest, was interested in 584,515,224 Shares (representing approximately 5.01% of the issued share capital of the Company). All of them and their associates, who were together interested in 9,139,647,217 Shares (representing approximately 78.30% of the issued share capital of the Company), shall abstain from voting on the resolutions in relation to the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) to be proposed at the SGM. Pursuant to Rule 23.05A of the GEM Listing Rules, the trustees holding unvested shares of a share scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the GEM Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. The trustees of the Share Award Scheme, who were interested in 250,447,450 Shares (representing approximately 2.15% of the issued share capital of the Company) as at the Latest Practicable Date, will be required to abstain from voting on the resolutions to approve the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) at the SGM. Save for the aforesaid, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) at the SGM.

LETTER FROM THE BOARD

The notice of SGM is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's Hong Kong branch share registrar, Tricor Abacus 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 SGM (or any adjournment thereof). Completion and return of a form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so desire. The voting in relation to the resolutions contained in the notice of SGM will be conducted by way of a poll at the SGM prescribed under the GEM Listing Rules. An announcement on the poll results will be made by the Company after the SGM.

VIII. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee which contains the advice of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps), and the letter of advice from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps).

The Directors (including the independent non-executive Directors whose opinion has been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) are of the view that (i) the terms of the Transaction are fair and reasonable, and the Transaction is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) are fair and reasonable, and the Technical Services contemplated under the Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the resolutions relating thereto at the SGM.

IX. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of SGM.

Yours faithfully,
By Order of the Board
AGTech Holdings Limited
Sun Ho
Chairman & CEO

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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.



AGTech Holdings Limited

亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

March 5, 2024

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION IN RELATION TO
THE ATTAINMENT OF A CONTROLLING STAKE IN
ANT BANK (MACAO) THROUGH ACQUISITION OF
EXISTING SHARES, AND SUBSCRIPTION
FOR NEW SHARES, IN ANT BANK (MACAO); AND DISPOSAL OF
A 30% EQUITY INTEREST IN STAR N CLOUD;
AND
(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FRAMEWORK AGREEMENT**

We refer to the circular dated March 5, 2024 of the Company (the “**Circular**”) of which this letter forms part.

Capitalized 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 in connection with the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps), details of which are set out in the letter from the Board in the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) are fair and reasonable and on normal commercial terms or better and whether the entering into of the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 34 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages IFA-1 to IFA-30 of the Circular. Having considered the terms of the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) 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 (i) the terms of the Transaction are fair and reasonable, and the Transaction is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) are fair and reasonable, and the Technical Services contemplated under the Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the SGM to approve the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps).

Yours faithfully,
Independent Board Committee

Mr. Feng Qing
*Independent non-executive
Director*

Dr. Gao Jack Qun Yao
*Independent non-executive
Director*

Mr. Chow Siu Lui
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer, the Capital Increase, the Proposed Sale of Star N Cloud and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps), which has been prepared for the purpose of incorporation in the Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

5 March 2024

To the Independent Board Committee and the Independent Shareholders

AGTech Holdings Limited

Unit 3912, 39th Floor, Tower Two
Times Square
Causeway Bay
Hong Kong

Dear Sir and Madam,

**(1) DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION IN RELATION TO
THE ATTAINMENT OF A CONTROLLING STAKE IN
ANT BANK (MACAO) THROUGH ACQUISITION OF
EXISTING SHARES, AND SUBSCRIPTION
FOR NEW SHARES, IN ANT BANK (MACAO); AND DISPOSAL OF
A 30% EQUITY INTEREST IN STAR N CLOUD;
AND
(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer, the Capital Increase, the Proposed Sale of Star N Cloud and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps). The details are set out in the “Letter from the Board” contained in the circular of the Company dated 5 March 2024 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After the Stock Exchange trading hours on 8 February 2024, mFinance (an indirect wholly-owned subsidiary of the Company) entered into (i) the Share Transfer Agreement with Star N Cloud, pursuant to which mFinance has conditionally agreed to acquire and Star N Cloud has conditionally agreed to sell the Sale Shares (representing 33.3% of the issued share capital of Ant Bank (Macao) as at the Latest Practicable Date or approximately 24.2% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase) for a consideration of MOP133,200,000 (equivalent to approximately HK\$129,324,000), with 30% of the consideration under the Share Transfer Agreement (i.e. MOP39,960,000 (equivalent to approximately HK\$38,797,000)) being distributed by Star N Cloud to AGTech Macau (an indirect wholly-owned subsidiary of the Company) in proportion to its 30% shareholding in Star N Cloud; and (ii) the Capital Increase Agreement with Ant Bank (Macao), Alipay (Macao) Holding and Alipay (Macao) Investment, pursuant to which mFinance has conditionally agreed to further contribute MOP150,000,000 (equivalent to approximately HK\$145,635,000) to the share capital of Ant Bank (Macao) by subscribing for 1,500,000 common shares (representing approximately 27.3% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase) to be issued by Ant Bank (Macao) at a price of MOP100 (equivalent to approximately HK\$97) each.

In view of the fact that Star N Cloud will no longer hold any shares in Ant Bank (Macao) following the completion of the Share Transfer and the purpose of the formation of Star N Cloud is for investment in Ant Bank (Macao), AGTech Macau entered into the Share Transfer Undertaking Agreement with Mr. Cheung Felix Vitor after the Stock Exchange trading hours on 8 February 2024, pursuant to which AGTech Macau has conditionally agreed to sell and Mr. Cheung Felix Vitor has conditionally agreed to acquire 30% of the issued share capital of Star N Cloud at the par value of MOP300,000 (equivalent to approximately HK\$291,000) upon the completion of the Share Transfer.

In addition, after the Stock Exchange trading hours on 8 February 2024, the Company, Ant Bank (Macao) and Ant Technologies entered into the Framework Agreement to set out the terms and conditions of the future business cooperation and resources sharing between Ant Bank (Macao) and the Ant Group subject to the Closing.

GEM LISTING RULES IMPLICATIONS

The Share Transfer Agreement, the Capital Increase Agreement and the Share Transfer Undertaking Agreement

As the highest applicable percentage ratio in relation to the aggregate amount of the Share Transfer and the Capital Increase exceeds 5% but is less than 25%, the Share Transfer and the Capital Increase (when aggregated) constitute a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. As the highest applicable percentage ratio in relation to the Proposed Sale of Star N Cloud is less than 5%, the Proposed Sale of Star N Cloud does not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules. As the Transaction involves both an acquisition and a disposal, pursuant to Rule 19.24 of the GEM Listing Rules, the Transaction will be classified by reference to the larger of the acquisition and the disposal. Based on the aforesaid, the Transaction constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Ali Fortune, the controlling shareholder of the Company holding 6,502,723,993 Shares (representing approximately 55.7% of the issued share capital of the Company), is indirectly owned as to 60% and 40% by Alibaba Holding and Ant Holdco respectively. Ant Holdco is indirectly held by Alibaba Holding as to approximately 33% of its equity interest. Ant Bank (Macao) is an indirect 66.7%-owned subsidiary of Ant Holdco and its other 33.3% equity interest is held by Star N Cloud. Each of Alipay (Macao) Holding and Alipay (Macao) Investment is an indirect wholly-owned subsidiary of Ant Holdco. Each of Ant Holdco, Ant Bank (Macao), Alipay (Macao) Holding and Alipay (Macao) Investment is an associate of Alibaba Holding and a connected person of the Company. Accordingly, the Capital Increase constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules, and since the Proposed Sale of Star N Cloud is conditional on the completion of the Share Transfer, which in turn is conditional on the completion of the Capital Increase, the Transaction constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and will be subject to the announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules as its consideration exceeds HK\$10 million.

The Framework Agreement

As the Ant Group are associates of Alibaba Holding and hence connected persons of the Company, the Framework Agreement and the CCTs constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. As one or more of the applicable percentage ratios in relation to the highest Technical Services Annual Caps after aggregated with the relevant annual caps in respect of technical services provided by the Ant Group under the 2023 Framework Agreement exceed 5%, the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

To the best of the Directors' knowledge, belief and information, having made all reasonable enquiries, as at the Latest Practicable Date, (i) Ali Fortune is interested in 6,502,723,993 Shares (representing approximately 55.7% of the issued share capital of the Company); (ii) Mr. Sun Ho was interested in 2,052,408,000 Shares (representing approximately 17.58% of the issued share capital of the Company); and (iii) Rainwood Resources Limited, in which Mr. Cheung Lup Kwan Vitor (who has an indirect equity interest in Ant Bank (Macao)) held 52% equity interest, was interested in 584,515,224 Shares (representing approximately 5.01% of the issued share capital of the Company). All of them and their associates, who were together interested in 9,139,647,217 Shares (representing approximately 78.30% of the issued share capital of the Company as at the Latest Practicable Date), shall abstain from voting on the resolutions in relation to the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) to be proposed at the SGM. Pursuant to Rule 23.05A of the GEM Listing Rules, the trustees holding unvested shares of a share scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the GEM Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. The trustees of the Share Award Scheme, who were interested in 250,447,450 Shares (representing approximately 2.15% of the issued share capital of the Company) as at the Latest Practicable Date, will be required to abstain from voting on the resolutions to approve the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Save for the aforesaid, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Feng Qing, Dr. Gao Jack Qunyao and Mr. Chow Siu Lui, has been formed to advise the Independent Shareholders as to whether the terms of the Transaction (including the Share Transfer, the Capital Increase and the Proposed Sale of Star N Cloud) and the Technical Services contemplated under the Framework Agreement are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Technical Services Annual Caps are fair and reasonable; and how the Independent Shareholders should vote in respect of the proposed resolutions at the SGM to approve the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps), taking into account the recommendation from the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Transaction (including the Share Transfer, the Capital Increase and the Proposed Sale of Star N Cloud) and the Technical Services contemplated under the Framework Agreement are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Technical Services Annual Caps are fair and reasonable; and how the Independent Shareholders should vote in respect of the proposed resolutions at the SGM to approve the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps).

We have not acted as the independent financial adviser or financial adviser in relation to any transactions of the Company or provided any other service(s) to the Company in the last two years prior to the date of the Circular. Pursuant to Rule 17.96 of the GEM Listing Rules, and given that remuneration for our engagement to opine on the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps) is at market level and not conditional upon successful passing of the resolutions to be proposed at the SGM, and that our engagement is on normal commercial terms, we are independent of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Share Transfer Agreement; (ii) the Capital Increase Agreement; (iii) the Share Transfer Undertaking Agreement; (iv) the Framework Agreement; (v) the valuation report of Ant Bank (Macao) as set out in Appendix I to the Circular; (vi) the second interim results announcement of the Company for the 12 months ended 31 December 2023 (the “**2023 Second Interim Results Announcement**”); (vii) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); and (viii) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the SGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

1.1 Principal business of the Group

The Company is an integrated technology and services company focusing on Mainland China and Macau markets, and which businesses can be broadly divided into four principal categories of:

- (i) Lottery involving lottery hardware sales and lottery distribution through physical channels and ancillary services (“**Lottery Business**”);

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- (ii) Electronic payment involving provision of (a) card services and ancillary services; (b) e-wallet services; and (c) acquiring services for other payment platforms (“**E-Payment Business**”);
- (iii) Lifestyle, games and entertainment, marketing technical services and e-commerce (“**Local Consumer Services Business**”); and
- (iv) Non-lottery hardware supply (including sales and leasing) (“**Non-lottery Business**”).

The E-Payment Business was acquired by the Group during the year ended 31 December 2022 where completion took place in March 2022.

1.2 Financial information of the Group

Set out below is a table summarising certain key financial information of the Group extracted from the 2023 Second Interim Results Announcement and the 2022 Annual Report.

Consolidated statement of profit or loss

	Year ended 31 December 2021 (“FY2021”)	Year ended 31 December 2022 (“FY2022”)	12-months period ended 31 December 2023 (“PE2023”)
<i>HK\$’000</i>			
Revenue	253,242	351,414	596,449
Net other income/(losses)	29,292	(11,940)	5,591
Operating expenses	(348,319)	(469,189)	(637,349)
– <i>Employee benefit expenses</i>	(116,784)	(127,788)	(165,054)
– <i>Purchase of and changes in inventories</i>	(119,772)	(62,718)	(83,717)
– <i>Depreciation and amortisation</i>	(20,557)	(66,581)	(67,236)
– <i>Other operating expenses</i>	(91,206)	(212,102)	(321,342)
Operating (loss)	(65,785)	(129,715)	(35,309)
Non-operating income/(expenses)	(1,447)	315	61,312
Including:			
– <i>Gain/(loss) on fair value changes (Note)</i>	(18,564)	(39,901)	2,171
– <i>Net finance income</i>	17,117	44,364	60,816
(Loss)/profit before income tax	(67,232)	(129,400)	26,003
Income tax credit/(expense)	4,182	(1,688)	2,996
(Loss)/profit for the year/period	(63,050)	(131,088)	28,999

Note: Gain/(loss) on fair value changes of financial assets at fair value through profit or loss were mainly related to the fair value of the convertible term loan facilities provided by the Group to its 45%-owned joint venture company in India.

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FY2022 vs. FY2021

In FY2022, the Group's revenue increased by approximately 38.8% to approximately HK\$351.4 million due mainly to the contribution of newly acquired E-Payment Business of approximately HK\$180.2 million following completion of its acquisition on 24 March 2022. Revenue from Lottery Business in fact decreased by approximately 32.4% to approximately HK\$171.2 million, affected by lower revenue from sales of both lottery and non-lottery hardware. There were fewer as well as delays in tenders for lottery hardware, while the non-lottery hardware supply project in FY2021 did not recur in FY2022.

The Group's revenue from E-Payment Business would have been higher if not for the rebate of Macau Pass transaction handling fees charged to small and medium enterprises of approximately HK\$38.8 million. This was in accordance with Macau government's policy of requesting financial institutions such as Macau Pass to exempt transaction acquiring fees during the outbreak of COVID-19 pandemic.

The addition of E-Payment Business resulted in general increases in the Group's other operating expenses such as service fees paid to other payment service providers as well as marketing expenses. Employee benefits expenses also increased as a result of addition of E-Payment Business but such increase was more moderate as the Group continued to implement workforce restructuring to control costs.

The lower revenue of Lottery Business and negative impact of rebate of E-Payment Business resulted in an operating loss for FY2022 of approximately HK\$129.7 million compared with operating loss of approximately HK\$65.8 million in FY2021. The operating loss was aggravated by foreign exchange loss being recorded in FY2022 compared to foreign exchange gain in FY2021, as well as higher depreciation and amortisation expenses relating to the newly acquired E-Payment Business.

The high interest rate environment resulted in higher fair value loss on the convertible term loan facilities provided by the Group to its 45%-owned joint venture company in India, First Games Technology Private Limited (formerly known as Paytm First Games Private Limited); but offset by an increase in net finance income. Consequently, the Group recorded loss for the year of approximately HK\$131.1 million in FY2022 compared with approximately HK\$63.1 million in FY2021.

