EFT Solutions Holdings Limited
俊盟國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8062)

FURTHER ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 16.7% ISSUED SHARE CAPITAL OF THE TARGET COMPANY

Reference is made to the announcement of EFT Solutions Holdings Limited (the "**Company**") dated 21 June 2024 (the "**Acquisition Announcement**") with respect to the discloseable transaction in relation to the Acquisition of 16.7% issued share capital of the Target Company. Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as those defined in the Acquisition Announcement.

In addition to the information provided in the Announcement, the Company would like to provide the following additional information in relation to the Acquisition and the Target Company.

1. KEY INPUTS AND ASSUMPTIONS FOR THE PROFIT FORECAST OF THE TARGET COMPANY AND THE SUPPORTING RATIONALE TO SUPPORT THE VALUATION

As disclosed in the Acquisition Announcement, the Consideration was arrived at based on normal commercial terms after arm's length negotiations among the Purchaser and the Vendor and was determined with reference to among others, the Valuation of 16.7% equity interest of the Target Company of approximately USD1,010,000 as at 31 March 2024 prepared by an independent valuer based on discounted cashflow approach.

Pursuant to the valuation report dated 18 June 2024 ("**Valuation Report**") issued by the valuer, the market value of the 16.7% equity interest of the Target Company was approximately USD1,010,000 (equivalent to approximately HK$7,928,500) as at 31 March 2024 ("**Valuation Date**").

The Valuation approach and methods

In accordance with the Valuation Report in relation to the Valuation, the Valuation was conducted by the valuer based on the discounted cashflow or income approach after considering certain factors:

(i) limited public information on companies comparable to the Target Company. Therefore, the market approach is not the most preferable method in this case;

(ii) the cost approach is not appropriate for estimating the equity interest of the Target Company as it disregards future profit potential; and

(iii) the income approach is a method to showcase the Target Company's business operations in the Valuation. The income approach works on the principle that the present value of the asset is equivalent to the economic benefits received throughout its lifetime. It takes into account future economic benefits and uses an appropriate discount rate to determine their present value, considering all risks associated with realising those benefits. This method provides a clear picture of the future earnings potential of the asset.

After considering the above factors, the Directors concluded that the Valuation using the income approach is more applicable.

Key assumptions and key inputs of the profit forecast under the Valuation Report

The general and principal assumptions of the profit forecast under the Valuation Report are summarised as follows, including but not limited to:

- the unaudited financial statements of the Target Company as at 31 March 2024 as provided by the management of the Target Company could reasonably represent the Target Company's financial position as true and fair on the Valuation Date;

- the scope of the Valuation is only based on the financial information of the Target Company, without covering any contingent assets and liabilities that may exist outside such financial information and financial statements;

- the price, expressed in terms of cash equivalents, at which asset or property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts;

- the value of a business enterprise that is expected to continue to operate into the future. The asset going-concern assumption means that the Valuation method, parameters and basis shall be determined on the premise that the valued assets will be continuously used in consistence with their current functions and methods, scale, frequency and environment of application, or used on the basis of certain changes thereof;

- The Target Company will realize its financial forecast in accordance with its business plan as provided by their management. The projections outlined in the financial information as provided by the management of the Target Company are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;

- all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company is operated or intends to be operated would be officially obtained and renewable upon expiry;

- there will be no major changes in the current taxation laws in the localities in which the Target Company is operated or intends to be operated and the rates of tax payable shall remain unchanged and all applicable laws and regulations will be complied with;

- there will be no major changes in the political, legal, economic or financial conditions in the localities in which the Target Company is operated or intends to be operated, which would adversely affect the revenue attributable to and the profitability of the business; and

- interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those prevailing presently.

The fair value of the Target Company was derived from the summation of the free cash flows to the Target Company, based on the cash flow projections being discounted to the present value. Below is the summary of calculations for the fair value of 16.7% equity interest in the Target Company as at the Valuation Date:

	USD
Sum of present values of discounted cash flows	454,775
Terminal value	6,490,745
Enterprise value	6,945,520
Net debt	14,128
Surplus assets/(liabilities)	914,912
Equity value before Valuation discount	7,874,560
Less: Discount for lack of marketability	(1,968,640)
Equity value translated using exchange rate as of the Valuation Date (rounded)	6,040,000
Fair value of 16.7% equity interest (rounded)	1,010,000

Note: The exchange rate used in the financial forecast at Mongolia Tughrik (MNT) 3,450 to USD1 was translated at MNT3,373 to USD1 as of the Valuation date

The specific assumptions and key inputs of the profit forecast under the Valuation Report are set out as follows:

