AKRON

30 June 2025

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Proposed Acquisition, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 30 June 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 7 May 2025 (after trading hours), the Company as purchaser and the Vendors as vendors entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase and the Vendors have conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target Company at a total consideration of HK$35,000,000, which shall be satisfied by way of issue of the Consideration Bonds to the Vendors.

As the highest applicable percentage ratio in respect of the Proposed Acquisition exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, the Company is beneficially held as to: (i) 54.55% by Well Link Fintech, which is in turn held as to 97.0% by Mr. Xu Chujia; and (ii) 16.67% by Ms. Zhang Meijuan, who is the spouse of Mr. Xu Chujia. Mr. Xu Chujia and Ms. Zhang Meijuan are therefore connected persons of the Company. The Target Company is held as to 95% by Mr. Xu

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Chujia and 5% by Ms. Zhang Meijuan (i.e. the Vendors). Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

As Ms. Xu Wenxia and Mr. Kwan Kin Man Keith, the executive Directors of the Company, are also the directors of Well Link Fintech, they are considered to have a material interest in the Proposed Acquisition and the transactions contemplated thereunder, they have therefore abstained from voting on the relevant Board resolutions. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Proposed Acquisition and the transactions contemplated thereunder.

As at the Latest Practicable Date, Well Link Fintech (being an associate of Mr. Xu Chujia, one of the Vendors) is interested in 523,672,000 Shares (representing approximately 54.55% of the issued share capital of the Company), Mr. Kwan Kin Man Keith (a director of Well Link Fintech) is interested in 24,000,000 Shares (representing approximately 2.50% of the issued share capital of the Company), and Ms. Zhang Meijuan (being one of the Vendors) is interested in 160,000,000 Shares (representing approximately 16.67% of the issued share capital of the Company). In accordance with the GEM Listing Rules, all Shareholders who have a material interest in the Proposed Acquisition and the transactions contemplated thereunder, together with their associates, will be required to abstain from voting on the relevant resolution(s) at the EGM. Accordingly, Well Link Fintech, Mr. Kwan Kin Man Keith and Ms. Zhang Meijuan are required to abstain from voting on the relevant resolutions at the EGM.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Proposed Acquisition and the transactions contemplated thereunder and will be required to abstain from voting on the relevant resolutions at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising The Hon. Ip Kwok Him, G.B.M., G.B.S., J.P., Ms. Wu Hung Yu and Mr. Yeung Chi Shing Bret, all being independent non-executive Directors, has been established to advise and provide recommendation to the Independent Shareholders whether the Proposed Acquisition and the transactions contemplated thereunder are on normal commercial terms or better and fair and reasonable and whether the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

We, Akron Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted in any financial adviser role to the Company.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we are independent from the Company pursuant to the requirements under Rule 17.96 of the GEM Listing Rules and therefore are qualified to give independent advice in respect of the Proposed Acquisition and the transactions contemplated thereunder.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinion and representations contained or referred to in the Circular and the statements, information, opinion and representations provided to us by the Directors and/or the management of the Company (the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and/or the Management, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors as set out in the Circular were reasonably made after due and careful inquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular as a whole misleading.

We consider that we have reviewed sufficient information, including but not limited to (i) the Circular; (ii) the financial information of the Company for the years ended 31 December 2023 and 2024 ("**FY2023**" and "**FY2024**", respectively) as disclosed in the annual reports of the Company for FY2023 and FY2024 (the "**2024 Annual Report**"); (iii) the independent valuation report set out in Appendix V to the Circular (the "**Valuation Report**"); and (iv) the information relating to the Target Group provided by the Directors and/or the Management, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided, representations made, or opinion expressed by the Directors and/or the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the Target Company or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our opinion and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition, we have taken into consideration the following factors and reasons:

1. Information of the Group

1.1 Background information of the Group

The Company is an investment holding company and its subsidiaries mainly provides services under Type 1 (dealing in securities), Type 2 (dealing in futures), Type 4 (advising on securities) and Type 5 (advising on futures contracts) activities regulated under the SFO for futures, securities and options traded on the exchanges in Hong Kong, the United States, Japan, Singapore and the United Kingdom. The Group also provides margin financing business, equity and debt securities placing service, investment advisory services and money lending business. The Group offers its securities and futures business under Well Link International Securities Limited, a wholly owned subsidiary of the Company.