PE2023 vs. FY2022

The Group's revenue for PE2023 increased by approximately 69.7% to approximately HK\$596.4 million compared with FY2022. E-Payment Business recorded higher revenue as there was full 12-month revenue contribution from E-Payment Business for PE2023 while there was only about 9-month revenue contribution for FY2022 as completion of acquisition took place in March 2022. Besides this, revenue from E-Payment Business increased following the gradual economic recovery post COVID-19 pandemic and higher tourist arrivals. There was also no further extension on the aforesaid transaction service fees exemption.

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Meanwhile Lottery Business also recorded higher revenue as a result of the Group's efforts on expanding its network for lottery distribution and recovery of lottery sales post pandemic.

In line with inclusion of expenses of E-Payment Business for 12-month period during PE2023 and mainly due to higher service fees paid to other payment service providers, other operating expenses increased from approximately HK\$212.1 million in FY2022 to approximately HK\$321.3 million in PE2023. Similarly, employees benefit expenses were higher in PE2023 following inclusion of expenses of E-Payment Business while additional recruitment of staff to cope with business growth and expansion also caused the increases.

Operating loss improved during PE2023 to approximately HK\$35.3 million compared with approximately HK\$129.7 million during FY2022. The improvement was mainly attributable to (i) overall increase in revenue more than corresponding increase in costs and expenses; and (ii) lower foreign exchange loss as depreciation of RMB against HK\$ stabilised.

The Group recorded a profit of approximately HK\$29.0 million in PE2023 compared to a loss of approximately HK\$131.1 million in FY2022, in line with the aforesaid narrowing of operating loss and augmented by (i) an approximate 37.1% increase in net finance income due to higher market interest rates; and (ii) fair value gain of approximately HK\$2.2 million being recorded in PE2023 on the convertible term loan facilities provided by the Group to its 45%-owned joint venture company in India compared with fair value loss in FY2022.

Liquidity and financial resources

Given the nature of the E-Payment Business, the cash and bank balances should be considered in tandem with its float balance due to card or account holders as well as other payables.

As reported in its 2023 Second Interim Results Announcement, the Group's net cash ^{Note 1} as at 31 December 2023 amounted to approximately HK\$268.2 million. In addition, the Group also had fixed deposits held at bank with original maturity over three months amounted to approximately HK\$256.0 million as at 31 December 2023.

The Group had no bank borrowings as at 31 December 2021, 31 December 2022 and 31 December 2023.

Having considered the Group's existing businesses, their recent performance and the Group's financial position, we are of the view that the Group has the necessary financial resources for the Share Transfer and Capital Increase.

Note 1: According to the 2023 Second Interim Results Announcement, net cash is defined as total cash and cash equivalents plus cash from payment settlement receivable on T+1 basis less total debts, which include trade payables, accruals and other payables (excluding provision for warranty which represents a future obligation that does not directly impact the current cash balance), contract liabilities, floats balance due to card or account holders, card deposits due to cardholders, deferred consideration payable and lease liabilities.

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1.3 Outlook and strategy of the Group

The Group has, among others, stated in the 2023 Second Interim Results Announcement that, as one of the leading payment service providers in Macau, the Group strives to continue to contribute to the local fintech development and smart city transformation for Macau and the Greater Bay Area through enhancement of the Group's infrastructure and platform.

We are of the view that the Share Transfer and Capital Increase in respect of the Group's investment in Ant Bank (Macao) in Macau are in line with the above objective, and fits into the Group's medium-to-long term business plan.

2. Background information of Ant Bank (Macao)

2.1 Principal business of Ant Bank (Macao)

Ant Bank (Macao) is a company incorporated under the laws of Macau with limited liability and principally engaged in the digital banking business comprising (i) mobile payment services; (ii) financial banking services; and (iii) cross-border remittance services. As at the Latest Practicable Date, the issued share capital of Ant Bank (Macao) is MOP400,000,000 (equivalent to approximately HK\$388,360,000).

For further details, please refer to the paragraph headed "2. Information on Ant Bank (Macao)" in the "Letter from the Board" of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 *Financial information of Ant Bank (Macao)*

Set out below is a table summarising certain key financial information of Ant Bank (Macao) for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 and 2023 respectively provided by the Management.

Extract of statement of profit or loss

	For the year ended		For the nine months ended	
	31 December		30 September	
	2021	2022	2022	2023
	<i>MOP</i>	<i>MOP</i>	<i>MOP</i>	<i>MOP</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income	1,872,332	6,304,376	2,938,037	18,231,291
Fee and commission income	3,543,146	2,820,917	2,009,979	1,724,988
Foreign exchange income resulting from remittance services and cross-border payment services	3,966,071	20,543,357	14,521,490	8,721,489
Net (loss) before tax	(41,618,056)	(37,002,672)	(21,412,075)	(27,665,992)
Net (loss) after tax	(41,618,056)	(37,002,672)	(21,412,075)	(27,665,992)

Extract of statement of financial position

	As at 31 December		As at
	2021		30 September
	2022	2022	2023
	<i>MOP</i>	<i>MOP</i>	<i>MOP</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Total assets	269,845,218	537,176,577	707,948,885
Total liabilities	78,054,645	277,426,711	473,000,003
Net asset	191,790,573	259,749,866	234,948,882

Ant Bank (Macao)'s interest income amounted to approximately MOP6.3 million in 2022, representing a significant increase of approximately 236.7% as compared to the interest income of approximately MOP1.9 million in 2021. During the nine months ended 30 September 2023, Ant Bank (Macao) continued to deliver substantial growth in interest income to approximately MOP18.2 million, which increased by approximately 520.5% from approximately MOP2.9 million in the nine months ended 30 September 2022. As advised by the Management, such rapid growth in interest income was mainly attributable to Ant Bank (Macao)'s expanded loan and debt transfer business and increase in market interest rate.

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We understand from the Management that fee and commission income is mainly generated from Ant Bank (Macao)'s provision of mobile payment services via the "Alipay (Macao)" e-wallet. In 2022, Ant Bank (Macao) recorded fee and commission income of approximately MOP2.8 million, which decreased by approximately 20.4% from approximately MOP3.5 million in 2021. During the nine months ended 30 September 2023, Ant Bank (Macao)'s fee and commission income was approximately MOP1.7 million, representing a decrease of approximately 14.2% from approximately MOP2.0 million in the nine months ended 30 September 2022.

With respect to the foreign exchange income resulting from remittance services and cross-border payment services, it mainly represents Ant Bank (Macao)'s revenue generated from its provision of cross-border remittance services, which was started in the second half of 2021 according to the Management. Ant Bank (Macao) recorded a substantial amount of foreign exchange income resulting from remittance services and cross-border payment services of approximately MOP20.5 million in 2022, due mainly to the significant demand for such services after border closure as part of the protective measures in view of the COVID-19 pandemic. Since the border reopened in early 2023, as advised by the Management, such demand of services had resumed normal and Ant Bank (Macao) recorded foreign exchange income resulting from remittance services and cross-border payment services of approximately MOP8.7 million during the nine months ended 30 September 2023.

Ant Bank (Macao) was loss making during the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 and 2023. However, due mainly to the significant growth in interest income as discussed above, we noted that the net (loss) after tax of Ant Bank (Macao) had improved from approximately MOP41.6 million in 2021 to approximately MOP37.0 million in 2022. During the nine months ended 30 September 2023, despite the substantial growth in Ant Bank (Macao)'s interest income, such increase was primarily offset by Ant Bank (Macao)'s increased expenses for Technical Services in relation to the research and development of new products for its business needs as further elaborated in the paragraph headed "7.2 Technical Services Annual Caps" below. As a result, Ant Bank (Macao)'s net (loss) after tax increased to approximately MOP27.7 million from approximately MOP21.4 million during the same period in 2022.

As a result of the growth in operating scale, Ant Bank (Macao)'s net asset increased by approximately 35.4% from approximately MOP191.8 million as at 31 December 2021 to approximately MOP259.7 million as at 31 December 2022. As at 30 September 2023, the unaudited net asset of Ant Bank (Macao) amounted to approximately MOP234.9 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The Share Transfer and Capital Increase

The transactions involve (i) mFinance acquiring certain issued share capital of Ant Bank (Macao) from Star N Cloud; and (ii) mFinance contributing further capital to Ant Bank (Macao). While the reasons and purposes of items (i) and (ii) above differ, both entail the Company using its own internal resources to increase its equity interest in Ant Bank (Macao); and the completion of which are inter-conditional upon each other. Given the above, our analysis of the fairness and reasonableness of both the Share Transfer and Capital Increase will be of similar focus and approach.

3.1 Principal terms of the Share Transfer Agreement

On 8 February 2024 (after the Stock Exchange trading hours), mFinance (an indirect wholly-owned subsidiary of the Company) entered into the Share Transfer Agreement with Star N Cloud, pursuant to which, mFinance has conditionally agreed to acquire and Star N Cloud has conditionally agreed to sell the Sale Shares (representing 33.3% of the issued share capital of Ant Bank (Macao) as at the Latest Practicable Date or approximately 24.2% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase) for a consideration of MOP133,200,000 (equivalent to approximately HK\$129,324,000). The Group intends to fund the consideration of MOP133,200,000 by its internal cash reserves.

As at the Latest Practicable Date, (i) Star N Cloud was held as to 70% and 30% by Cosmic Pilot Limited (a company wholly-owned by Mr. Cheung Lup Kwan Vitor) and AGTech Macau (an indirect wholly-owned subsidiary of the Company) respectively; and (ii) Mr. Cheung Lup Kwan Vitor held 5.01% of the issued share capital of the Company.

For details of the principal terms of the Share Transfer Agreement, please refer to the “Letter from the Board” of the Circular.

Consideration

The consideration under the Share Transfer Agreement of MOP133,200,000 (equivalent to approximately HK\$129,324,000) was determined after arm’s length negotiations between the parties, having taken into account various factors, including (i) the commercial banking licence of Ant Bank (Macao) in Macau; (ii) the rare opportunity for the Group to further increase its effective equity interest in Ant Bank (Macao); (iii) the anticipated continuous improvement in Macau’s economy as a result of the resumption of tourism in Macau; (iv) the various benefits and expected synergies between Ant Bank (Macao) and the Group; and (v) with reference to the valuation of a 100% equity interest in Ant Bank (Macao) as assessed by the Valuer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the consideration of MOP133,200,000 for acquiring 33.3% issued share capital of Ant Bank (Macao) implies a valuation of Ant Bank (Macao) of MOP400 million (the “**Implied Share Transfer Valuation**”), which is equivalent to the share capital of Ant Bank (Macao) as at the Latest Practicable Date. We further noted that the Implied Share Transfer Valuation represents a discount of approximately 11.1% to the Appraised Value (as defined below) of Ant Bank (Macao) as assessed by the Valuer. Given such discount and the Implied Share Transfer Valuation is equivalent to the share capital of Ant Bank (Macao), we are of the view that the method of arriving at the consideration under the Share Transfer Agreement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. For discussion of the Appraised Value of Ant Bank (Macao), please refer to the paragraph headed “3.3 Valuation of Ant Bank (Macao)” below.

As part of our independent work done, we first consider the use of other valuation methodologies to cross check the Appraised Value not applicable as further explained in the paragraphs headed “3.3.2 Valuation methodology” and “3.3.3 Basis and assumptions” below due to the fact that (i) market approach is appropriate in valuing Ant Bank (Macao) and the other commonly adopted valuation approaches (such as asset-based approach and income approach) are considered not suitable; and (ii) in terms of valuation multiples under the market approach, the adoption of P/B ratio is appropriate and the other commonly used multiples (such as P/E, EV/EBITDA and EV/S (defined below)) are considered not applicable nor appropriate. We have also conducted independent research, based on circulars published, on transactions conducted by companies listed on the Stock Exchange since the beginning of 2024 and up to the Latest Practicable Date which relate to acquisition and disposal of equity interests involving valuation conducted by independent valuers. We believe this research can serve to cross-check latest market practice in conducting valuation for transactions similar to that of the Share Transfer (and the Capital Increase) as they similarly involve valuation of equity interests. From our aforementioned research, we noted that there is one transaction involving the valuation of financial institutions as follow, which is exhaustive based on these criteria.

Date of circular	Company name	Stock code	Subject of valuation and principal business	Valuation approach
30 January 2024	HC Group Inc.	2280	Beijing Huicong Hulian Information Technology Co., Ltd. (holding company that holds certain equity interest in Tianjin Leasing, Huixiang Network, Jingu Bank and Chongqing Micro-credit (defined below))	Asset-based approach

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Date of circular	Company name	Stock code	Subject of valuation and principal business	Valuation approach
			Tianjin Huicong Leasing Co. Ltd. (“ Tianjin Leasing ”) (finance lease business in the PRC)	Asset-based approach
			Beijing Huixiang Network Technology Co., Ltd. (“ Huixiang Network ”) (bank borrowing holder with no substantive business operations)	Asset-based approach
			Inner Mongolia Hohhot Jingu Rural Commercial Bank Co., Ltd. (“ Jingu Bank ”) (commercial banking involving the provision of products and services on bank deposits, loans and advances in the PRC)	Market approach (P/B)
			Chongqing Digital China Huicong Micro-credit Co., Ltd. (“ Chongqing Micro-credit ”) (provision of loan in the PRC)	Market approach (P/B)

According to the table above, we noted that market approach and P/B multiple have similarly been adopted for valuing Jingu Bank and Chongqing Micro-credit, both being financial institutions. Such approaches are in line with those adopted by the Valuer when deriving the Appraised Value. Coupled with the reasonableness of the Appraised Value of Ant Bank (Macao) as further discussed below, we are of the view that the consideration under the Share Transfer Agreement is fair and reasonable.

Settlement

According to the Share Transfer Agreement, mFinance shall pay the consideration of MOP133,200,000 to Star N Cloud on the Closing date.

Considering the consideration shall be paid after all conditions precedent have been fulfilled or waived, we are of the view that the settlement terms are fair and reasonable and on normal commercial terms.

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Conditions precedent

The Share Transfer Agreement is subject to a number of conditions precedent, including but not limited to, the Capital Increase having been completed, as detailed in the paragraph headed “1. The Share Transfer Agreement” in the “Letter from the Board” of the Circular and will only become effective on or before the tenth business day after all conditions precedent have been fulfilled or waived, which include the Share Transfer having been approved at the SGM of the Company as well as having obtained the approval of AMCM.

Considering the conditions precedent have taken into account, among other things, the necessary regulatory approval in relation to the Share Transfer (e.g. the approval of Independent Shareholders and AMCM), we are of the view that they are fair and reasonable and on normal commercial terms.