Specific assumptions	**Inputs**	**Basis of assumptions**
Terminal growth rate	3%	The valuer considered the inflation average long-term estimations as indicated by the International Monetary Fund by country. Then, the valuer took into account the nearby geographical areas for the business plan. In particular, the valuer selected for its consideration the following countries: (i) Mongolia, (ii) the People's Republic of China, (iii) Hong Kong SAR.
Discount rate	20%	Determined based on weighted average cost of capital which was calculated with reference to public market data including risk free rate, market return, beta of guideline public companies, prevailing borrowing rate, the company size and specific risk of the business.
Discount for Lack of Marketability	25%	The discount for lack of marketability is an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability. The following has been considered: (i) the Target Company is an early-stage business, (ii) possibility and timing of foreseeable liquidity event, (iii) pre-IPO studies, (iv) restrictive stock studies published in "Stout Restricted Stock Study 2023".

Specific assumptions	Inputs	Basis of assumptions
Control premium or discount for lack of control	Nil	Considering (i) no market participant synergies were observed in the profit forecast, (ii) no cost reduction upon acquisition or synergies were assumed in the profit forecast, (iii) no control elements assumed in the profit forecast.

Based on the above key inputs, the valuer has performed a sensitivity analysis on (i) the discount rate; and (ii) terminal growth rate adopted in the Valuation, details of which are set out as follows:

Discount rate (changes in the absolute value)	Terminal growth rate (changes in the absolute value)	Valuation	Increase/ (decrease) in Valuation
		(USD million)	*(USD million)*
19% (-1%)	4% (+1%)	1.17	0.16
20% (base input)	4% (+1%)	1.07	0.06
21% (+1%)	4% (+1%)	0.98	(0.03)
19% (-1%)	3% (base input)	1.10	0.09
20% (base input)	3% (base input)	1.01	–
21% (+1%)	3% (base input)	0.93	(0.08)
19% (-1%)	2% (-1%)	1.04	0.03
20% (base input)	2% (-1%)	0.96	(0.05)
21% (+1%)	2% (-1%)	0.88	(0.13)

Supporting rationale to support the Valuation

The supporting rationale to support the Valuation in the Valuation Report include but is not limited to the following factors:

(i) according to information presented by the management of the Target Company, the Target Company will breakeven and generate profit from the year ending 31 December 2025;

(ii) whilst the Target Company was established in 2015, it initiated its primary operations payment services in 2021 and has since secured card issuance and acceptance licenses from the Bank of Mongolia, the central bank of Mongolia. Additionally, the Target Company is already a payment gateway provider to digital payment digital payment systems and aims to become a payment gateway for businesses to integrate, operate, and receive payments electronically in Mongolia and beyond.

2. THE BOARD'S VIEW ON THE CONSIDERATION BEING FAIR AND REASONABLE

The Directors have discussed with the valuer the different aspects upon which the Valuation was prepared (including the principal assumptions and commercial assumptions) and have reviewed the Valuation for which the valuer is responsible. The Directors have confirmed that the Valuation has been done after a due and careful inquiry by them. Based on this, and given that the Consideration comprises a mix of cash, hardware being provided to the Vendor at or around market value and provision of software development services utilising current spare capacity of the Group, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. ULTIMATE BENEFICIAL OWNERS OF THE TARGET COMPANY

Multimedia Entertainment Platform LLC is a company incorporated in Mongolia with limited liability and is owned by Buyanjargal Saruul and two other individuals as to 60%, 20% and 20%, respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the three shareholders of Multimedia Entertainment Platform LLC are all individual independent of and not connected with the Company and its connected persons.

Nubi Soft LLC is a company incorporated in Mongolia with limited liability and is owned by Namuu Tserendavana and four other individuals as to 65%, 20%, 8%, 5% and 2%, respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the five shareholders of Nubi Soft LLC are all individual independent of and not connected with the Company and its connected persons.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shinezaya Batbold is an individual independent of and not connected with the Company and its connected persons.

The additional information as disclosed above does not affect any other information contained in the Announcement.

Yours faithfully
By order of the Board
EFT Solutions Holdings Limited
Lo Chun Kit Andrew
Chairman

Hong Kong, 27 June 2024

As of the date of this announcement, the Board comprises executive Director Mr. Lo Chun Kit Andrew; non-executive Directors Ms. Lam Ching Man and Mr. Lui Hin Weng Samuel; and independent non-executive Directors Dr. Wu Wing Kuen, B.B.S., Mr. Chow Ka Wo Alex and Mr. Wong Ping Yiu.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 announcement 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 announcement misleading.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Company Announcements" page for at least seven days from the date of its posting and be posted on the website of the Company at www.eftsolutions.com.