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

Dear Sirs,

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

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

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

1.0 PURPOSE OF VALUATION

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

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

2.0 BASIS OF VALUE

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

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

3.0 SOURCES OF INFORMATION

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

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

The major documents and information include the following:

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

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

4.0 LIMITATIONS AND RELIANCE ON INFORMATION

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

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

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

5.0 BUSINESS REGISTRATION DETAILS

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

6.0 BUSINESS OVERVIEW

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

6.1 Revenue of the Target Company

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

6.2 Product

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

Encrypted Security Zone:

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

Directional Encrypted Sharing:

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

Host/Slave Machine Settings:

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

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

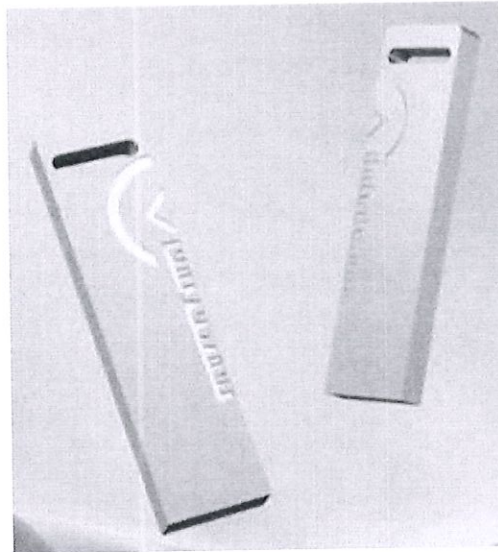


Figure 1: Appearance of the System

Source: Management

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

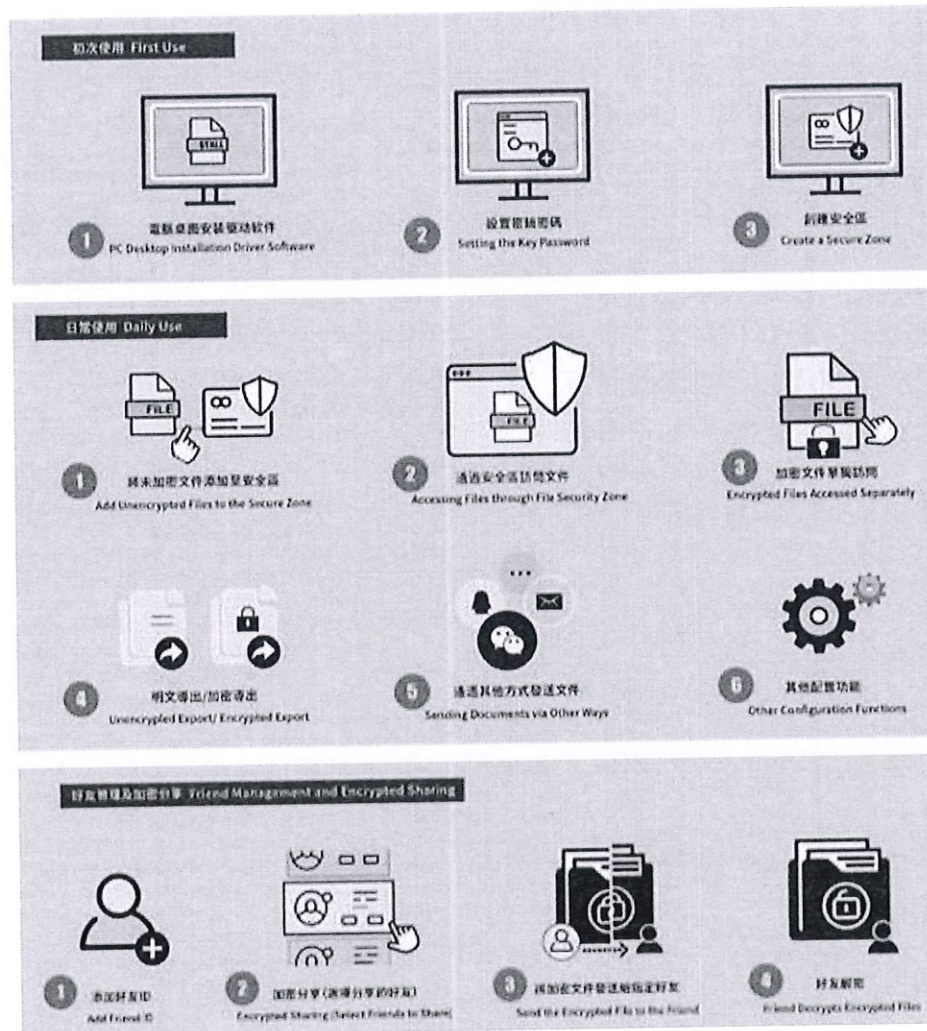


Figure 2: Flow charts of the System

Source: Management

6.3 Development Team of the Target Company

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

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

6.4 Patents

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

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

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

Table 1: Patent 1 registered in Hong Kong

Source: Management

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

Table 2: Patent 2 registered in Hong Kong

Source: Management

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

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

Table 3: Patent registered in the PRC

Source: Management

6.5 Historical Financial Performances

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

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

* Figures above are subject to rounding

Table 4: Historical financial performances of the Target Company

Source: Management

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

7.0 INVESTIGATION AND ANALYSIS

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

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

- Nature and operations of the Target Company;

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

8.0 GENERAL VALUATION APPROACHES AND METHODS

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

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

8.1 Market Approach

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

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

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

8.2 Asset Approach

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

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

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

8.3 Income Approach

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

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

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

9.0 VALUATION ANALYSIS

9.1 Valuation Approach and Methodology

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

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

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

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

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

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

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

9.2 Guideline Public Companies

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

Selection criteria of guideline public companies are listed as follows:

- Companies that are actively traded and publicly listed in the PRC, Hong Kong or Taiwan;
- Companies that have been publicly listed for at least 2 years before the Valuation Date;
- Companies principally engaged in the software or internet security activities according to The Refinitiv Business Classification*;
- Under the abovementioned software or internet security classification, at least 80% of the revenue is derived from the provision of products or services in relation to encryption, software security, cybersecurity, network security, internet security, digital security, password security or authentication; and
- Companies that are generating operating profit according to Refinitiv.

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

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

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

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

⁽²⁾ The above figures are sourced from Refinitiv database

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

Source: Refinitiv

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

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