3.2 Principal terms of the Capital Increase Agreement

On 8 February 2024 (after the Stock Exchange trading hours), mFinance entered into the Capital Increase Agreement with Ant Bank (Macao), Alipay (Macau) Holding and Alipay (Macau) Investment, pursuant to which, mFinance has conditionally agreed to further contribute MOP150,000,000 (equivalent to approximately HK\$145,635,000) to the share capital of Ant Bank (Macao) by subscribing for 1,500,000 common shares (representing approximately 27.3% of the issued share capital of Ant Bank (Macao) as enlarged by the Capital Increase) to be issued by Ant Bank (Macao) at a price of MOP100 (equivalent to approximately HK\$97) each. The Group intends to fund the consideration of MOP150,000,000 by its internal cash reserves.

For details of the principal terms of the Capital Increase Agreement, please refer to the “Letter from the Board” of the Circular.

Consideration

The consideration of MOP150,000,000 under the Capital Increase Agreement was determined after arm’s length negotiation among the parties to the Capital Increase Agreement, having taken into account various factors, including (i) the rare opportunity for the Group to further increase its effective equity interest in Ant Bank (Macao) to approximately 51.5% and the control premium for attaining such controlling stake; (ii) the anticipated continuous improvement in Macau’s economy as a result of the resumption of tourism in Macau; (iii) the various benefits and expected synergies between Ant Bank (Macao) and the Group; and (iv) with reference to the valuation for a 100% equity interest in Ant Bank (Macao) as assessed by the Valuer.

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We noted that the consideration of MOP150,000,000 for subscribing 1,500,000 new common shares of Ant Bank (Macao) implies a valuation of Ant Bank (Macao) of MOP400 million (before this round of Capital Increase) (the “**Pre-money Implied Valuation**”) or MOP550 million (after this round of Capital Increase) (the “**Post-money Implied Valuation**”). We noted that the Pre-money Implied Valuation is equivalent to the Implied Share Transfer Valuation under the Share Transfer as discussed above, as well as the share capital of Ant Bank (Macao) before the Capital Increase. By virtue of the same reasons as discussed above, we are of the view that the method of arriving at the consideration under the Capital Increase Agreement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Settlement

According to the Capital Increase Agreement, mFinance shall pay the consideration of MOP150,000,000 to Ant Bank (Macao) on the Closing date.

Considering the consideration shall be paid after all conditions precedent have been fulfilled or waived, we are of the view that the settlement terms are fair and reasonable and on normal commercial terms.

Conditions precedent

The Capital Increase Agreement is subject to a number of conditions precedent, including but not limited to, the Share Transfer having been completed, as detailed in the paragraph headed “2. The Capital Increase Agreement” in the “Letter from the Board” of the Circular and will only become effective on or before the tenth business day after all conditions precedent have been fulfilled or waived, which include the Capital Increase having been approved at the SGM of the Company as well as having obtained the approval of AMCM.

The conditions precedent ensure that the Group’s obligation under the Capital Increase only happens upon completion of the Share Transfer, ensuring the Group will obtain majority shareholding in Ant Bank (Macao) after the Transaction. Considering the above and that the conditions precedent have also taken into account, among other things, the necessary regulatory approval in relation to the Capital Increase (e.g. the approval of Independent Shareholders and AMCM), we are of the view that they are fair and reasonable and on normal commercial terms.

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3.3 *Valuation of Ant Bank (Macao)*

When assessing the fairness and reasonableness of the Implied Share Transfer Valuation as well as the Pre-money Implied Valuation, we have in particular considered the Valuation Report. In this respect, we noted that AVISTA Valuation Advisory Limited, the Valuer, has been engaged to issue the Valuation Report in relation to the equity interest in Ant Bank (Macao). According to the Valuation Report, the details of which are set out in Appendix I to the Circular, the appraised value of Ant Bank (Macao) (before the Capital Increase) amounted to MOP450 million (the “**Appraised Value**”) as at 30 November 2023 (the “**Valuation Date**”). The Implied Share Transfer Valuation and the Pre-money Implied Valuation of MOP400 million therefore represents an approximate 11.1% discount to the Appraised Value.

We have considered the following factors in assessing the fairness and reasonableness of the Appraised Value.

3.3.1 *Valuer’s qualification*

We have conducted an independent interview with the Valuer where we have enquired, and the Valuer has confirmed, its independence from the Company. In addition to the Valuer’s firm wide experience and expertise, we have obtained relevant qualifications and credentials of the specific team members involved in this valuation exercise.

We noted that the Valuer is an independent corporate advisory firm, being a corporate member of the International Valuation Standards Council and specialises in business valuation, property consulting services and mergers and acquisition advices. According to the Valuer, it has been appointed as valuer by over 1,000 listed and pre-IPO companies on Hong Kong and overseas stock exchanges. The person who is responsible for signing off the Valuation Report, Mr. Vincent Pang, is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS who has over 20 years of experience in financial valuation and business consulting in Hong Kong and the PRC. We also noted that Mr. Vincent Pang is being supported by other employees of the Valuer who have the necessary qualification and experience for preparation of the Valuation Report.

We have also obtained and reviewed the Valuer’s terms of engagement and discussed with the Valuer its work performed in connection with this valuation. We are satisfied that the Valuer is qualified to give the opinion as set out in the Valuation Report having taken into account its relevant experience and expertise, its independence, and its scope of work.

3.3.2 Valuation methodology

We noted that the Valuer, having considered the suitability of three valuation methodologies, being market approach, asset-based approach and income approach, has adopted the market approach in conducting valuation of Ant Bank (Macao). We have discussed with the Valuer with regards to its rationale for adopting the market approach as follows:

- (i) **Market approach:** the market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. Assets for which there is an established secondary market may be valued by this approach. We understand from the Valuer that, having considered (i) there are sufficient public companies in similar nature and business to that of Ant Bank (Macao) and their market values are good indicators of the industry of Ant Bank (Macao); (ii) the limitations for asset-based approach and income approach as further discussed below; and (iii) the simplicity, clarity and need of fewer assumptions, the market approach has been adopted.
- (ii) **Asset-based approach:** the asset-based approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. We understand that the Valuer has not adopted the asset-based approach since such approach fails to consider the economic benefits generated by Ant Bank (Macao). The Valuer believes that the consolidated net book value of Ant Bank (Macao) may not truly reflect the value of its equity interest, as part of the value will be attributed to future benefit of Ant Bank (Macao) and derived from its digital banking business.
- (iii) **Income approach:** the income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. We understand that the Valuer has not adopted the income approach since such approach is dependent on the financial projections of Ant Bank (Macao), in which the inputs are unobservable and subjective and the result may be very sensitive to certain inputs.

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Having considered the above and from our experience, it is common for valuers to adopt single methodology in valuation, and the Valuer's rationale for not adopting the asset-based and income approaches has been explained in the Valuation Report, we concur with the Valuer that the market approach is appropriate for valuing Ant Bank (Macao), which takes into account Ant Bank (Macao)'s economic benefits without having to rely on numerous subjective assumptions.

3.3.3 Basis and assumptions

The Valuer's valuation is conducted with reference to the International Valuation Standards issued by the International Valuation Standards Council. We understand that the Appraised Value was determined subject to certain valuation assumptions, including no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the business of Ant Bank (Macao), and no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value, etc. We also noted that the Valuer relied on the financial and operational information provided by the Company. Based on our interview conducted with the Valuer, we noted that these assumptions adopted in the Valuation Report are commonly adopted in valuation reports for equity interest and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the assumptions adopted in the Valuation Report.

For the market approach, the Valuer first conducted research to select a group of comparable companies (the "**Comparable Companies**") and a suitable comparison multiple, which in this case, being the price-to-book ("**P/B**") ratio. After calculation of the P/B ratio of each Comparable Companies based on publicly available information, the Valuer adjusted for a market liquidity discount of 15.7% and a control premium of 28.3%. Thereafter, the median of the adjusted Comparable Companies' P/B ratios is applied by multiplying with Ant Bank (Macao)'s net asset value as at 30 September 2023 to derive the 100% equity value of Ant Bank (Macao). In assessing the fairness and reasonableness of the valuation basis adopted by the Valuer, we have considered the following aspects:

Selection of Comparable Companies

We understand that the Valuer has adopted the following criteria in selecting Comparable Companies: (i) the Comparable Companies are publicly listed on major stock exchanges, including but not limited to New York Stock Exchange, Nasdaq, Tokyo Stock Exchange or Korea Stock Exchange; (ii) the Comparable Companies are under the industry classification of "Banks"; (iii) the Comparable Companies are principally engaged in developing and providing digital banking services with no or limited physical branch network; and (iv) the Comparable Companies' financial information are available to the public. As a result of the above, nine Comparable Companies have been identified by the Valuer which, based on our review, have been selected in accordance to the Valuer's abovementioned selection criteria. For the full list of Comparable Companies selected, please refer to the Valuation Report set out in Appendix I to the Circular.

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We noted that some of the selected Comparable Companies (i) are engaged in other businesses (such as asset management) in addition to the digital banking business engaged by Ant Bank (Macao); and (ii) have principal operating locations that are different from those of Ant Bank (Macao). In this regard, we have discussed with the Valuer and noted that they have firstly considered publicly listed companies with the exact business scope and geographic presence as Ant Bank (Macao) (i.e. engaging in the digital banking industry specifically in Macau and the PRC). However, there are no such direct comparable companies being identified, which is also in line with our understanding. Given this, the Valuer then extended its search scope to companies with global presence and identified the nine Comparable Companies as described above. Despite the fact that there exists no publicly listed company which is of exactly the same business model, scale of operations and target markets as Ant Bank (Macao), based on our review of information disclosed in the Valuation Report and our independent research conducted on the Comparable Companies' publicly available information, we noted that there are similarities in key characteristics between the Comparable Companies and Ant Bank (Macao) in terms of, amongst others, (i) majority of their revenue are derived from digital banking business similarly engaged by Ant Bank (Macao), including interest income from the provision of loans to customers as well as fee and commission income from the provision of transaction services. In this regard, we noted that over 70% of revenue of each of the Comparable Companies are considered to be relevant and comparable to the business of Ant Bank (Macao); the revenue from other banking services of the Comparable Companies did not constitute a significant portion of revenue according to their respective annual financial information, hence, the revenue contribution from these businesses for each of the Comparable Companies are considered to be relatively low; (ii) they are operating in deposit-taking business with licenses issued by the relevant regulatory authorities and are subject to the relevant regulations; and (iii) they are technology-enabled companies where businesses are conducted mainly via digital means with minimal traditional physical branch. Although some of the Comparable Companies have principal operating locations that are different from those of Ant Bank (Macao), we consider that this factor alone does not compromise their similarity with Ant Bank (Macao) in terms of business model and principal businesses as elaborated above. While we also noted that the Comparable Companies are listed on various different listing venues, we consider those to be well-recognised stock exchanges where trading activities and information availability are generally efficient and transparent. On this basis, we concur with the Valuer that these Comparable Companies are comparable to Ant Bank (Macao) and is appropriate for the purpose of conducting this comparable valuation analysis.

Overall, we consider the selection criteria adopted are fair and reasonable as they capture companies whose principal businesses and nature are comparable to Ant Bank (Macao), and where market data is publicly and readily accessible.

Selection of multiple

The valuation multiple adopted by the Valuer for comparison, being the P/B ratio, is calculated based on the market capitalisation value of each of the Comparable Companies as at the Valuation Date and divided by their net asset value based on their respective latest available financial data as at the Valuation Date.

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We have discussed with the Valuer with regards to the selection of multiple and noted that the Valuer has considered P/B, price-to-earnings (“**P/E**”), enterprise value/sales (“**EV/S**”) and enterprise value/earnings before interests, taxes, depreciation and amortisation (“**EV/EBITDA**”) multiples. Since Ant Bank (Macao) was loss-making as at the Valuation Date, P/E and EV/EBITDA multiples are considered not applicable for this valuation exercise. When considering the choice between EV/S and P/B, we noted that the Valuer has taken into account that (i) P/B is one of the most commonly used valuation multiples for capital-intensive business such as financial institutions as it relates the fair value of the company’s equity value to its net asset; and (ii) the calculation of enterprise value under EV/S generally requires normalised adjustments on debts and/or non-operating assets/liabilities on the company which may be subjective. As a result, the Valuer has adopted P/B ratio. We are of the view that P/B ratio is one of the commonly used valuation yardsticks in conducting market comparable analysis and we concur with the Valuer’s view that it is appropriate for valuing Ant Bank (Macao) considering its business nature as well as the abovementioned analysis.

We noted from the Valuation Report that the median P/B ratio of the Comparable Companies (after adjusted for market liquidity discount and control premium as discussed below) of 1.91 times is being adopted to multiply Ant Bank (Macao)’s net asset value as at 30 September 2023 of approximately MOP234.9 million to derive at 100% equity value of Ant Bank (Macao). We understand from the Valuer that median P/B ratio was adopted so as to mitigate potential distortion from outliers.

Overall, having taken into account the above and specifically, (i) P/B ratio is one of the commonly adopted valuation yardsticks, in particular, for capital-intensive businesses such as financial institutions (where Ant Bank (Macao) belongs to); and (ii) the fact that Ant Bank (Macao) was loss-making as at the Valuation Date rendering other commonly used valuation multiples such as P/E and EV/EBITDA ratios not applicable, we consider that the adoption of P/B ratio as the valuation multiple in valuing Ant Bank (Macao) is fair and reasonable.

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Lack of Marketability Discount (“LOMD”)

Marketability is defined as the ability to convert the business interest into cash quickly at a known price with minimum transaction costs. For privately held company, there is usually a cost and a time lag associated with locating interested and capable buyers as there is no established market of readily-available buyers and sellers. All other factors being constant, an interest in a privately held company is worth less than an interest in a publicly traded company because no established market exists. We understand that LOMD is a downward adjustment to the value of the business interest to reflect its reduced level of marketability. Based on our discussion with the Valuer, we noted that a LOMD of 15.7% is being adopted with reference to a research report named “Stout Restricted Stock Study Companion Guide (2023 edition)” published by Stout Risius Ross, LLC. We noted that this research report is a commonly adopted reference for LOMD, which suggested a median marketability discount of 15.7% based on 776 private placement transactions of unregistered common shares issued by publicly traded companies from July 1980 through December 2022.

As such, we consider that the LOMD being applied, which is equivalent to the median marketability discount according to the aforementioned research report, is fair and reasonable.

Control premium

Control premium is an amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. Since the P/B ratio adopted in the valuation was calculated from publicly listed companies and thus market value calculated using such P/B ratio represents the minority ownership interest. Control premium was adopted to adjust such minority interest market value to controlling interest market value. Based on our discussion with the Valuer, we noted that a control premium of 28.3% is being adopted with reference to a research report named “Control Premium Study: 3rd Quarter 2023” published by FactSet Mergerstat, LLC. We noted that this research report is a commonly adopted reference for control premium, which suggested a trailing-12-month median control premium of 28.3% based on a list of 420 cases of acquisitions globally.