1.2 Financial information of the Group

The audited financial information of the Group for each of FY2023 and FY2024 as extracted from the 2024 Annual Report is tabulated below:

	FY2024 *HK$'000* (audited)	**FY2023** *HK$'000* (audited)
Revenue	22,577	24,143
Profit before tax	8,662	11,402
Profit and total comprehensive income attributable to owners of the Company for the year	6,735	8,909

	As at 31 December	
	2024	**2023**
	HK$'000	*HK$'000*
	(audited)	(audited)
Total assets	88,993	71,674
Total liabilities	36,405	64,021
Net current assets	43,309	24,969
Total equity	52,588	7,653

The revenue of the Group decreased by approximately HK$1.6 million, or approximately 6.5%, from approximately HK$24.1 million for FY2023 to approximately HK$22.6 million for FY2024. We noted from the 2024 Annual Report that such decrease in the revenue was primarily due to the decrease in the placing and advisory fee income, partially offset by the increase in the securities trading brokerage service income and the interest income from margin financing and money lending.

Due to (i) the aforesaid decrease in the revenue; and (ii) the decrease in the reversal of impairment losses recognised for the year of approximately HK$2.2 million, the Group recorded a decrease in the profit and total comprehensive income attributable to owners of the Company for FY2024 by approximately HK$2.2 million, or approximately 24.4%, from approximately HK$8.9 million for FY2023 to approximately HK$6.7 million for FY2024.

The total equity of the Group increased by approximately HK$44.9 million, or approximately 587.2%, from approximately HK$7.7 million as at 31 December 2023 to approximately HK$52.6 million as at 31 December 2024. Based on the consolidated statement of changes in equity enclosed in the 2024 Annual Report, the increase in the total equity was attributable to (i) the profit for the year recorded in FY2024; and (ii) the issuance of new shares.

2. Information of the Vendors

The Target Company has one issued share, representing its entire issued share capital. According to the memorandum and articles of association of the Target Company, the Target Company may issue fractional shares and a fractional share shall have the corresponding factional rights, obligations and liabilities of a whole share of the same class or series of shares. Mr. Xu Chujia holds 0.95 fractional share in the Target Company, representing 95% of the entire issued share capital of the Target Company, and Ms. Zhang Meijuan holds 0.05 fractional share in the Target Company, representing 5% of the entire issued share capital of the Target Company.

Mr. Xu Chujia is the ultimate majority shareholder of Banco Well Link S.A., Well Link Life Insurance Company Limited and Well Link General Insurance Company Limited. Banco Well Link S.A. is a licensed bank in Macau with retail and corporate banking services. It has seven branches across Macau. Well Link Life Insurance Company Limited carries on life insurance business in Hong Kong and underwrites products including but not limited to life protection, endowment, annuity and critical illness. Well Link General Insurance Company Limited carries on general insurance business in Hong Kong which mainly underwrites motor business. Mr. Xu Chujia is also the controlling shareholder and an executive director of Zhaobangji Lifestyle Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1660). Zhaobangji Lifestyle Holdings Limited and its subsidiaries are principally engaged in the trading of machinery and spare parts, leasing of machinery and provision of related services and money lending in Hong Kong, and provision of property management services, leasing of machinery and property leasing and subletting, retail and money lending in the PRC.

Ms. Zhang Meijuan is the spouse of Mr. Xu Chujia and is currently a director of Well Link Insurance Group Holdings Limited, which is the controlling shareholder of Well Link Life Insurance Company Limited and Well Link General Insurance Company Limited.

Mr. Xu Chujia and Ms. Zhang Meijuan respectively own 97% and 3% of Well Link Fintech, which is the controlling shareholder of the Company. Well Link Fintech was incorporated in the British Virgin Islands with limited liability as an investment holding company. As at the Latest Practicable Date, save for holding the shares of the Company, Well Link Fintech did not hold any other investment or engage in any other business activities. The directors of Well Link Fintech are Ms. Xu Wenxia, who is the daughter of Mr. Xu Chujia, the Chairwoman of the Board and an executive Director and Mr. Kwan Kin Man Keith, an executive Director and Chief Executive Officer of the Company.

3. Information of the Target Group

3.1 Background information of the Target Group

The Target Company is an investment holding company which does not carry on any business save for its 100% holding of Well Link Securities Limited. Well Link Securities Limited carries on Type 1 (dealing in securities) and Type 2 (dealing in futures) activities regulated under the SFO, covering stocks, futures, options, bonds and funds products. The Target Group has a long operating history since 2005.