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

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

* Figures above are subject to rounding

Notes:

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

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

Source: Refinitiv, annual reports and company websites

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

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

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

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

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

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

* *Figures above are subject to rounding*

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

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

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

9.3 Multiple Ratios

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

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

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

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

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

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

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

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

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

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

The breakdown of the total differential is shown as follows:

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

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

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

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

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

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

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

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

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

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

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

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

* Figures above are subject to rounding

Notes:

- (1) The adjusted EV/EBIT is calculated from EV/EBIT and total differential with the following formula:
$$1 / (1 / \text{EV/EBIT}) + \text{total differential}$$
- (2) These are extreme outliers which are not applicable for comparable analysis. We consider those unadjusted EV/EBIT ratios of over 100x to be unreasonably high because it may indicate overvaluation due to speculative growth expectation which may not be sustainable.

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

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

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

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

9.4 Lack of Marketability Discount

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

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

9.5 Cash and Debts

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

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

* *Figures above are subject to rounding*

9.6 Valuation

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

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

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

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

9.7 Sensitivity Analysis

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

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

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

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

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

10.0 VALUATION ASSUMPTIONS

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

11.0 LIMITING CONDITIONS

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

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

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

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

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

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

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

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

12.0 REMARKS

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

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

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

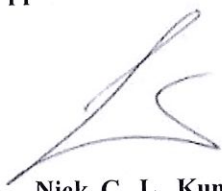
For the subject valuation, Peak Vision Appraisals does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the HKIS and / or the RICS, where applicable.

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

13.0 OPINION OF VALUE

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

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



Nick C. L. Kung

*MRICS, MHKIS, R.P.S. (GP), RICS Registered Valuer, MCIREA
Director
Corporate Valuation*



Chern Sung Lee

*CFA, CPA, MRICS
Director
Corporate Valuation*

- Note:* (1) Mr. Nick C. L. Kung is a member of the Royal Institution of Chartered Surveyors (the RICS) and member of the Hong Kong Institute of Surveyors (the HKIS), RICS Registered Valuer, Registered Professional Surveyor (General Practice) and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) and has more than 20 years of experience in the valuation of business assets and business entities in Hong Kong and overseas.
- (2) Mr. Chern Sung Lee is a CFA Charterholder, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Royal Institution of Chartered Surveyors and has more than 10 years of experience in the valuation of business assets and business enterprises in Hong Kong and overseas.