As such, we consider the control premium being applied, which is equivalent to the median control premium according to the aforementioned research report, is fair and reasonable.

3.3.4 Section conclusion

Taking into account the above, we are of the view that the Implied Share Transfer Valuation as well as the Pre-money Implied Valuation, which represents an approximate 11.1% discount to the Appraised Value, is fair and reasonable.

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3.4 Section summary

Having considered the factors above, we are of the view that the terms of the Share Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

4. The Proposed Sale of Star N Cloud

After the Stock Exchange trading hours on 8 February 2024, AGTech Macau entered into the Share Transfer Undertaking Agreement with Mr. Cheung Felix Vitor, pursuant to which AGTech Macau has conditionally agreed to sell and Mr. Cheung Felix Vitor has conditionally agreed to acquire 30% of the issued share capital of Star N Cloud at the par value of MOP300,000 (equivalent to approximately HK\$291,000) upon the completion of the Share Transfer. In addition, 30% of the consideration under the Share Transfer Agreement (i.e. MOP39,960,000 (equivalent to approximately HK\$38,797,000)) shall be distributed by Star N Cloud to AGTech Macau (an indirect wholly-owned subsidiary of the Company) in proportion to its 30% shareholding in Star N Cloud.

We understand from the Management that Star N Cloud was previously established as an investment holding company for the sole purpose of investing in Ant Bank (Macao). Therefore its material asset is its 33.3% stake in Ant Bank (Macao) as at the Latest Practicable Date. As at 31 December 2023, the unaudited net liabilities of Star N Cloud was MOP807,140 (equivalent to approximately HK\$783,652), which comprised (i) total assets of MOP133,214,456, approximately 99.9% of which representing its equity interest in Ant Bank (Macao); and (ii) total liabilities of MOP134,021,596, which mainly consisted of shareholders' loans. For further information relating to Star N Cloud, please refer to the paragraph headed "3. Information on Star N Cloud" in the "Letter from the Board" of the Circular.

Having considered that Star N Cloud would become a dormant company after the completion of the Share Transfer, we believe that it is reasonable for the Group to dispose of its equity interest in Star N Cloud. We also believe that the consideration of MOP300,000, which was being determined according to the par value of 30% equity interest in Star N Cloud, is fair and reasonable.

5. The Company's rationale for the Transaction

As stated in the paragraph headed "F. Reasons for and benefits of the Transaction" in the "Letter from the Board" of the Circular, the Share Transfer and Capital Increase will facilitate (i) the synergy between the Group's E-Payment Business in Macau with the digital banking businesses (e.g. deposits, credit loans and cross-border remittance) of Ant Bank (Macao); and (ii) synergy with different business units of the Group with the resources of the ecosystems of the Alibaba Group and the Ant Group. The Management believes that the Transaction would enable the Group to provide more comprehensive services to customers and is in line with the Group's business strategy of supporting the digital transformation of financial services in Macau and the Greater Bay Area.

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In this regard, we noted that the Transaction in essence is to acquire a controlling stake in Ant Bank (Macao). Having considered, on one hand, the Group's principal businesses as discussed in the paragraph headed "1.1 Principal business of the Group" above and notably, the Group is one of the leading payment service providers in Macau; and on the other hand, the existing digital banking business of Ant Bank (Macao) which comprises mobile payment services, financial banking services such as deposits and loans and cross-border remittance services, we concur with the Management's view that the Group may achieve synergistic effects through the Transaction and may benefit from the enlarged product offerings, established brand names and fintech of Ant Bank (Macao). This can solidify the Group's competitive strengths and enhance its infrastructure and platform to provide a full range of financial services to its customers in line with the Group's medium-to-long term business plan as discussed in the paragraph headed "1.3 Outlook and strategy of the Group" above.

Overall, we concur with the Management that the entering into of the Transaction is in line with the Group's business strategy and in the interests of the Company and the Shareholders as a whole.

6. Potential financial effects as a result of the Transaction

Upon the Closing, the Company will indirectly hold approximately 51.5% of the issued share capital of Ant Bank (Macao) through mFinance. Ant Bank (Macao) will become an indirect non-wholly owned subsidiary of the Company and the financial statements of Ant Bank (Macao) will be consolidated into the financial statements of the Group.

As the total consideration under the Share Transfer and Capital Increase of MOP283,200,000 (equivalent to approximately HK\$274,959,000) will be funded by the Group's internal resources, the Group's cash and bank balances is expected to decrease by the same amount. Meanwhile, the Group is expected to receive proceeds of MOP300,000 (equivalent to approximately HK\$291,000) and MOP39,960,000 (equivalent to approximately HK\$38,797,000) from the Proposed Sale of Star N Cloud. As a result of the above, the expected net impact on the Group's cash and bank balances is a decrease of MOP242,940,000 (equivalent to approximately HK\$235,871,000), representing approximately 87.9% of the Group's net cash as at 31 December 2023. Notwithstanding this, we noted that (i) the Group had an additional fixed deposits held at bank of approximately HK\$256.0 million as at 31 December 2023; and (ii) the consideration under the Capital Increase of MOP150,000,000 (equivalent to approximately HK\$145,635,000) will be retained in Ant Bank (Macao), which together with pre-invest net cash of Ant Bank (Macao) will become part of the Group's after the Closing.

7. Technical Services

Ant Bank (Macao) and the Ant Group have been cooperating on different areas, including resources sharing services, remittance and settlement services, technical services, transfer of creditors' rights and related services, deposit services, marketing services and loan services.

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As Ant Bank (Macao) will become an indirect non-wholly owned subsidiary of the Company upon the Closing, the aforesaid services between Ant Bank (Macao) and the Ant Group will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules after the Closing. To ensure that such existing and future business cooperation between Ant Bank (Macao) and the Ant Group will comply with the requirements of the GEM Listing Rules with effect from the Closing, after the Stock Exchange trading hours on 8 February 2024, the Company, Ant Bank (Macao) and Ant Technologies entered into the Framework Agreement to set out the terms and conditions of the future business cooperation and resources sharing between Ant Bank (Macao) and the Ant Group subject to the Closing. For details of the Framework Agreement, please refer to the paragraph headed “A. The Framework Agreement” in the “Letter from the Board” of the Circular and the Announcement.

Based on the applicable percentage ratios in relation to the Technical Services Annual Caps after aggregated with the relevant annual caps in respect of technical services provided by the Ant Group under the 2023 Framework Agreement, the Technical Services contemplated under the Framework Agreement are subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. Set out below are our analysis in relation to the fairness and reasonableness of the Technical Services.

7.1 Principal terms of the Technical Services

The principal terms of the Technical Services pursuant to the Framework Agreement are summarised below. For details, please refer to the paragraph headed “A. The Framework Agreement” in the “Letter from the Board” of the Circular.

Term: From the Effective Date to 31 March 2026

Services to be provided: The Ant Group agreed to provide Ant Bank (Macao) with technical services and resources in relation to payment and financial and e-banking, including the supply of technical infrastructure and hardware and software resources and other technical services and support required by Ant Bank (Macao) for its business needs and operation.

Fees: The service fees for the Technical Services shall be calculated on a Cost-plus Basis, or based on specific fees and fee plan charged by the Ant Group or its service providers to the public (including independent third party customers) on their official websites. The pricing of the payment, financial and e-banking related Technical Services newly launched by the Ant Group will make reference to the pricing policy of existing similar services, with discounts offered by the Ant Group according to the estimated total volume of services to be purchased by Ant Bank (Macao) (e.g. a deeper discount for the total service fees for the aforesaid Technical Services may be given by the Ant Group when the volume of services purchased by Ant Bank (Macao) increases).

The relevant costs and expenses are subject to confirmation by both the Ant Group and Ant Bank (Macao) and were determined with reference to the relevant tax regulations, comparable transactional information, and in accordance with the principles of arm’s length transactions.

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Our views

The Ant Group is a leading third-party online payment service provider and was one of the first companies to receive payment business license from the People's Bank of China in May 2011. Over the years it has developed various state-of-the art payment solutions such as "Quick Pay", barcode payment, "smile-to-pay" and QR code payment. Such payment infrastructures both in terms of hardware and software solutions are important for the development of Ant Bank (Macao)'s daily business operations. The Ant Group has been providing Technical Services to Ant Bank (Macao) since Ant Bank (Macao)'s commencement of business and according to the Management, has proven to be a reliable supplier of the Technical Services. The Management noted that while there exist several other online payment and banking service providers, the Ant Group's research and development efforts, technological advancement as well as extent of adoption of its payment and digital banking solutions are comparable if not more superior than the other providers.

The pricing policy of Technical Services will be (where applicable) transparently determined based on published rates of the Ant Group or its service providers which are applicable to all users of its services. In the case of Cost-plus Basis for Technical Services, we note from the "Letter from the Board" of the Circular that the margin is expected to be primarily within the range of 5% to 11%, with the possibility that the margin shall be even lower than 5% for some sundry Technical Services that may be demanded by Ant Bank (Macao). We understand from the Management that such margin shall be calculated by an independent professional institution as designated by the Ant Group on a fair and reasonable basis, in particular, such independent professional institution shall be an international accounting firm and such margin shall be within the acceptable range with reference to the applicable tax laws and regulations, comparable transactional information, and in accordance with the principles of arm's length transactions. With regards to the aforementioned expected margin range of 5% to 11%, for reference purpose only, we noted from a publication ^{Note 2} of a worldwide association of accounting and advisory businesses in relation to transfer pricing summaries in the Asia Pacific region that a cost-plus mark up of 5% to 15% is generally considered acceptable in China. We noted that such range of margin is generally in line with the aforementioned expected margin range of 5% to 11% for Technical Services. On the basis that the final margin shall be proposed by an independent professional institution, we are of the view that the mechanism under the Cost-plus Basis for determining the service fees for Technical Services is fair and reasonable. Meanwhile, comparable bulk discounts rates will also be offered to Ant Bank (Macao) as with other independent third parties when Ant Bank (Macao)'s demand for Technical Services increases.

Taking into account the above, we considered that the terms of the Technical Services are on normal commercial terms and are fair and reasonable.

Note 2: Source: https://agn.org/wp-content/uploads/2022/04/APTransferPricing2022_18.04.22.pdf

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7.2 *Technical Services Annual Caps*

The following table sets out the Technical Services Annual Caps for the periods indicated below.

	For the period from 1 April 2024/ the Effective Date to 31 March 2025	For the period from 1 April 2025 to 31 March 2026
	<i>(HK\$' 000)</i>	
The service fees for the Technical Services payable by Ant Bank (Macao) to the Ant Group	38,100	42,400

In determining the above Technical Services Annual Caps, we understand from the Management that the Company has mainly taken into consideration (i) the expected demand of Ant Bank (Macao) for the Technical Services contemplated under the Framework Agreement and the relevant service fees payable by Ant Bank (Macao) to the Ant Group during the term of the Framework Agreement; (ii) the historical volume of the Technical Services purchased by Ant Bank (Macao) and the service fees paid by Ant Bank (Macao) to the Ant Group for the Technical Services for the two years ended 31 December 2023; and (iii) certain buffer for additional services that may be required by Ant Bank (Macao).

In assessing the fairness and reasonableness of the Technical Services Annual Caps, we have discussed with the Management and obtained the relevant working for review. We note that historically, the service fees for Technical Services paid by Ant Bank (Macao) to the Ant Group during the two years ended 31 December 2023 were HK\$18,403,000 and HK\$34,648,000 respectively. We understand from the Management that such rapid increase was mainly due to the Ant Group's research and development of new products for Ant Bank (Macao) in view of its operation needs, such as the Faster Payment System, credit loan services for individuals and a securities trading system.

The Technical Services Annual Caps of HK\$38.1 million for the period from 1 April 2024/ the Effective Date to 31 March 2025 represented an increase of approximately 10.0% as compared to the historical transaction amount in 2023 of HK\$34,648,000 as discussed above; while the Technical Services Annual Caps of HK\$42.4 million for the period from 1 April 2025 to 31 March 2026 represented a period-on-period increase of approximately 11.3%. We note that Ant Bank (Macao)'s overall business operations had been expanding over the past few years where for example, its interest income had increased significantly from approximately MOP1.9 million during the year ended 31 December 2021 to approximately MOP18.2 million during the nine months ended 30 September 2023; despite such increase was partially offset by the decrease in fee and commission income from approximately MOP3.5 million to approximately MOP1.7 million over the aforesaid period. We are of the view that the rate of increase of Technical Services Annual Caps is in line with the historical and expected business growth of Ant Bank (Macao). We also understand that the Management has considered certain buffer to cater for potential occurrence of one-off demand for Technical Services and general price inflation.

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In addition to the above, we have also considered the fact that (i) Ant Bank (Macao) is not obliged under the Framework Agreement to use up the Technical Services Annual Caps; and (ii) the Technical Services Annual Caps can provide flexibility for Ant Bank (Macao) to cater for its demand of payment or financial or e-banking related technical services to support its business operation. Overall, we are of the view that the Technical Services Annual Caps are fair and reasonable.

7.3 Company's rationale for entering into the Technical Services

As stated in the paragraph headed "B. Reasons for and benefits of the Framework Agreement" in the "Letter from the Board" of the Circular, Ant Bank (Macao) and the Ant Group have been cooperating on different areas, including resources sharing services, remittance and settlement services, technical services, transfer of creditors' rights and related services, deposit services, marketing services and loan services. In order to maintain such cooperation and ensure that it will comply with the requirements of the GEM Listing Rules with effect from the Closing, the Framework Agreement was entered into by the Company, Ant Bank (Macao) and Ant Technologies. The Management believes that the Framework Agreement and the transactions contemplated thereunder (including the Technical Services) will foster closer cooperation between the Group (in particular, Ant Bank (Macao) following the Closing) and the Ant Group in relation to the Group's business in Macau, thereby enhancing the source of revenue of the Group.

As discussed above, the Ant Group is a leading third-party online payment service provider where over the years it has pioneered or developed various state-of-the art payment solutions. The business relationship between the Ant Group and Ant Bank (Macao) dates back to when Ant Bank (Macao) first commenced its business and it has proven to be a reliable service provider.

We wish to point out also that the Group has ongoing mutual business relationships with the Ant Group for various services. For details of these arrangements, please refer to the announcement of the Company on 21 December 2023. Based on our discussion with the Management, we understand that in particular, the services rendered by the Ant Group to the Group has been satisfactory and the Group has not encountered material issues or disagreement with the Ant Group. The pricing offered by the Ant Group is also transparent and competitive relative to other independent third party service providers. In addition, we understand from the Management that the product and technical services offered by the Ant Group to the Group, i.e. Alipay+ (a global payments platform through which payment processing, clearing and settlement, and other services are provided by the Ant Group), are innovative and unique, enabling users of the Group's e-wallet (i.e. MPay) to make cross-border payments in a number of overseas countries or region(s) when they travel, as well as tourists from many overseas countries or region(s) to make payments using their home-country(region) e-wallets when they arrive in Macau.