3.2 Financial information of the Target Group

The key audited financial information of the Target Group for the year ended 31 December 2022 ("**FY2022**"), FY2023 and FY2024 based on the accountant's report set out in Appendix II to the Circular is tabulated below:

	FY2024	**FY2023**	**FY2022**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	20,879	27,541	24,263
Profit/(loss) before taxation	(12,245)	(5,693)	1,080
Profit/(loss) for the year	(12,245)	(5,693)	1,080

The audited consolidated net assets of the Target Group as at 31 December 2024 was approximately HK$53.9 million. Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become a direct wholly-owned subsidiary of the Company, and the financial information of the Target Group will be consolidated into the financial statements of the Company.

We have reviewed the breakdown of the revenue of the Target Group for FY2022, FY2023 and FY2024 provided by the Management. The revenue of the Target Group comprised of (i) the commission income from dealing in securities, futures contracts and bonds and from initial public offering; and (ii) the interest income from cash and margin clients. For FY2024, the interest income of the Target Group decreased by approximately HK$7.3 million, while the commission income of the Target Group remained at a comparable level as that for FY2023. We learnt from the management discussion and analysis of the Target Group set out in Appendix III to the Circular that the decrease in the interest income of the Target Group for FY2024 was mainly attributable to a lower net margin receivable amount, which was largely driven by a reduced appetite among clients to borrow margin in a higher interest environment and the Target Group's prudent approach not to accrue interest on certain margin clients which were overdue and impaired.

Further, according to the management discussion and analysis of the Target Group set out in Appendix III to the Circular, the loss of the Target Group for each of FY2023 and FY2024 was mainly attributable to the expected credit loss provision of approximately HK$20.1 million and HK$23.6 million respectively recognised on account receivables from cash and margin clients. If such provisions were excluded, the Target Group would record the net profit of approximately HK$14.4 million and HK$11.4 million for FY2023 and FY2024, respectively.

4. Reasons for and benefits of the Proposed Acquisition

As stated in the Letter from the Board, the Board believes that the Proposed Acquisition will enable the Group to (1) combine clients and resources to seize the opportunities of time and accelerate the development to be a leading online broker in Hong Kong; (2) reinforce complementary advantages and enhance core functionality through efficient cost management by integrating the respective capabilities and experiences; and (3) enhance financial capability of the Group by consolidating its financial resources to expand its business scale.

We concur with the Board regarding the abovementioned reasons and benefits, as the Group can capitalize on the Proposed Acquisition to (i) expand its market share with increased market presence and customer base, thus enhancing its competitive position in its development as a leading online broker; and (ii) optimize the resource allocation and operation efficiency through achieving economies of scale (by consolidating marketing, human resources and finance functions) and a better return on investment in information technology and system development.

We have reviewed the client base of the Target Group and noted that there were over 3,000 customers in 2024, a majority of whom are mass market customers. We consider that the Group may capture the business potential from the existing client base of the Target Group. According to the "2024 Annual Market Statistics" published by the Stock Exchange on its website, the average daily turnover in the Hong Kong securities market increased by approximately 25.5% from approximately HK$105.0 billion in 2023 to approximately HK$131.8 billion in 2024. The Hong Kong securities market remains resilient amid increased volatility for the first quarter of 2025, as demonstrated by the average daily turnover in the Hong Kong securities market reaching approximately HK$242.7 billion for the first quarter of 2025 (representing an increase of approximately 144.3% as compared to that of approximately HK$99.4 billion in the corresponding period in 2024). Based on the foregoing, we are of the view that the Proposed Acquisition will be advantageous for the Group to further capture the growing market opportunity with the expanded client base.

Having considered (i) that the Proposed Acquisition is in line with the Group's business development as a leading online broker in Hong Kong; (ii) the benefits deriving from the increased market share and the optimization on resource allocation and operation efficiency; (iii) the long operating history and the well-established capabilities of the Target Group with a solid track record of financial performance; and (iv) the outlook of the securities market in Hong Kong as discussed above, we are of the view that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase and the Vendors have conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target Company at a total consideration of HK$35,000,000 (the "**Consideration**"), which shall be satisfied by way of issue of the Consideration Bonds to the Vendors. The principal terms of the Consideration Bonds are summarised as follows:

Issuer:	the Company
Principal amount:	HK$35,000,000
Subscription price:	HK$35,000,000
Maturity date:	The eighth anniversary from the date of issue of the Consideration Bonds
Interest:	The Consideration Bonds shall bear no interest.
Redemption:	The Company may at any time before the Maturity Date, by giving not less than 2 Business Days' notice to the bondholders, redeem all or part of the outstanding Consideration Bonds. Unless previously redeemed or cancelled as provided therein, the Company will redeem the outstanding principal amount of the Consideration Bonds on the Maturity Date.
Status and ranking:	The obligations of the Company arising under the Consideration Bonds constitute general, direct, unsubordinated, unconditional and unsecured obligations of the Company, and rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured obligations of the Company.
Profit guarantee:	If the consolidated profit after tax for the year ending 31 December 2025 for the Target Company shall be loss making, the Consideration Bonds shall be cancelled and the Company shall not be obligated to pay any consideration for the Sale Share.