Appendix A

Description of Guideline Public Companies

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

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

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

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

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

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

Appendix B

Industry Overview

GLOBAL DATA SECURITY MARKET ANALYSIS

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

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

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

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

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

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

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

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

Appendix C

Economic Overview

HONG KONG ECONOMIC OVERVIEW

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

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

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

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

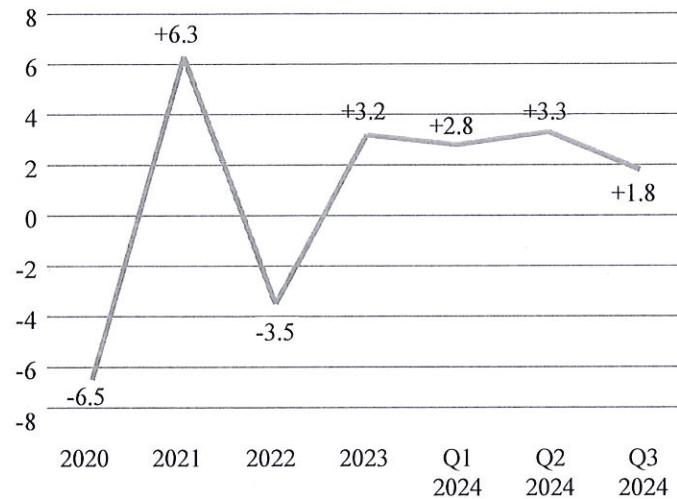


Figure 3: Real GDP growth (Year-on-year % change)

Source: HKTDC

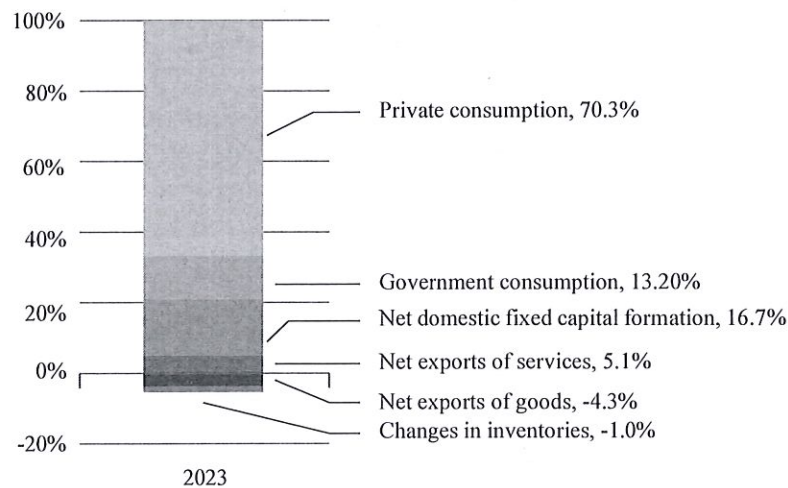


Figure 4: GDP composition (% share of GDP)

Source: HKTDC

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

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

Table 6: Major economic indicators

Source: HKTDC

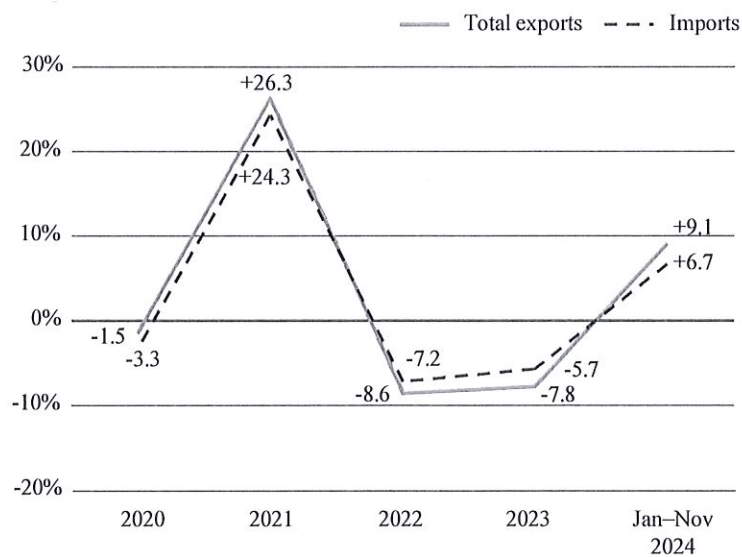


Figure 5: Merchandise trade growth (Year-on-year % change)

Source: HKTDC