We are of the view that it is fair and reasonable for the Group to engage the services of the Ant Group based on its market reputation, innovative and unique technologies, vast user base and leading market position, as well as its proven track record of working with Ant Bank (Macao) as well as with the Group. Overall, we concur with the Management that the entering into of the Technical Services is in the interests of the Company and the Shareholders as a whole.

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7.4 *Section summary*

Taking into account the above, we are of the view that the Technical Services are on normal commercial terms and are fair and reasonable, and the Technical Services Annual Caps have been fairly and reasonably arrived at.

8. **Internal control measures for the CCTs**

As noted in the “Letter from the Board” of the Circular, the Company has internal controls in place to monitor the CCTs. Such measures include the relevant team responsible for negotiating the terms of business cooperation and resources sharing with the Ant Group should submit the draft Specific Execution Agreement for review by the Company’s chief financial officer who will check that the terms to be offered by the Ant Group to Ant Bank (Macao) shall be in line with and not less favorable than those offered to other third parties independent of the Ant Group; or where there is no comparable scale or type of transactions conducted by the Ant Group with such independent third parties, the terms offered by Ant Bank (Macao) to the Ant Group should be in line with and not more favorable than those offered by Ant Bank (Macao) to other independent third parties. In particular, the service fees charged by the Ant Group to Ant Bank (Macao) shall be within the normal range of service fees payable by other independent third parties for the same or similar services offered by the Ant Group; or where there is no comparable scale or type of services provided by the Ant Group to such independent third parties, the service fees charged by the Ant Group to Ant Bank (Macao) shall be within the normal range of service fees payable by Ant Bank (Macao) to other independent third-party service providers.

Further, the finance team of the Company should submit monthly reports on the accumulated amounts of the CCTs to the Company’s chief financial officer, the company secretary and the person in charge of internal control function to monitor the utilisation of the Annual Caps. As part of the overall monitoring of the CCTs, sample checks will be conducted by the Group’s internal audit department at least annually on, among other things, the pricing, payment terms and the utilisation of the Annual Caps. Considering (i) the Company has internal control checks and balances in place both before and after entering into the Specific Execution Agreement to ensure that terms of CCTs (including pricing terms) will be/are entered into on a fair and reasonable basis and not less favourable than those conducted with independent third parties; (ii) before entering into the Specific Execution Agreement, such matters shall be escalated to the Company’s chief financial officer for review and approval prior to execution; and (iii) the Company has its own internal audit department to conduct sample checks to ensure that the terms of transactions for the CCTs are entered into in accordance with the policies, we concur with the Management’s view that the internal control measures of the Company are sufficient and will be effectively implemented.

In addition, we understand that the external auditors of the Company and the independent non-executive Directors will conduct annual review on the CCTs in respect of the Shared Services (as defined in the Announcement) and Technical Services pursuant to the requirements of the GEM Listing Rules.

Overall, the Management is of the view, and we concur that, the internal control measures in relation to the CCTs are adequate and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors, we are of the view that the terms of the Transaction (including the Share Transfer, the Capital Increase and the Proposed Sale of Star N Cloud) and the Technical Services contemplated under the Framework Agreement are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, are fair and reasonable so far as the Independent Shareholders are concerned, and the Technical Services Annual Caps are fair and reasonable.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the proposed resolutions at the SGM to approve the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps).

Yours faithfully,
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Responsible Officer

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

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent professional valuer, in connection with its valuation as at November 30, 2023.

**STRICTLY CONFIDENTIAL**

The Board of Directors

March 5, 2024

AGTech Holdings Limited

Unit 3912, 39th Floor, Tower Two,
Times Square, Causeway Bay,
Hong Kong

Dear Sirs/Madams,

Re: Valuation of 100% Equity Interest of Ant Bank (Macao) Limited

In accordance with your instructions, AVISTA Valuation Advisory Limited (“AVISTA” or “we”) has conducted fair value valuation in connection with the fair value of the 100% equity interest of Ant Bank (Macao) Limited (“Ant Bank (Macao)” or the “Target”) as of November 30, 2023 (the “Valuation Date”). We understand that AGTech Holdings Limited (the “Company”, “AGTech” or “you”), through one of its subsidiaries, intends to acquire the 33.30% equity interest in Ant Bank (Macao) from Star N Cloud Network Intelligence Company Limited (“Star N Cloud”) (the “Proposed Acquisition”), and to subscribe certain additional equity interest in Ant Bank (Macao) (the “Proposed Capital Increase”, together with the Proposed Acquisition as the “Proposed Transaction”).

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the “Directors”) and used for the Proposed Transaction solely for your internal reference purpose. In addition, we acknowledge that this report may be made available to the Company for public documentation purpose under the requirement of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong limited (the “GEM Listing Rules”) and used as reference on the Company’s circular (the “Circular”). This report (the “Report”) does not constitute an opinion on the commercial merits and structure of the Proposed Transaction. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realization and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions, and explains the analysis methodology adopted in this appraisal process to calculate the value.

BASIS OF ANALYSIS

We have appraised the fair value of 100% equity interest of the Target.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

COMPANY BACKGROUND

AGTech (together with its subsidiaries as the “**Group**”) was incorporated in Bermuda and its shares are listed on the GEM of The Stock Exchange of Hong Kong limited (Stock Code: 8279.HK). The Group is an integrated technology and services company engaged in the electronic payment services, lottery, lifestyle, games and entertainment, marketing technical services, e-commerce and non-lottery hardware supply markets with a focus on Mainland China and Macau. As a member of Alibaba Group, AGTech is the exclusive lottery platform of Alibaba Group and Ant Group.

Star N Cloud is an investment holding company with 33.30% equity interest in Ant Bank (Macao) as of the Valuation Date. Ant Bank (Macao) is mainly engaged in the provision of banking and related services and operation of Alipay (Macao) e-wallet in Macau. The Company indirectly holds 30.00% equity interest in Star N Cloud as of the Valuation Date.

We understand that the Company, through one of its subsidiaries, intends to acquire the 33.30% equity interest in Ant Bank (Macao) from Star N Cloud as the Proposed Acquisition, and to subscribe certain additional equity interest in Ant Bank (Macao) as the Proposed Capital Increase. We further understand that the Company, through one of its subsidiaries, has conditionally agreed to contribute MOP 150 million to the share capital of Ant Bank (Macao) for the Proposed Capital Increase. The Proposed Transaction constitutes a discloseable and connected transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 19 and Chapter 20 of the GEM Listing Rules. As such, the Company engaged us as an independent valuer to assess the fair value of the 100% equity interest of the Target as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the company’s representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target, including the legal documents, financial statements, historical operating data, etc. made available to us;
- Discussed with the Company and the Target to understand the history, business model, operations, business development plan, etc. of the Target for valuation purpose;

- Carried out research in the sector concerned and collected relevant market data from reliable sources for analysis;
- Studied the information of the Target made available to us and considered the basis and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyse the market data and derived the estimated fair value of the 100% equity interest of the Target; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

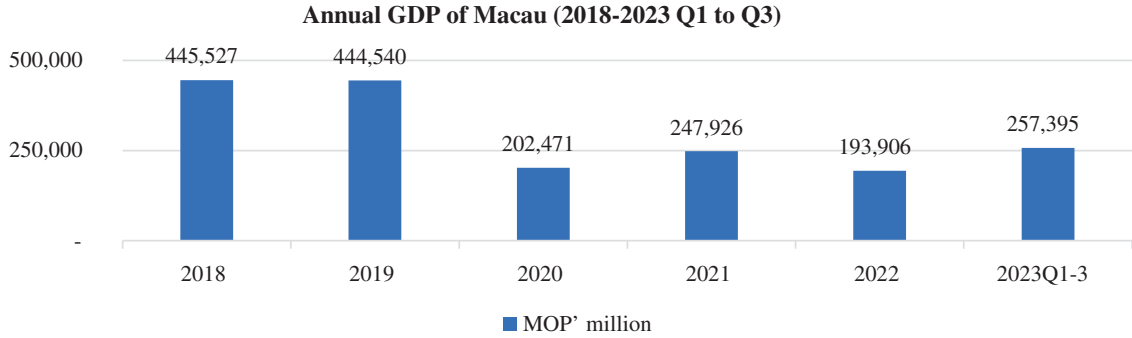
When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of value and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target and their authorized representatives.

ECONOMY OVERVIEW

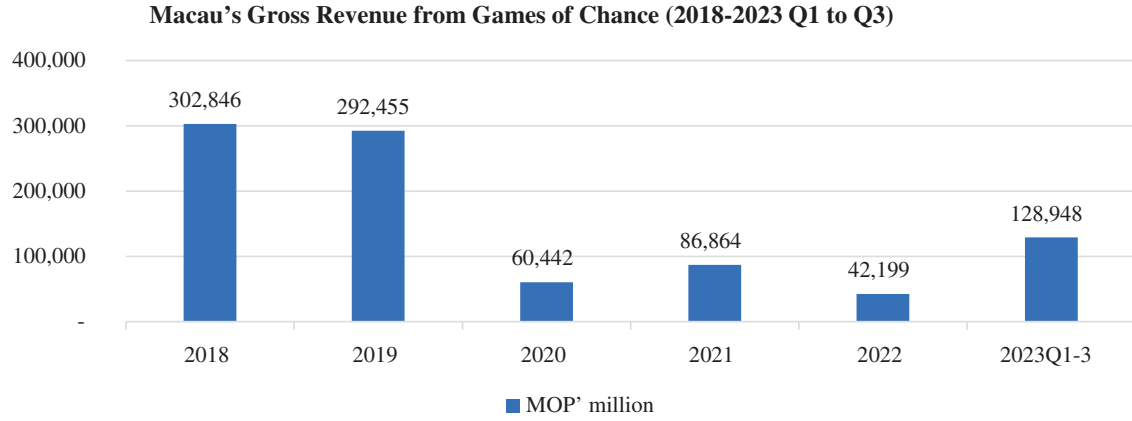
Macroeconomic Overview of Macau

Macau as the special administrative region of China has a predominantly tourism-based economy. According to the Statistics and Census Service of Macau (“DSEC”), the gross domestic product (“GDP”) of Macau amounts to MOP 257,395 million during 2023 Q1 to Q3, in contrast to MOP 193,906 million during FY2022 when the economy was dampened by the pandemic. Tourism activities have largely recovered after the border reopening, which has also revitalised the gambling businesses. According to DSEC, visitor arrivals increased by 356.6% year-over-year during 2023 Q1 to Q3 and reached 19.9 million, in which 67.1% of the visitors were from Mainland China. Coherently, gross revenue from the games of chance in Macau achieved MOP 128,948 million during 2023 Q1 to Q3, which is 205.6% higher than MOP 42,199 million during FY2022.

Apart from rebuilding the traditional tourist-centric sectors, the Macau government is also pursuing diversified economic development. As introduced in “Policy Address for the Fiscal Year 2024” announced in November 2023 by the Macau government, the authority has outlined its 5-year plan to enhance and strengthen the integrated tourism and leisure industry with emphasis on the development of other businesses. Key development sectors include financial services, Chinese medicine, high technology, exhibitions and conventions, etc. Ultimately, the Macau government aims to develop a more sustainable economy by increasing the non-gaming sector’s contribution to Macau’s GDP. To fulfil the industrial diversification, the government will establish a sound system for foreign talent acquisition and encourage occupational transitions among the locals who are now serving the tourism industries.



Source: DSEC



Source: DSEC

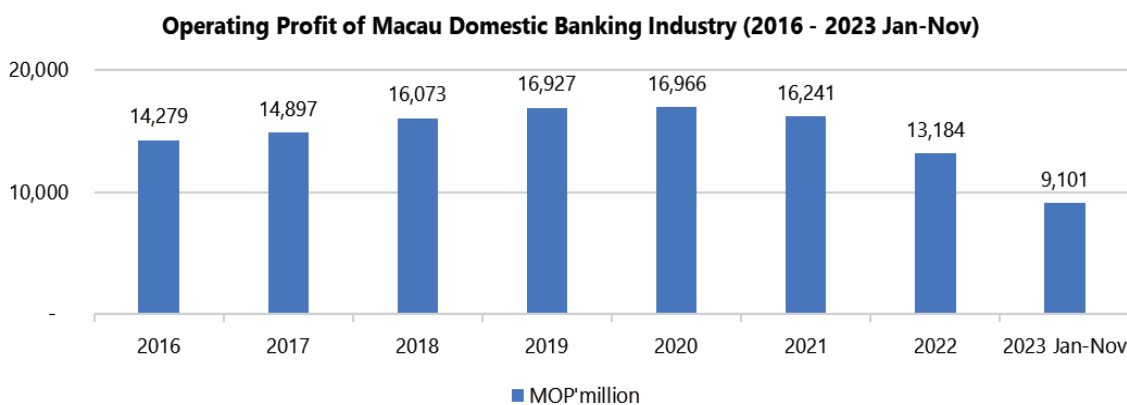
INDUSTRY OVERVIEW

Overview of Macau Banking Industry

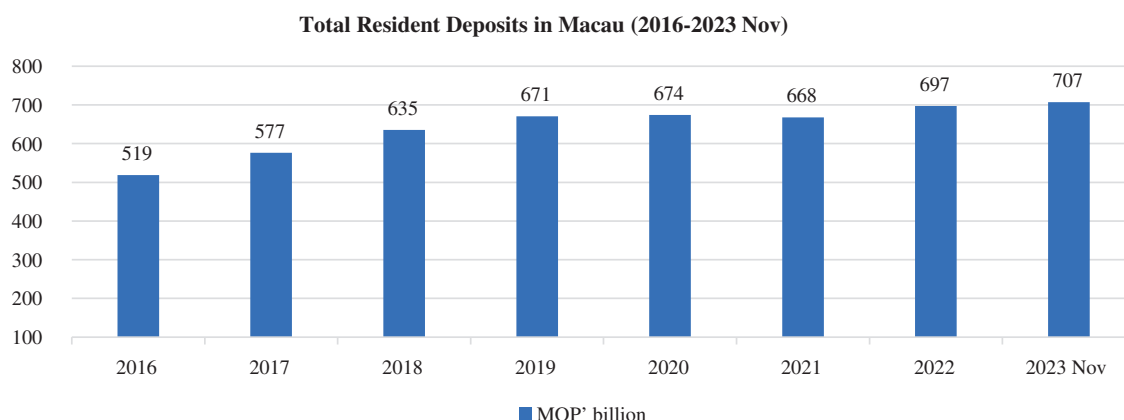
The banking industry in Macau is undergoing a challenging period. According to the Monetary Authority of Macao (“AMCM”), despite the total interest income of the Macau banking industry increased from MOP 58,361 million in FY2022 to MOP 89,085 million in the 11 months ended November 2023 (“Nov 2023 YTD”), corresponding interest margin decreased from MOP 22,030 million in FY2022 to MOP 17,967 million in Nov 2023 YTD. The industry’s operating profit amounts to MOP 9,101 million in Nov 2023 YTD, in contrast to the full-year amount of MOP 13,184 million in FY2022.