Completion is conditional upon and subject to the satisfaction (or waiver, as the case may be) of the following conditions:

(1) the passing by the Independent Shareholders at the EGM of all necessary resolutions approving the Proposed Acquisition and the transactions contemplated thereunder;

(2) all necessary consents and approvals required to be obtained on the part of the Company and the Target Company in respect of the Proposed Acquisition and the transactions contemplated thereunder having been obtained;

(3) the approval from the SFC in relation to the change of substantial shareholder (as defined in the SFO) of Well Link Securities Limited having been obtained;

(4) the Company being satisfied that there has been no material adverse change on the Target Group since the date of the Sale and Purchase Agreement; and

(5) the warranties of the Vendors given as at the date of the Sale and Purchase Agreement remaining true, accurate and not misleading in all material respects upon repetition of the same immediately prior to the Completion with reference to the facts and circumstances then existing.

Completion shall take place within 10 Business Days after fulfilment of all the conditions precedent under the Sale and Purchase Agreement.

5.1 Evaluation of the settlement method

The total Consideration of HK$35,000,000 shall be satisfied by way of issue of the Consideration Bonds in the aggregate principal amount of HK$35,000,000 to the Vendors, among which, the Consideration Bonds in the principal amounts of HK$33,250,000 shall be issued to Mr. Xu Chujia and the Consideration Bonds in the principal amounts of HK$1,750,000 shall be issued to Ms. Zhang Meijuan.

The Consideration Bonds are non-interest bearing with a maturity date on the eighth anniversary from the date of issue, which will not impose immediate settlement burdens to the Group's financial resources or incur additional financing costs to the Group. We noted from the 2024 Annual Report that the Group registered cash and cash equivalents of approximately HK$13.9 million as at 31 December 2024 and recorded net cash used in operating activities of approximately HK$21.3 million for FY2024. As such, we consider that settlement of the Consideration by issue of the Consideration Bonds will (i) minimize the immediate cash outflow of the Group; and (ii) enable the Group to preserve cash for financing its daily operations and future capital requirements for development.

Further, if the consolidated profit after tax for the year ending 31 December 2025 for the Target Company is loss making, the Consideration Bonds will be cancelled and the Company will not be obligated to pay any consideration for the Sale Share. We are of the view that such mechanism is in the interest of the Company and the Shareholders as a whole as it serves as safeguard to the Group against the potential risk of unsatisfactory financial performance of the Target Group.

Accordingly, we are of the view that the above settlement method and mechanism are in the interests of the Company and the Shareholders as a whole.

5.2 Evaluation of the Consideration and the valuation

As set out in the Letter from the Board, the Consideration was determined after arm's length negotiation between the parties on normal commercial terms principally with reference to, among other things, (i) the valuation of the Sale Share (the "**Valuation**") conducted by the Valuer by adopting the market approach of approximately HK$37,000,000 as at 31 March 2025 (the "**Valuation Date**"); and (ii) the reasons for and benefits of the Proposed Acquisition as stated in the Letter from the Board.

The Consideration of HK$35,000,000 is approximately 5.4% below the Valuation. In assessing the fairness and reasonableness of the Valuation, we have reviewed the Valuation Report and discussed with the Valuer in relation to its competence, methodologies used and assumptions adopted in performing the Valuation. We note that the Valuation Report was prepared by the Valuer in accordance with the International Valuation Standards.

(i) Competence of the Valuer

We have reviewed the qualification and experience of the Valuer and the person in charge of the Valuation. The Valuer is a qualified professional valuation and advisory group in Hong Kong with extensive experience in performing business enterprise valuations, intangible assets appraisals, and financial instrument valuations for companies across various industries. We understand that Mr. Jasper Chan, who is the signatory of the Valuation Report, has over 10 years of experience in handling valuations and financial modelling for financial reporting, merger and acquisition, financial derivatives, intangible assets, biological assets, and mine valuations. His expertise spans various industries including manufacturing, financial services, mineral resources, forestry, information technology, pharmaceutical, and casinos and gaming.

We have reviewed the engagement letter of the Valuer and are satisfied the terms of engagement and the scope of work of the Valuer are appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Valuation Report. Furthermore, we have enquired with the Valuer as to its independence from the Group, and understood that the Valuer is independent from the Company, the Target Group and their connected persons.