On the other hand, the growing balance of resident deposits in Macau may indicate the potential of the money-lending market. According to AMCM, the total balance of resident deposits has increased from MOP 519 billion in 2016 to MOP 697 billion in 2022, representing a compound annual growth rate of 5.0%. The balance has further reached MOP 707 billion by November 2023. As of November 2023, about 64.9% of the resident deposits were placed in time deposit accounts, while such a ratio was about 56.9% by the end of 2021.

Referring to the latest policy address announced by the Macau government, the financial services industry will be one of the key sectors under the diversified development framework. The officials would support technology advancement in financial businesses to optimize efficiency and promote digitalization. The policy address also emphasizes the importance of providing comprehensive financial solutions to micro, small and medium enterprises which compose a critical element of the economy.



Source: AMCM



Source: AMCM

LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only and, where relevant, for a basis for disclosure purpose under the requirement of the GEM Listing Rules. We will not be liable for any unauthorized use of the Report. Accordingly, the Report may not be used nor relied upon in any other connection by, and is not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Transaction. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Transaction. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Transaction and such remain the sole responsibility of the Directors and management of the Company (the “**Management**”).

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report especially for the financial information of the Target as of September 30, 2023, provided by the Management, whether written or verbal, and no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for accuracy and reliability of any information obtained from public sources.

The outbreak of COVID-19, as declared by the World Health Organization as a global pandemic on March 11, 2020, has been adversely affecting the global economy as well as the financial markets. As such, the subsequent impact due to COVID-19 has imposed an unprecedented set of circumstances on which to base a valuation judgement as of the Valuation Date. In particular, the increased volatilities in political, legal, fiscal, economic conditions and/or other market situations as a result of COVID-19 would bring higher uncertainties to the underlying assumptions. Consequently, higher degree of caution should be attached to our valuation than would normally be the case.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target and specific competitive environments affecting the industry;
- the business risks of the Target;
- the nature and prospects of the industry of the Target is operating;
- the guideline companies engaging in business operations similar to the Target; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target; and
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity value of the Target, namely Asset Based Approach, Income Approach, and Market Approach. All three of them have been considered regarding the valuation of the Target:

Asset Based Approach The Asset Based Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Income Approach The Income Approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for Income Approach is the discounted cash flow (“**DCF**”) method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Market Approach The Market Approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the Market Approach, the guideline public company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned 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 most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the equity value of the Target, we applied the Market Approach due to the following reasons:

- Asset Based Approach is not appropriate in current appraisal as it fails to consider the economic benefits or burden of ownership of the business. We considered the consolidated net book value of the Target may not truly reflect the value of its equity interest, as part of the value will be attributed to future benefit of the Target, deriving from the digital banking business.
- Income Approach is also considered inappropriate as the valuation result by Income Approach is more dependent on the financial projections of the Target prepared by the Management, in which the inputs are unobservable and subjective. Thus, Income Approach is not adopted in this valuation.
- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the guideline companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target, their market values are good indicators of the industry of the Target. Therefore, Market Approach has been adopted in this valuation.

There are two methods commonly used in performing Market Approach, namely comparable transactions method and guideline public company method.

The comparable transactions are selected with reference to the following selection criteria:

- The primary industry of the acquiree is being in industry of banks, under Global Industry Classification Standard, as extracted from S&P Capital IQ;
- The principal business of the acquiree is developing or providing digital banking services with no or limited physical branch network;
- The transaction was closed between December 2022 and November 2023; and
- The financial information of the transactions and the acquiree is available to the public.

Based on the above selection criteria, there was no comparable transaction with the acquiree engaging in similar businesses as the Target within the selected period. Given the fact that there is no recent comparable transaction with sufficient publicly disclosed information can be identified, we consider that the comparable transactions method is not appropriate for the valuation of 100% equity interest in the Target.

Guideline public company method is therefore selected as the primary method for the valuation of 100% equity interest in the Target. By adopting guideline public company method, we have to select the appropriate guideline public companies. The selection of the guideline public companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The guideline public companies are selected with reference to the following selection criteria:

- The primary industry of the companies is being in industry of banks, under Global Industry Classification Standard, as extracted from S&P Capital IQ;
- The companies are principally engaged in developing and providing digital banking services with no or limited physical branch network;
- The companies are listed on the major stock exchanges including but not limited to New York Stock Exchange, Nasdaq, Tokyo Stock Exchange or Korea Stock Exchange; and
- The financial information of the companies is available to the public.

During our research process, as obtained on the best effort basis, we have identified an exhaustive list of 9 guideline public companies that engaged in developing and providing digital banking services with no or limited physical branch network.

Description of the selected guideline public companies are listed as follows:

#	Company Name	Stock Code	Listing Location
1)	Nu Holdings Ltd. (“ NU Holdings ”)	NYSE: NU	The United States (“ U.S. ”)

Business Description

Nu Holdings Ltd. provides digital banking platform and digital financial services in Brazil, Mexico, Colombia, and internationally. It offers Nu credit and debit cards; Ultraviolet credit and debit cards; and mobile payment solutions for NuAccount customers to make and receive transfers, pay bills, and make everyday purchases through their mobile phones. The company provides savings solutions, such as Nu Personal Accounts, a digital account solution that supports all personal finance activities, from daily purchases and money transfers to savings; and Nu business accounts designed specifically for entrepreneur customers and their businesses. In addition, it offers NuCrypto, a solution for buying and selling cryptocurrencies through the Nu app; NuInvest, an investment product that provides equity, fixed-income, options, and ETF products, as well as multimarket funds with curated asset allocations based on the customer’s risk profile and financial position; personal unsecured loans; in-app ‘buy now pay later’ solution for Nu card customers to pay credit and debit purchases, and banking payment slips over time in up to twelve installments; and NuInsurance protecting solutions to help its customers secure life insurance and funeral benefits.

Revenue Contribution from Business Segment(s) Relevant to the Business of the Target ⁽¹⁾

Financial Services – Consumers (100.0%)

Physical Presence ⁽²⁾

NU Holdings has 13 offices and 1 warehouse in Brazil, Mexico, Colombia, Germany and U.S. No holding of physical branch network has been identified based on publicly disclosed information of NU Holdings.

Analysis on the Relevance of Revenue Contribution ⁽²⁾

Revenue contributed by the Financial Services – Consumers segment is generated from multiple sources including interest income on loans and credit card balances, and settlement service fees on credit and debit card transactions. Since the provision of services is conducted mainly via digital means instead of traditional physical branch network, this business segment is considered to be an appropriate comparable business as the digital banking business of the Target.

Source: S&P Capital IQ, Bloomberg

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ and/or Bloomberg.

(2) Based on annual report of NU Holdings for the year ended December 31, 2022.

#	Company Name	Stock Code	Listing Location
2)	Rakuten Bank, Ltd. (“ Rakuten Bank ”)	TSE: 5838	Japan

Business Description

Rakuten Bank, Ltd. provides internet banking products and services in Japan. The company offers personal services, including payment, money support/easy bank transfer, prepaid cards, Yen/foreign currency deposits, remittance, loan services, lottery, account linking, foreign exchange, and asset management services. It also provides corporate services, such as business debit cards, ATM deposit, business loans, international remittance, payment, transfer, account verification, withdrawal, settlement, and deposits services.

Revenue Contribution from Business Segment(s) Relevant to the Business of the Target ⁽¹⁾

Banking (100.0%)

Physical Presence ⁽²⁾

Rakuten Bank has a principal office in Japan. No holding of physical branch network has been identified based on publicly disclosed information of Rakuten Bank.

Analysis on the Relevance of Revenue Contribution ⁽²⁾

Revenue contributed by the Banking segment is generated from multiple sources including interest income on loans, and settlement fees and commissions in relation to Rakuten Bank’s foreign exchange deposit business, housing loans handling business, card settlement business etc. Since the provision of services is conducted mainly via digital means instead of traditional physical branch network, this business segment is considered to be an appropriate comparable business as the digital banking business of the Target.

Source: S&P Capital IQ, Bloomberg

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ and/or Bloomberg.

(2) Based on annual report of Rakuten Bank for the year ended March 31, 2023.

#	Company Name	Stock Code	Listing Location
3)	SBI Sumishin Net Bank, Ltd. (“SBI Sumishin”)	TSE: 7163	Japan

Business Description

SBI Sumishin Net Bank, Ltd. provides various banking products and services to individuals and corporate customers in Japan. The company offers time, structured, hybrid, and foreign currency deposits, as well as savings accounts; house, card, auto, education, real estate secured, renovation, multipurpose, and other loans; and debit and credit cards. It also provides medical/cancer, death, travel and leisure, mortgage, and fire/earthquake compensation insurance products; and ATM, transfer, payment, asset management and real estate consultation, financial instruments intermediation, gold reserve, foreign exchange margin trading, and mobile banking services.

Revenue Contribution from Business Segment(s) Relevant to the Business of the Target ⁽¹⁾

Digital Bank Business (92.4%); Bank-as-a-Service Business (7.6%)

Physical Presence ⁽²⁾

SBI Sumishin has 5 business offices in Japan. No holding of physical branch network has been identified based on publicly disclosed information of SBI Sumishin.

Analysis on the Relevance of Revenue Contribution ⁽²⁾

Revenue contributed by the Digital Bank Business segment is generated from multiple sources including interest income on loans, and fees and commissions on settlement services. Revenue contributed by the Bank-as-a-Service Business segment is generated from multiple sources including provision of deposit, financing and payment settlement services to the corporate clients. Since the provision of services is conducted mainly via digital means instead of traditional physical branch network, each of these business segments is considered to be an appropriate comparable business as the digital banking business of the Target.

Source: S&P Capital IQ, Bloomberg

- (1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ and/or Bloomberg.
- (2) Based on annual report of SBI Sumishin for the year ended March 31, 2023.

#	Company Name	Stock Code	Listing Location
4)	Inter & Co, Inc. (“Inter & Co”)	NasdaqGS: INTR	U.S.

Business Description

Inter & Co, Inc., through its subsidiaries, engages in the banking, securities, insurance brokerage, marketplace, asset management, and services businesses. The company’s Banking segment offers banking products and services, including checking accounts, cards, deposits, loans and advances, and other services. Its Securities segment provides services relating to the purchase, sale, and custody of securities; and portfolio management, as well as the establishment, organization, and management of investment funds. The company’s Insurance Brokerage segment offers life, property, auto, financial, lost or stolen credit card, dental, warranties, travel, and credit protection insurance products. Its Marketplace segment operates a digital platform that offer goods and/or services to its customers. The company’s Asset Management segment is involved in the operations related to the management of fund portfolios and other assets. Its Services segment provides services in the collection and management of personal information; development and licensing of customized and non-customized computer programs; and technical support, maintenance, and other information technology services.

Revenue Contribution from Business Segment(s) Relevant to the Business of the Target ⁽¹⁾

Banking & Spending (73.7%)

Physical Presence ⁽²⁾

Inter & Co has a principal office in Bazil. No holding of physical branch network has been identified based on publicly disclosed information of Inter & Co.

Analysis on the Relevance of Revenue Contribution ⁽²⁾

Revenue contributed by the Banking & Spending segment is generated from multiple sources including provision of checking accounts, deposits, loans and advances, foreign exchange and financial services, digital solution for cross-border money remittances. Since the provision of services is conducted mainly via digital means instead of traditional physical branch network, this business segment is considered to be an appropriate comparable business as the digital banking business of the Target.

Source: S&P Capital IQ, Bloomberg

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ and/or Bloomberg.

(2) Based on the annual report of Inter & Co for the year ended December 31, 2022.

#	Company Name	Stock Code	Listing Location
5)	KakaoBank Corp. (“KakaoBank”)	KOSE: A323410	Korea

Business Description

KakaoBank Corp. provides Internet based banking products and services in South Korea. Its products and services include deposit and withdrawal accounts, safe box, piggy bank, term deposits, and savings accounts; emergency, negative bank, credit, and private business loans, as well as Jeonse deposit loans; and overseas remittance, and check and credit cards.

Revenue Contribution from Business Segment(s) Relevant to the Business of the Target ⁽¹⁾

Internet Bank (100.0%)

Physical Presence ⁽²⁾

KakaoBank has a principal office in Korea. It also operates 6 mobile banking offices and 3 data processing centers to provide customer services. No holding of physical branch network has been identified based on publicly disclosed information of KakaoBank.

Analysis on the Relevance of Revenue Contribution ⁽²⁾

Revenue contributed by the Internet Bank segment is generated from multiple sources including interest income on loans, and service fees and commissions. Since the provision of services is conducted mainly via digital means instead of traditional physical branch network, this business segment is considered to be an appropriate comparable business as the digital banking business of the Target.

Source: S&P Capital IQ, Bloomberg

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ and/or Bloomberg.

(2) Based on the annual report of KakaoBank for the year ended December 31, 2022.

#	Company Name	Stock Code	Listing Location
6)	Axos Financial, Inc. (“ Axos Financial ”)	NYSE: AX	U.S.

Business Description

Axos Financial, Inc., together with its subsidiaries, provides consumer and business banking products in the United States. It operates through two segments, Banking Business and Securities Business. The company offers deposits products, including consumer and business checking, demand, savings, time deposit, money market, zero balance, and insured cash sweep accounts. It also provides residential single family, multifamily, and commercial mortgage loans; commercial real estate secured loans; commercial and industrial non-real estate, asset-backed, lines of credit, and term loans; automobile loans; fixed rate unsecured loans; and other loans, such as structure settlements, small business administration consumer loans, and securities-backed loans. In addition, the company offers ACH origination, wire transfer, commercial check printing, business bill pay and account transfer; remote deposit capture, mobile deposit, lockbox, merchant, and online payment portal; concierge banking; mobile and text message banking; and payment services, as well as debit and credit cards, and digital wallets. Further, it provides disclosed clearing services; back-office services, such as record keeping, trade reporting, accounting, general back-office support, securities and margin lending, reorganization assistance, and custody of securities; and financing to brokerage customers.

Revenue Contribution from Business Segment(s) Relevant to the Business of the Target ⁽¹⁾

Banking Business (83.0%)

Physical Presence ⁽²⁾

Axos Financial has 2 offices in U.S. No holding of physical branch network has been identified based on publicly disclosed information of Axos Financial.

Analysis on the Relevance of Revenue Contribution ⁽²⁾

Revenue contributed by the Banking Business segment is generated from multiple sources including interest income on retail lending and that on commercial lending. Since the provision of services is conducted mainly via digital means instead of traditional physical branch network, this business segment is considered to be an appropriate comparable business as the digital banking business of the Target.