Based on the aforesaid, we are satisfied with the qualification, experience and independence of the Valuer required to perform the Valuation.

(ii) Valuation methodologies

According to the Valuation Report and based on our discussions with the Valuer for the methodologies, basis and assumptions adopted by the Valuer, we understood that the Valuer has considered three generally accepted approaches, namely the cost approach, the market approach and the income approach. We have enquired into and the Valuer explained that, the cost approach and the income approach are not appropriate for the Valuation since (i) the cost approach ignores the economic benefits of ownership of the business; and (ii) the income approach relies on numerous assumptions and estimations which are not easily verifiable, supportable or reliably measured.

The market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available, and incorporating adjustments to be made for any difference between the properties of the comparable assets and the subject asset being appraised. Given the nature of the business operations of the Target Group and the availability of market information, we concur with the Valuer that the market approach is the most appropriate approach for the Valuation.

As advised by the Valuer, we are made aware that under the market approach, the guideline public company method (the "**GPCM**") and the comparable transactions method are the two common valuation methods. Due to the lack of public information on recent comparable transactions in the market, the comparable transactions method was considered not appropriate. The Valuer has therefore adopted the GPCM, which involves the use of the valuation multiples applicable to the subject companies, to assess the fair value of the Sale Share.

In this connection, we have reviewed the report of screening of the comparable transactions with the input of the selection criteria conducted by the Valuer via Bloomberg, which are considered to be a reliable source for market information of the Hong Kong, the PRC and international markets. Based on the selection criteria of (i) target companies operating within the sector of institutional brokerage, wealth management or investment management in Hong Kong; and (ii) transactions being completed within the past 12 months prior to the Valuation Date, a comprehensive search of target companies within the global/regional brokerage industries being acquired via Bloomberg yielded nine findings of relevant transactions. We have independently verified that none of the target companies involved in these relevant transactions is engaged in the securities brokerage and financial services businesses. Given that the principal businesses of the target companies involved in these relevant transactions materially differed from that of the Target Company, we concur with the Valuer that the comparable transactions method was not applicable in the Valuation due to the lack of recent comparable transactions in the market. Accordingly, we are of the view that the adoption of the GPCM is fair and reasonable.

(iii) Application of the market approach

For the purpose of valuing the Sale Share under the market approach using the GPCM, the Valuer has identified 14 comparable companies (the "**Comparable Companies**"), details of which are set out in the Valuation Report. As confirmed by the Valuer, the list of the Comparable Companies is exhaustive based on the following selection criteria: (i) the revenue from the securities brokerage and financial service businesses for the Comparable Companies should account for an average of over 50% of total revenue in 2023 and 2024 according to their latest published annual reports and company websites; (ii) the revenue derived from the Hong Kong market for the Comparable Companies should average over 50% of total revenue in 2023 and 2024; (iii) the financial information of the Comparable Companies must be publicly available; (iv) the Comparable Companies' historical trading data must be sufficient and available; and (v) the trading of the Comparable Companies' shares should have suspended no more than 30 days within one year before the Valuation Date. We consider that the selection criteria (i) and (ii) outlined above are appropriate for identifying industry peers with similar revenue streams and subject to analogous market conditions, regulatory environments and economic factors. The selection criteria (iii), (iv) and (v) outlined above ensure the availability of robust and reliable publicly accessible information to be utilized under the market approach. As such, we are of the view that the selection criteria adopted by the Valuer are fair and reasonable for identifying the Comparable Companies for the Valuation under the GPCM.

We have discussed with the Valuer concerning its screening process for the exhaustive list of the Comparable Companies. We understood that the Valuer has conducted preliminary search for a comprehensive list of companies operating within the sector of institutional brokerage, wealth management and investment management in Hong Kong through Bloomberg. Among the 67 initially shortlisted companies (the "**Shortlisted Companies**") yielded from Bloomberg, only 14 Comparable Companies matched with the abovementioned selection criteria after screening based on the core dimensions such as business relevance, market environment, and financial characteristics. For our independent assessment purpose, we have reviewed the market data and regulatory filings or documents from the recognized stock exchange websites for each of the 67 Shortlisted Companies in order to cross-check the selection of the Comparable Companies among the 67 Shortlisted Companies. We have reviewed each of their (i) trading history and market capitalization; and (ii) business nature and revenue segment information (in terms of both operating segment and geographical location) based on their published financial reports in 2023 and 2024. Set out below is a summary of the revenue segment information for the Shortlisted Companies which meet all the aforesaid selection criteria:

	Average percentage of total revenue in 2023 and 2024 derived from	
Company name (stock code)	**securities brokerage and financial service businesses** *(approximate %)*	**Hong Kong market** *(approximate %)*
Astrum Financial Holdings Limited (8333.HK)	78	100
Bright Smart Securities & Commodities Group Limited (1428.HK)	99	100
CASH Financial Services Group Limited (510.HK)	76	91
Central Wealth Group Holdings Limited (139.HK)	54	93
Fu Shek Financial Holdings Limited (2263.HK)	100	100
Get Nice Holdings Limited (64.HK)	80	96
Imagi International Holdings Limited (585.HK)	70	99
Koala Financial Group Limited (8226.HK)	69	100
Pinestone Capital Limited (804.HK)	67	100
Planetree International Development Limited (613.HK)	52	100
Sheng Yuan Holdings Limited (851.HK)	55	100
Shenwan Hongyuan (H.K.) Limited (218.HK)	55	100
South China Financial Holdings Limited (619.HK)	56	99
Victory Securities (Holdings) Company Limited (8540.HK)	76	100

The list of companies set forth above based on our independent assessment are identical to those Comparable Companies identified by the Valuer. Accordingly, we conclude that all 14 Comparable Companies meet the aforesaid selection criteria, while the remaining companies among the 67 Shortlisted Companies do not. We did not note any information which would cause us to doubt the accuracy and completeness of the information in respect of the Comparable Companies set out in the Valuation Report.

We have also attempted to identify other comparable companies (apart from the 67 Shortlisted Companies) by performing search from public domains. Based on our independent search and the selection criteria adopted by the Valuer, we are not aware of any other suitable comparable company being omitted from the list of the Comparable Companies. As such, we consider that the list of the Comparable Companies identified by the Valuer is exhaustive. Based on the foregoing, we believe that the Comparable Companies identified are fair and representative for comparison, and analysis of the Comparable Companies provides a general reference as to the market valuation of companies with similar business to the Target Group.

According to the Valuation Report, in assessing the relationship of a company's valuation with its fundamentals, the Valuer has considered various commonly used valuation benchmarks in assessing the valuation of a company, including the price-to-sales ratio (the "**P/S multiple**"), the price-to-earnings ratio (the "**P/E multiple**"), the enterprise value-to-earnings before interest, tax, depreciation and amortization (the "**EV/EBITDA multiple**") and the price-to-book ratio ("**P/B multiple**"). In view of the loss-making position of the Target Group for FY2024, both the P/E multiple and the EV/EBITDA multiple were not applicable.

Upon our discussions with the Valuer, we were given to understand that the use of the P/S multiple inherently assumes that the Comparable Companies and the Target Company have similar cost structures and profit margin – i.e., similar capabilities to convert sales into profits. Based on the latest reported financial data, the average and median net profit margins of the Comparable Companies were -52.3% and -44.1% respectively, which differed significantly from the Target Company's net profit margin (-120.8%) in 2024. Therefore, the sales-based multiples are considered inapplicable for the Valuation. We understand from the Valuer that the P/B multiple is considered as an appropriate valuation multiple as the Comparable Companies hold similar assets and liabilities as the Target Company, given that they operate in the same industry in a similar manner.

We believe that the valuation of companies engaged in brokerage and margin financing businesses based on the P/S multiple may lead to overvalued result as the P/S multiple does not account for profitability and fails to factor in provisions for credit losses on accounts receivables arising from margin financing. Moreover, the P/B multiple is typically applied for valuing companies which hold relatively liquid assets on their balance sheets and could provide a general reference for the valuation of a company relative to its book value. In light of the above, we concur with the Valuer that the P/B multiple is the most appropriate multiple for the valuation of the Target Company.

As set out in the Valuation Report, the appraised value of the Target Group is derived from (i) applying the median of the adjusted P/B multiples (as adjusted by the size premium) of the 14 Comparable Companies to the net assets value of the Target Group as at 31 December 2024 to derive the equity value of the Target Group, and (ii) applying the adjustments for the discount for lack of marketability ("**DLOM**") and the control premium.

We have reviewed the calculations of the adjusted P/B multiples of the 14 Comparable Companies to verify the P/B multiples adopted by the Valuer in the Valuation Report. We understood from the Valuer that it has taken into account the size differences (in terms of the market capitalizations) among the Comparable Companies and the Target Company. The size premium is thus adopted with reference to the CRSP Deciles Size Premium Studies by Kroll Inc. (formerly known as Duff & Phelps). We have obtained and reviewed the study and we have checked the size premium adopted for each of the Comparable Companies based on their market capitalizations, which is in line with the CRSP Deciles Size Premium Studies by Kroll Inc. As such, we are of the view that the size premium adjustments are fair and reasonable.