Source: S&P Capital IQ, Bloomberg

- (1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ and/or Bloomberg.
- (2) Based on annual report of Axos Financial for the year ended June 30, 2023.

#	Company Name	Stock Code	Listing Location
7)	First Internet Bancorp (“ First Internet ”)	NasdaqGS: INBK	U.S.

Business Description

First Internet Bancorp operates as the bank holding company for First Internet Bank of Indiana that provides commercial, small business, consumer, and municipal products and services to individuals and commercial customers in the United States. The company accepts non-interest bearing and interest-bearing demand deposit, savings, money market, commercial and brokered deposit accounts, as well as certificates of deposit. It also offers commercial and industrial, owner-occupied and investor commercial real estate, construction, residential mortgage, home equity line of credit and home improvement, small installment, term, and other consumer loans, as well as single tenant lease financing, and public and healthcare finance; franchise finance; and small business lending. In addition, the company is involved in the purchase, manage, service, and safekeeping of municipal securities; and provision of municipal finance lending and leasing products to government entities. In addition, it offers corporate credit card and treasury management services.

Revenue Contribution from Business Segment(s) Relevant to the Business of the Target ⁽¹⁾

Commercial Banking (100.0%)

Physical Presence ⁽²⁾

First Internet has a headquarter office in U.S. No holding of physical branch network has been identified based on publicly disclosed information of First Internet.

Analysis on the Relevance of Revenue Contribution ⁽²⁾

Revenue contributed by the Commercial Banking segment is generated from multiple sources including interest income on commercial loans and that on mortgage. Since the provision of services is conducted mainly via digital means instead of traditional physical branch network, this business segment is considered to be an appropriate comparable business as the digital banking business of the Target.

Source: S&P Capital IQ, Bloomberg

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ and/or Bloomberg.

(2) Based on annual report of First Internet for the year ended December 31, 2022.

#	Company Name	Stock Code	Listing Location
8)	Live Oak Bancshares, Inc. (“Live Oak”)	NYSE: LOB	U.S.

Business Description

Live Oak Bancshares, Inc. operates as the bank holding company for Live Oak Banking Company that provides various commercial banking products and services to individuals, small businesses, and professionals in North Carolina, the United States. It operates in two segments, Banking and Fintech. The company accepts various deposit products, including noninterest-bearing demand, as well as interest-bearing checking, money market, certificate of deposits, savings, and time deposits. It also offers commercial and industrial loans; construction and development loans; owner occupied and non-owner occupied collateral commercial real estate loans; and commercial land loans. In addition, it provides settlement, accounting, and securitization services for government guaranteed loans; wealth and investment management services to high-net-worth individuals and families; investment advisory services to a series of funds focused on providing venture capital to new and emerging financial technology companies; and an on-site restaurant location to company employees and business visitors.

Revenue Contribution from Business Segment(s) Relevant to the Business of the Target ⁽¹⁾

Banking (70.3%)

Physical Presence ⁽²⁾

Live Oak has 9 offices in U.S. No holding of physical branch network has been identified based on publicly disclosed information of Live Oak.

Analysis on the Relevance of Revenue Contribution ⁽²⁾

Revenue contributed by the Banking segment is generated from multiple sources including interest income on loans provided to small businesses. Since the provision of services is conducted mainly via digital means instead of traditional physical branch network, this business segment is considered to be an appropriate comparable business as the digital banking business of the Target.

Source: S&P Capital IQ, Bloomberg

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ and/or Bloomberg.

(2) Based on annual report of Live Oak for the year ended December 31, 2022.

#	Company Name	Stock Code	Listing Location
9)	Seven Bank, Ltd. (“ Seven Bank ”)	TSE: 8410	Japan

Business Description

Seven Bank, Ltd. provides various banking products and services to individual and corporate customers in Japan and internationally. It accepts accounts, and ordinary and time deposits; and offers personal loans, as well as debit and credit card, debit, debt, money transfer, Internet banking, ATM, and other services. The company also provides back-office support services for financial institutions; and security services.

Revenue Contribution from Business Segment(s) Relevant to the Business of the Target ⁽¹⁾

Domestic Business (79.5%); Foreign Operation (20.5%)

Physical Presence ⁽²⁾

Seven Bank, through its consolidated subsidiaries, has 6 offices in Japan, U.S., Indonesia and Philippines. No holding of physical branch network has been identified based on publicly disclosed information of Seven Bank.

Analysis on the Relevance of Revenue Contribution ⁽²⁾

Revenue contributed by the Domestic Business segment is generated from multiple sources including interest income on loans, and fees and commission income for automated banking services in Japan. Revenue contributed by the Foreign Operation segment is generated from multiple sources including interest income on loans, and fees and commission income for automated banking services U.S., Indonesia, Philippines etc. Since the provision of services is conducted mainly via digital means instead of traditional physical branch network, each of these business segments is considered to be an appropriate comparable business as the digital banking business of the Target.

Source: S&P Capital IQ, Bloomberg

- (1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ and/or Bloomberg.
- (2) Based on annual report of Seven Bank for the year ended March 31, 2023.

Overview of key financial information of the selected guideline companies as of the Valuation Date are listed as follows:

#	Company Name	Stock Code	Reporting Currency	Last Twelve Months (“LTM”) Financials		
				Sales	Net Profit available to Common Shareholders	Net Asset Value (“NAV”)
1)	Nu Holdings	NYSE: NU	USD'million	7,075	372	5,889
2)	Rakuten Bank	TSE: 5838	JPY'million	127,968	30,977	240,612
3)	SBI Sumishin	TSE: 7163	JPY'million	104,264	22,624	138,111
4)	Inter & Co	NasdaqGS: INTR	BRL'million	7,586	185	7,260
5)	KakaoBank	KOSE: A323410	KRW'million	2,312,359	339,814	5,965,860
6)	Axos Financial	NYSE: AX	USD'million	1,425	331	1,976
7)	First Internet	NasdaqGS: INBK	USD'million	243	11	348
8)	Live Oak	NYSE: LOB	USD'million	739	60	850
9)	Seven Bank	TSE: 8410	JPY'million	173,349	41,700	279,534

Source: S&P Capital IQ, Bloomberg

We have conducted search on the companies engaging in the digital banking industry specifically in Macau and the PRC. However, no such comparable company can be identified. We have therefore extended our search to companies with global presence and identified the abovementioned 9 guideline public companies. Besides, it is considered that value of digital banking businesses is more defined by their technology-enabled and cost-efficient business model than by their geographical coverage and listing location. Hence, we considered that is not unreasonable to forego the location-based consideration in the selection of guideline public companies.

In particular, we are of the view that the guideline public companies selected share similar attributes of the Target based on below considerations.

Majority of business segment(s) of the guideline public companies are principally engaged in developing and providing digital banking services with no or limited physical branch network, in which more than 70% of revenue contribution to each of these companies are considered to be relevant and comparable to the business of the Target. Whilst, in addition to the provisions of deposits, credit loans and/or cross-border remittance services, some of the guideline public companies may also engage in diversified banking services including but not limited to insurance brokerage, securities trading and/or asset management businesses. Based on our research of the publicly disclosed information of these guideline public companies, we are not aware that the revenue from these other diversified banking services of these companies constituted a significant portion of revenue according to their respective annual financial information. Hence, the revenue contribution from these businesses for each of these companies are considered to be relatively low based on our analysis. Meanwhile, the Target also has commenced early-stage operation in its insurance agency business and securities trading business as of the Latest Practicable Date based on our understanding from the Management. As these diversified banking services are mainly conducted by the guideline public companies via digital means, they are considered as part of the digital banking sector as comparable to the Target's business for this valuation purpose.

Furthermore, the Target has leveraged its capabilities in the digital banking business for provision of additional synergistic services including but not limited to insurance agency and securities trading businesses, which in long-run could improve the level of diversification of the Target to a level which is closer to that of those guideline public companies which have diversified into similar business activities.

The guideline public companies and the Target are also considered to be sharing the key characteristics of the digital banking business model such as reliance on technology advancement and thus the required investments in the relevant areas, reduced overhead cost of operating the physical branch network, extended reach in terms of geographic coverage, etc.

In addition, these guideline public companies are traded in major stock exchanges with sufficient liquidity and public disclosure in the corresponding financial information. Therefore, we consider that it is reasonable to assume the markets of these major stock exchanges to be with high efficiency and transparency, and thus, the market multiples of these guideline public companies represent the market participants' consensus and expectations over the valuation of companies engaging in the digital banking industry.

Hence, despite the differences in the listing venues among the public guideline companies, and the differences in geographical presence and specific products or streams of respective banking businesses between the Target and the guideline public companies, they are considered to be subject to similar fluctuations in the economy and performance of the digital banking industry, among other factors.

As mentioned above, since no two companies are ever exactly alike, the differences should not overshadow the similarities of the business nature of the companies. Indeed, the majority of revenue of all selected guideline public companies are derived from digital banking business and hence they are classified as belonging to the same category of "digital banks" as the Target for our valuation purpose, together with the aforementioned factors, we therefore consider these companies to be comparable to the Target.

Adopted Valuation Multiples

After selecting the abovementioned guideline public companies, we have to determine the appropriate valuation multiples for the valuation of the Target, in which we have considered price-to-book (“**P/B**”), enterprise value/sales (“**EV/S**”), price-to-earnings (“**P/E**”) and enterprise value/earnings before interests, taxes, depreciation and amortization (“**EV/EBITDA**”) multiples.

P/E and EV/EBITDA multiples are widely used valuation multiples. Each of them relates the market value of the equity interest of the Target to its earnings, an important driver of shareholders’ value. However, since the Target was loss-making as of the Valuation Date, no meaningful result can be derived based on P/E and EV/EBITDA multiples.

EV/S multiple uses the market capitalization of a company as the starting point, considering of the value of debt, minority interest, preferred shares and excludes excess cash and cash equivalents to represent enterprise value, which is then divided by sales amount. Enterprise value generally requires normalized adjustments on debts and/or non-operating assets/liabilities on the Target which may be subjective.

P/B multiple is one of the most commonly used valuation multiples for capital-intensive business such as financial institutions and intermediary service firms. It relates the fair value of the company’s equity value to its net asset. The scale of capital is the key value and profit driver for the Target. Therefore, P/B multiple is considered to be the most appropriate valuation multiple for this valuation under guideline public company method.

The P/B multiples of guideline companies are as follows:

No	Company Name	Reporting Currency (in million)	Market Capitalization as of November 30, 2023 ⁽¹⁾	NAV ⁽¹⁾	P/B Multiple Before LOMD and CP	P/B Multiple After LOMD and CP
1	Nu Holdings	USD	38,605	5,889	6.56x	7.09x
2	Rakuten Bank	JPY	446,326	240,612	1.85x	2.01x
3	SBI Sumishin	JPY	250,921	138,111	1.82x	1.97x
4	Inter & Co	BRL	10,403	7,260	1.43x	1.55x
5	KakaoBank	KRW	12,492,347	5,965,860	2.09x	2.26x
6	Axos Financial	USD	2,209	1,976	1.12x	1.21x
7	First Internet	USD	190	348	0.55x	0.59x
8	Live Oak	USD	1,505	850	1.77x	1.91x
9	Seven Bank	JPY	354,146	279,534	1.27x	1.37x
					Maximum	7.09x
					Minimum	0.59x
					Median⁽²⁾	1.91x
					Lack of Marketability Discount ("LOMD")⁽³⁾	15.70%
					Control Premium ("CP")⁽⁴⁾	28.30%

Notes:

- (1) Data sourced from Bloomberg and the financial statements of the guideline companies. The equity values of the guideline companies are computed based on their market capitalization as of November 30, 2023. NAV data are based on the latest financial data of the guideline companies available as of the Valuation Date.
- (2) Median and average share the same role in understanding the central tendency of a sets of numbers. Median, which would not be affected by extreme values, is regarded a better mid-point measure for skewed number distributions. Hence, median P/B multiple is adopted to derive the result, which we consider to be a more reasonable approach to prevent the outliers from distorting the result.

- (3) LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests 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 listed company.

The P/B multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such P/B multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report “Stout Restricted Stock Study Companion Guide (2023 edition)” by Stout Risius Ross, LLC, a reputable research company, suggested a median marketability discount of 15.7% which is based on 776 private placement transactions of unregistered common shares issued by publicly traded companies from July 1980 through December 2022. A LOMD of 15.7% is considered appropriate and suitable for this valuation as we understand that the Target is a privately held company.

The market multiple of non-marketable interest can be calculated from marketable interest using the following formula:

$$\text{Market Multiple of Non-marketable Interest} = \text{Market Multiple of Marketable Interest} \times (1 - \text{LOMD})$$

- (4) CP is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The P/B multiples adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; fair value calculated using such P/B multiples, therefore, represents the minority ownership interest. Thus, CP was adopted to adjust such minority interest fair value to controlling interest fair value.

Adjustment for control is made by the application of a CP to the value of the Target’s shares. The report “Control Premium Study: 3rd Quarter 2023” by FactSet Mergerstat, LLC, a reputable research company, suggested a median CP is 28.3%. A CP of 28.3% is considered appropriate and suitable for this valuation as we understand that the Company intends to acquire a controlling stake in the Target.

The market multiple of controlling interest can be calculated from minority interest using the following formula:

$$\text{Market Multiple of Controlling Interest} = \text{Market Multiple of Minority Interest} \times (1 + \text{CP})$$

Combining the adjustments on LOMD and CP,

$$\text{Adjusted Market Multiple} = \text{Non-adjusted Market Multiple} \times (1 - \text{LOMD}) \times (1 + \text{CP})$$

VALUATION RESULT

	MOP'000
Net Asset Value of the Target as of September 30, 2023 ⁽¹⁾	234,949
Adjusted Median P/B Multiple	<u>1.91x</u>
Estimated 100% Equity Value of the Target (Non-Marketable and Controlling Basis, before the Proposed Capital Increase)	449,631 ⁽²⁾
Estimated 100% Equity Value of the Target (Non-Marketable and Controlling Basis, before the Proposed Capital Increase) (Rounded)	450,000
Add: Total Cash Contribution in relation to the Proposed Capital Increase	<u>150,000⁽³⁾</u>
Estimated 100% Equity Value of the Target (Non-Marketable and Controlling Basis, Upon Completion of the Proposed Capital Increase)	600,000

Notes:

- (1) Based on understanding from the Management, the financials for November 30, 2023 is not yet available as of the date of this appraisal. As such, NAV of the Target as of September 30, 2023, which is provided by the Management, is adopted as the latest available information.
- (2) The amount does not equal to the product of the displayed net asset value of the Target and adjusted median P/B multiple due to rounding.
- (3) Based on understanding from the Management, the conditionally agreed cash contribution to share capital of the Target in relation to the Proposed Capital Increase amounts to MOP 150 million.