To reflect the difference in the marketability of the Sale Share and the shares of the Comparable Companies, the Valuer adopted the DLOM of 15.6% based on the 2024 Edition of the Stout Restricted Stock Study Companion Guide (the "**Stout Restricted Stock Study**"), which we consider a reliable reference as it is published by Stout Risius Ross, LLC., a global investment bank and advisory firm providing services including mergers and acquisitions advice, private capital raising, and other financial advisory services for privately held businesses, private equity firms and their portfolio companies and divisions of large corporations. The DLOM of 15.6% applied in the Valuation represents the median of the discounts for 779 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through March 2024 in the Stout Restricted Stock Study.

We consider that the median of DLOMs for 779 private placement transactions being adopted is fair and reasonable as the median (compared to the average) is less affected by outliers and skewed data and therefore is the preferred measure of central tendency. For our assessment purpose, we have enquired with the Valuer regarding the median DLOM by industry, and were made aware that the median DLOM for the finance, insurance and real estate industry of 11.4% is lower than the DLOM of 15.6% applied in the Valuation. Despite that the median DLOM by industry can better reflect the DLOMs within the same industry of the Target Group, we consider that the adoption of the DLOM of 15.6% in the Valuation is justifiable from a conservative perspective.

To account for the full control of the business of the Target Company, the Valuer adopted a control premium of 34.6% with reference to the Factset Mergerstat/BVR Control Premium Study (4th Quarter 2024) (the "**Mergerstat Study**"), which we consider a reliable reference as it is published by FactSet Mergerstat, LLC., which is one of the world's major independent provider for merger and acquisition transaction data. The control premium of 34.6% represents the median of equity control premiums of 148 cases of controlling interest acquisitions or privatisations which involved publicly traded and privately held companies worldwide in the fourth quarter of 2024 (being the latest available data as of the Valuation Date) based on the Mergerstat Study.

We consider that (i) the median of equity control premiums being adopted is fair and reasonable as the median (compared to the average) is less affected by outliers and skewed data and therefore is the preferred measure of central tendency; and (ii) the 148 cases of controlling interest acquisitions or privatisations in the fourth quarter of 2024 represent the most recent and representative transactions for reference. For our assessment purpose, we have enquired with the Valuer regarding the median equity control premium by sector, and were made aware that the median equity control premium for the finance, insurance and real estate industry of 38.5% in 2024 is higher than the control premium of 34.6% applied in the Valuation. Despite that the median equity control premium by sector can better reflect the control premiums within the same industry of the Target Group, we consider that the adoption of the control premium of 34.6% in the Valuation is justifiable from a conservative perspective.

Having conducted the aforesaid independent assessment and reviewed the relevant extract of the Stout Restricted Stock Study and the Mergerstat Study obtained from the Valuer for our due diligence purpose, and considering that the empirical data support by the global financial database providers, we concur that both adjustments applied are reasonable for making appropriate comparison.

(iv) Valuation assumptions

We have reviewed the Valuation Report and discussed with the Valuer in respect of the key assumptions adopted for performing the Valuation. We understand from the Valuer that the assumptions are commonly adopted in other business valuations on companies in the financial services industry and there is no unusual assumption adopted in the Valuation. We also consider that the assumptions adopted in the Valuation Report are general in nature. We are not aware of any material facts which may lead us to doubt the reasonableness of the assumptions adopted for the Valuation.

Taking into account the factors discussed above, we are satisfied that (i) Valuer is independent from the Company and has sufficient experience and competency to perform the Valuation; (ii) the scope of work of the Valuer is appropriate for the relevant engagement; and (iii) the valuation assumptions and methodologies used by the Valuer are fair and reasonable in relation to the Valuation. As such, we consider that the Valuation performed by the Valuer is fair and reasonable, and thus represents an appropriate reference to assess the fairness and reasonableness of the Consideration. Accordingly, we are of the view that the Consideration, which is approximately 5.4% below the Valuation, is fair and reasonable and in the interest of the Company and Shareholders as a whole.

5.3 Evaluation of the Consideration Bonds

In order to assess the fairness and reasonableness on the terms of the Consideration Bonds, we have conducted search on the website of the Stock Exchange for relevant transactions which involved the issue of consideration bonds or promissory notes for acquisitions, announced by companies listed on the Stock Exchange during the 12 months prior to 7 May 2025 (being the date of the Sale and Purchase Agreement). In our assessment, we have identified an exhaustive list of five comparable transactions (the "**Bonds Comparables**").