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that the fair values of the 100% equity interest of the Target as of the Valuation Date (i) prior to the Proposed Capital Increase and (ii) immediately after the Proposed Capital Increase of MOP 150 million are MOP450,000,000 and MOP600,000,000, respectively.

The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in AGTech Holdings Limited nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C B Pang
CFA, FCPA(HK), FCPA (Aus.), MRICS, RICS Registered Valuer
Managing Partner

Analysed and Reported by:

Ivan K K Lui

CFA, FCPA (HK), MRICS, ACA, LL.M., RICS Registered Valuer
Partner

Mankry Y L Cheung

CFA

Assistant Manager

Justin M F Woo

Senior Analyst

Note: Mr. Vincent Pang is a member of CFA Institute, a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia and a member of Royal Institution of Chartered Surveyors. Vincent has over 20-year experience in financial valuation and business consulting in Hong Kong and the PRC.

APPENDIX – GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.
- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.
- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.
- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Transaction or pursuant to any applicable laws, rules or regulation or requirement of any competent regulatory authorities, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.
- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. No part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.
- We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

1. 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.

2. DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company 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 (a) were required 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 they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in Shares/restricted share unit of the Company

Name of Director	Number of Shares/restricted share units held			Approximate percentage held (Note 1)
	Personal interest	Corporate interest	Total	
Mr. Sun Ho	54,158,000 (Note 2)	2,006,250,000 (Note 3)	2,060,408,000	17.652%
Ms. Hu Taoye	5,384,000 (Note 4)	–	5,384,000	0.046%
Mr. Tung Pen Hung (Appointed on May 12, 2023)	–	–	–	0%
Ms. Qin Yuehong (Appointed on May 12, 2023)	–	–	–	0%
Mr. Ji Gang	–	–	–	0%
Mr. Zou Liang	–	–	–	0%
Mr. Chow Siu Lui	–	–	–	0%
Mr. Feng Qing	375,000	–	375,000	0.003%
Dr. Gao Jack Qunyao	750,000	–	750,000	0.006%

Notes:

1. Based on a total of 11,672,342,235 Shares in issue as at the Latest Practicable Date.
2. It represents 46,158,000 Shares and 8,000,000 restricted share units (granted under the Share Award Scheme) beneficially held by Mr. Sun Ho.
3. These 2,006,250,000 Shares were held in the name of Maxprofit Global Inc. As Maxprofit Global Inc is beneficially and wholly-owned by Mr. Sun Ho, the chairman, executive Director and CEO of the Company, Mr. Sun was deemed to be interested in such Shares under the SFO.
4. It represents 288,000 Shares and 5,096,000 restricted share units (granted under the Share Award Scheme) beneficially held by Ms. Hu Taoye.

(ii) Interests in shares and underlying shares of Alibaba Holding, an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Capacity	Number of shares/ underlying shares held		Approximate percentage of total issued share capital of Alibaba Holding
		<i>(in the number of American Depository Shares ("ADS(s)") of Alibaba Holding) (Note 1)</i>	<i>(in the number of ordinary shares of Alibaba Holding) (Note 1)</i>	
Ms. Hu Taoye	<i>(Note 3)</i>	18,911	151,288	0.001%
Mr. Tung Pen Hung	<i>(Note 4)</i>	79,676	637,408	0.003%
Ms. Qin Yuehong	<i>(Note 5)</i>	51,500	412,000	0.002%
Mr. Ji Gang	<i>(Note 6)</i>	10,235	81,880	negligible
Mr. Zou Liang	<i>(Note 7)</i>	2,540	20,320	negligible

Notes:

1. One ADS of Alibaba Holding represents eight ordinary shares of Alibaba Holding; and one restricted share unit (“RSU(s)”) of Alibaba Holding represents one ADS of Alibaba Holding.
2. Based on a total of 19,989,106,016 ordinary shares of Alibaba Holding in issue as at the Latest Practicable Date.
3. The interest comprised 16,061 ADSs of Alibaba Holding and 2,850 RSUs of Alibaba Holding beneficially held by Ms. Hu Taoye.
4. The interest comprised 61,926 ADSs of Alibaba Holding and 17,750 RSUs of Alibaba Holding beneficially held by Mr. Tung Pen Hung.
5. The interest comprised 34,500 ADSs of Alibaba Holding and 17,000 RSUs of Alibaba Holding beneficially held by Ms. Qin Yuehong.
6. The interest comprised 8,628 ADSs of Alibaba Holding and 1,607 RSUs of Alibaba Holding beneficially held by Mr. Ji Gang.
7. The interest comprised 2,085 ADSs of Alibaba Holding and 455 RSUs of Alibaba Holding beneficially held by Mr. Zou Liang.

(iii) Interests in shares and underlying shares of Alibaba Pictures Group Limited (“Ali Pictures”), an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Capacity	Number of shares/ underlying shares of Ali Pictures held	Approximate percentage of total issued share capital of Alibaba Holding <i>(Note 1)</i>
Mr. Zou Liang	<i>(Note 2)</i>	90,000	negligible

Notes:

1. Based on a total of 29,488,769,003 ordinary shares of Ali Pictures in issue as at the Latest Practicable Date.
2. The interest comprised 90,000 ordinary shares of Ali Pictures beneficially held by Mr. Zou Liang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying Shares and debentures 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, which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of total issued share capital of the Company (Note 1)
Ali Fortune (Note 2)	Beneficial owner	6,502,723,993	55.71%
Alibaba Investment Limited (Note 2)	Interest of controlled corporation	6,502,723,993	55.71%
API Holdings Limited (Note 2)	Interest of controlled corporation	6,502,723,993	55.71%
Alibaba Holding (Note 3)	Interest of controlled corporation	6,502,723,993	55.71%
API (Hong Kong) Investment Limited (Note 4)	Interest of controlled corporation	6,502,723,993	55.71%
Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (Note 5)	Interest of controlled corporation	6,502,723,993	55.71%
Ant Holdco (Note 6)	Interest of controlled corporation	6,502,723,993	55.71%

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of total issued share capital of the Company (Note 1)
Maxprofit Global Inc (Note 7)	Beneficial owner	2,006,250,000	17.19%
Mr. Cheung Lup Kwan Vitor (Note 8)	Interest of controlled corporation	584,515,224	5.01%
Rainwood Resources Limited (Note 8)	Beneficial owner	584,515,224	5.01%

Notes:

- Based on a total of 11,672,342,235 Shares in issue as at the Latest Practicable Date.
- Alibaba Investment Limited (“AIL”) and API Holdings Limited (“API Holdings”) held 60% and 40% of the issued share capital of Ali Fortune, respectively.
- Alibaba Holding held 100% of the issued share capital of AIL.
- API (Hong Kong) Investment Limited held 100% of the issued share capital of API Holdings.
- Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (“Shanghai Yunju”) held 100% of the issued share capital of API (Hong Kong) Investment Limited.
- Ant Holdco held 100% of the equity interests in Shanghai Yunju. Junhan and Junao hold approximately 31% and 22% of Ant Holdco’s total issued shares, respectively. Xingtao is the executive partner and general partner of Junhan; Yunbo is the executive partner and general partner of Junao; and each of Xingtao and Yunbo is held by five individuals as to 20% each. The remaining issued shares in Ant Holdco are held as to approximately 33% by Taobao (China) Software Co., Ltd.* (淘寶(中國)軟件有限公司), an indirect wholly-owned subsidiary of Alibaba Holding, and as to approximately 14% by other minority shareholders.
- As disclosed in the section headed “DISCLOSURE OF DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS – Interests in Shares/restricted share unit of the Company” above, Mr. Sun Ho was deemed to be interested in these 2,006,250,000 Shares by virtue of his interest in Maxprofit Global Inc.
- Based on the disclosure of interests form filed on March 3, 2023, the equity interest of Mr. Cheung Lup Kwan Vitor in Rainwood Resources Limited decreased from 100% to 52% with effect from May 9, 2022. Therefore, Mr. Cheung Lup Kwan Vitor was deemed to be interested in these 584,515,224 Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executive of the Company were not aware of any other persons (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures 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, which were recorded in the register kept by the Company pursuant to section 336 of the SFO.

* For identification purpose only

As at the Latest Practicable Date, Mr. Tung Pen Hung and Ms. Qin Yuehong were employees of the Alibaba Group, and Mr. Zou Liang and Mr. Ji Gang were employees of the Ant Group. Save as disclosed herein, none of the Directors or proposed Director was a director or employee of a company that had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. COMPETING BUSINESS

Ali Fortune, the controlling shareholder of the Company, is indirectly owned as to 60% and 40% by Alibaba Holding and Ant Holdco respectively. Ant Holdco is indirectly held by Alibaba Holding as to approximately 33% of its equity interest and is therefore a “close associate” (as defined in the GEM Listing Rules) of Ali Fortune.

Ant Bank (Macao) officially commenced operations in April 2019. It launched the mobile payment services via the “Alipay (Macao)” e-wallet in Macau in September 2019. As at the Latest Practicable Date, Ant Bank (Macao) was a joint venture company incorporated under the laws of Macau with limited liability which is owned as to 33.4%, 33.3% and 33.3% by Alipay (Macao) Holding, Alipay (Macao) Investment and Star N Cloud, respectively. Two Directors, namely Mr. Sun Ho and Mr. Ji Gang, are also directors of Ant Bank (Macao). Upon the Closing, the Company will indirectly hold approximately 51.5% of the issued share capital of Ant Bank (Macao) through mFinance and Ant Bank (Macao) will become an indirect non-wholly owned subsidiary of the Company. Alipay (Macao) Holding and Alipay (Macao) Investment will own 24.3% and 24.2% of the issued share capital of Ant Bank (Macao) upon the Closing.

Following completion of the acquisition of Macau Pass by the Group on March 24, 2022, Macau Pass has become an indirect wholly-owned subsidiary of the Company and will continue to provide electronic payment services including e-wallet payment service in Macau. Nevertheless, the Company does not regard Ant Bank (Macao) as a “competing business” operated by Ant Group against the Group because:

- (i) from the perspective of the Group, as at the Latest Practicable Date, Ant Bank (Macao) was a joint venture company in which the Group also has an indirect equity interest and is entitled to indirectly share its financial results, and Ant Bank (Macao) will become an indirect non-wholly owned subsidiary of the Company upon the Closing; and

- (ii) from the perspective of Macau Pass, Ant Bank (Macao) has been a business partner in relation to Macau Pass' acquiring service business in Macau and the two companies shall continue their business cooperation following the Closing on terms and conditions consistent with their past practice.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective close associates had interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

7. DIRECTORS' INTEREST IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been, since December 31, 2022 (the date to which the latest published audited consolidated financial statements of the Group were made up), 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.

Save as disclosed in:

- (i) the sections headed "Directors' Material Interests in Transactions, Arrangements or Contracts and Controlling Shareholder's Interests in Contracts" and "Continuing Connected Transactions" in the annual report of the Company for the year ended December 31, 2022; and
- (ii) the section headed "GEM Listing Rules Implications" in the "Letter from the Board" in this circular in relation to the potential conflict of interest in the Transaction and the Technical Services contemplated under the Framework Agreement (including the Technical Services Annual Caps),

as at the Latest Practicable Date, none of the Directors had material interest in any subsisting contract or arrangement which is significant in relation to the business of the Group.

8. QUALIFICATIONS AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
AVISTA Valuation Advisory Limited	Independent professional valuer

As at the Latest Practicable Date, each of the above experts did not have:

- (a) any shareholding, directly or indirectly, in any member of the Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) any interest, either direct or indirect, in any assets which had been, since December 31, 2022 (the date to which the latest published audited consolidated financial statements of the Group were made up), 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.

Each of the above experts has given and has not withdrawn its written consent as of the date of this circular to the issue of this circular with the inclusion of its respective letter and/or references to its name in the form and context in which they respectively appear.

9. DOCUMENTS ON DISPLAY

A copy of (i) the Share Transfer Agreement, (ii) the Capital Increase Agreement, (iii) the Share Transfer Undertaking Agreement, and (iv) the Framework Agreement will be published on the HKEXnews website operated by the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<https://www.agtech.com>), respectively, from the date of this circular up to and including the date which is 14 days from the date of this circular.

NOTICE OF SGM



AGTech Holdings Limited

亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “SGM”) of AGTech Holdings Limited (the “Company”) will be held at 11:00 a.m. on Wednesday, March 27, 2024 at Suite 3318, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendment, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Share Transfer Agreement (as defined in the circular of the Company dated March 5, 2024 (the “Circular”) of which this notice forms part) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and
- (b) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Share Transfer Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

2. “**THAT:**

- (a) the Capital Increase Agreement (as defined in the Circular) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and
- (b) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Capital Increase Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

* For identification purpose only

NOTICE OF SGM

3. **“THAT:**
- (a) the Share Transfer Undertaking Agreement (as defined in the Circular) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and
 - (b) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Share Transfer Undertaking Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”
4. **“THAT:**
- (a) the Technical Services (as defined in the Circular) and relevant terms under the Framework Agreement (as defined in the Circular) be and are hereby confirmed, approved and ratified;
 - (b) the Technical Services Annual Caps (as defined in the Circular) be and are hereby approved; and
 - (c) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the Technical Services and relevant terms under the Framework Agreement and the implementation thereof including the affixing of seal thereon.”

By order of the board of directors of
AGTech Holdings Limited
Sun Ho
Chairman & CEO

The Hong Kong Special Administrative Region of
the People’s Republic of China, March 5, 2024

NOTICE OF SGM

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
Unit 3912, 39th Floor, Tower Two
Times Square
Causeway Bay
Hong Kong

Notes:

1. Any member entitled to attend and vote at the SGM (or any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his/her stead in accordance with the bye-laws of the Company. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the SGM (or any adjournment thereof), either personally or by proxy, in relation to such share as if he were solely entitled thereto; but if more than one of such joint holders shall be present at the SGM (or any adjournment thereof) personally or by proxy, that one of the holders so present whose name stands first on the register of members of the Company in relation to such share shall alone be entitled to vote in respect thereof.
3. The form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time for holding the SGM (or any adjournment thereof), and in default the form of proxy shall not be treated as valid. The completion and return of the form of proxy shall not preclude members from attending and voting in person at the SGM (or any adjournment thereof) should they so desire and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. The record date for determining the entitlement of shareholders of the Company to attend and vote at the SGM will be Wednesday, March 20, 2024. In order to qualify for attending and voting at the SGM (or any adjournment thereof), all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by 4:30 p.m. on Wednesday, March 20, 2024.

As at the date of this notice, the board of directors of the Company comprises (i) Mr. Sun Ho and Ms. Hu Taoye as executive directors; (ii) Mr. Tung Pen Hung, Ms. Qin Yuehong, Mr. Ji Gang and Mr. Zou Liang as non-executive directors; and (iii) Mr. Feng Qing, Dr. Gao Jack Qunyao and Mr. Chow Siu Lui as independent non-executive directors.