We consider that the Bonds Comparables serve as a general reference of the recent transactions involving the issue of consideration bonds or promissory notes conducted under similar market conditions and sentiments in the capital market of Hong Kong, which reflects the recent market practice for acquisitions involving the issue of consideration bonds or promissory notes. Shareholders should note that the businesses, financial positions and prospects of the subject companies under the Bonds Comparables may not be the same as, or even substantially vary from, that of the Company, and we have not conducted any detailed investigation into the respective businesses and operations of the subject companies under the Bonds Comparables. A summary of the Bonds Comparables is tabulated below:

Date of announcement	Stock code	Company name	Whether it is a connected transaction	Principal amount	Term	Interest rate per annum
				(HK$ million)	*(years)*	*(%)*
28 April 2025	8403	Dowway Holdings Limited	No	7.0	0.5	2.0
22 November 2024	8475	E-Station Green Technology Group Co., Limited	No	3.4	5.0	Nil
22 October 2024	2195	Unity Enterprise Holdings Limited	No	32.3	2.0	Nil
11 September 2024	720	Auto Italia Holdings Limited	No	61.9	3.0	Nil
26 June 2024	572	Future World Holdings Limited	No	13.6	3.0	5.0
				Average	2.7	1.4
				Maximum	5.0	5.0
				Minimum	0.5	Nil
7 May 2025	8350	The Company	Yes	35.0	8.0	Nil

As shown in the table above, the interest rates of the Bonds Comparables ranged from nil to 5%, while the Consideration Bonds carry no interest. We consider the non-interest bearing Consideration Bonds to be a favourable term for the Company as no financing costs would be incurred.

The term of the Bonds Comparables ranged from six months to five years, while the term of the Consideration Bonds is eight years. Such longer term of the Consideration Bonds, coupled with their non-interest bearing nature, allows for extended capital availability without imposing any short-term financial burden on the Group, thereby enhancing the Group's financial flexibility.

In view of the above, we are of the view that the interest rate and the term of the Consideration Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Financial effect of the Proposed Acquisition

Upon Completion, the companies within the Target Group will become indirect wholly owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Group's financial statements.

As stated in the Letter from the Board, as the Group and the Target Group are controlled by Mr. Xu Chujia and Ms. Zhang Meijuan as concert parties together before and after the Proposed Acquisition, the Group will account for the Proposed Acquisition as a business combination under common control using the principles of merger accounting in accordance with the Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants. Under the principles of merger accounting, the consolidated financial statements incorporate the financial statement items of the acquired entities or businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party. The net assets of the acquired entities or businesses are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the common control combination. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded will be recognised directly in equity as part of the merger reserve. The Proposed Acquisition costs are expensed as incurred.

Set out below is the analysis on the financial effects of the Proposed Acquisition on the Group as set out in the Letter from the Board.

6.1 Effects on earnings

The Target Group generated profit of approximately HK$1.0 million, incurred loss of approximately HK$5.7 million and HK$12.2 million, respectively for the years ended 31 December 2022, 2023 and 2024. Based on the principle of merger accounting, these historical results will be combined with the historical results of the Group following Completion.

Based on the review of the unaudited management account of the Target Group for the four months ended 30 April 2025, the net profit after tax of the Target Group was not less than approximately HK$9.0 million. It is expected that the Proposed Acquisition will have a positive effect on the Group's earnings for the year ending 31 December 2025.

6.2 Effects on the assets and liabilities

The total assets of the Target Group was approximately HK$178.9 million, HK$173.8 million and HK$72.2 million as at 31 December 2022, 2023 and 2024, respectively. The total liabilities of the Target Group was approximately HK$107.1 million, HK$107.7 million and HK$18.3 million as at 31 December 2022, 2023 and 2024, respectively. Based on the principle of merger accounting, these historical assets and liabilities will be combined with the historical assets and liabilities of the Group following Completion.

In addition, the fair value of the Consideration Bonds is approximately HK$17.9 million, which will be classified as non-current liabilities after Completion. The net asset value of the Target Group as at 31 December 2024 was approximately HK$53.9 million. The difference of HK$36.0 million will be recognised directly in equity as part of the merger reserve.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the Proposed Acquisition and the transactions contemplated thereunder are on normal commercial terms or better and fair and reasonable; and (ii) the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited

Ross Cheung
Managing Director

Mr. Ross Cheung is a licensed person registered with the SFC and regarded as a responsible officer of Akron Corporate Finance Limited to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO and has over 20 years of experience in corporate finance industry.