



27 September 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir/Madam,

## **CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 27 September 2024 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 2 September 2024 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 160,000,000 new Shares at the Subscription Price of HK\$0.250 per Subscription Share.

The Subscription Shares represent (i) approximately 20.0% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares immediately after completion of the Subscription, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the Latest Practicable Date and the date of Completion. The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought at the EGM.

## **LISTING RULES IMPLICATIONS**

The Subscriber is the spouse of Mr. Xu Chujia. Mr. Xu Chujia owns 97% of Well Link Fintech, the controlling shareholder of the Company, and is therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription will constitute a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

## **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Jun, Ms. Wu Hung Yu and Mr. Yeung Chi Shing Bret, has been established to consider and advise the Independent Shareholders as to whether the terms of the Subscription and the Subscription Agreement are on normal commercial terms or better and fair and reasonable, whether the Subscription is in the interests of the Company and the Shareholders as a whole.

## **THE INDEPENDENT FINANCIAL ADVISER**

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Subscription Agreement are on normal commercial terms or better and fair and reasonable; (ii) whether the Subscription is conducted in the ordinary and usual course of the business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to be proposed at the EGM.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 17.96 of the GEM Listing Rules, and given that remuneration for our engagement to opine on the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate is at market level and not conditional upon successful passing of the relevant resolutions to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company.

## **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others, (i) the Subscription Agreement; (ii) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”); (iii) the interim results announcement of the Company for the six months ended 30 June 2024 (the “**2024 Interim Results**”); and (iv) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so up to the Latest Practicable Date. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

### **1. Background**

#### *1.1 Information of the Group*

The Company is an investment holding company and its subsidiaries mainly provides brokerage services 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.

#### *1.2 Financial information of the Group*

Set out below is a table summarising certain key financial information of the Group (i) for the six months ended 30 June 2024 and 2023 (“**6M2024**” and “**6M2023**”, respectively) extracted from the 2024 Interim Results; and (ii) for the two years ended 31 December 2023 and 2022 (“**FY2023**” and “**FY2022**”, respectively) extracted from the 2023 Annual Report.

*Extract of consolidated statement of profit or loss*

	<b>6M2024</b> <i>HK\$'000</i> (unaudited)	<b>6M2023</b> <i>HK\$'000</i> (unaudited)	<b>FY2023</b> <i>HK\$'000</i> (audited)	<b>FY2022</b> <i>HK\$'000</i> (audited)
Revenue	5,997	10,262	24,143	7,022
– <i>Brokerage services, margin financing and related advisory services</i>	4,020	8,839	22,434	4,102
– <i>Money lending</i>	1,977	1,423	1,709	2,920
(Loss)/profit for the period/year	(1,122)	2,249	8,909	(12,740)

*Extract of consolidated statement of financial position*

	<b>As at 30 June 2024</b> <i>HK\$'000</i> (unaudited)	<b>As at 31 December 2023</b> <i>HK\$'000</i> (audited)	<b>2022</b> <i>HK\$'000</i> (audited)
Total assets	51,988	71,674	66,132
– <i>Accounts receivables arising from ordinary course of business</i>	10,386	30,619	16,766
– <i>Cash and cash equivalents</i>	12,506	12,369	5,861
Total liabilities	45,456	64,021	67,388
– <i>Accounts payables arising from ordinary course of business</i>	794	18,254	11,834
– <i>Notes payables</i>	40,000	40,000	40,000
Total equity/(deficit)	6,532	7,653	(1,256)

*FY2023 vs FY2022*

For FY2023 and FY2022, the Group's revenue was primarily derived from (i) brokerage services, margin financing and related advisory services; and (ii) money lending business. The Group's revenue increased to approximately HK\$24.1 million in FY2023, representing an increase of approximately 243.8% from approximately HK\$7.0 million in FY2022. Such increase was mainly contributed by increase in trading volume through the leverage of an introducer broker model with another securities firm in Hong Kong to provide margin financing to the clients, the increase in placing fees, and the increase in advisory fees.

The Group's profit for the year was approximately HK\$8.9 million in FY2023, as compared to a loss of approximately HK\$12.7 million in FY2022. Such turnaround was mainly due to (i) the increase in turnover as explained above; (ii) decline in other operating and administrative expenses of approximately HK\$2.2 million in FY2023, and (iii) reversal of impairment losses impact of approximately HK\$3.0 million in FY2023.

The Group's total assets mainly comprised (i) loan and interest receivables; (ii) accounts receivables arising from ordinary course of business; (iii) cash and cash equivalents; and (iv) deferred tax assets as at 31 December 2022 and 2023. The Group's total assets increased from approximately HK\$66.1 million as at 31 December 2022 to approximately HK\$71.7 million as at 31 December 2023 mainly due to the increase in (i) accounts receivables arising from ordinary course of business of approximately HK\$13.9 million and (ii) cash and cash equivalents of approximately HK\$6.5 million, while partially offset by the decrease in loan and interest receivables of approximately HK\$14.0 million as at 31 December 2023.

The Group's total liabilities mainly comprised (i) accounts payables arising from ordinary course of business; (ii) bank borrowing; and (iii) notes payable as at 31 December 2022 and 2023. The Group's total liabilities decreased from approximately HK\$67.4 million as at 31 December 2022 to approximately HK\$64.0 million as at 31 December 2023 mainly due to the decrease in banking borrowing of approximately HK\$9.4 million and partially offset by the increase in accounts payables arising from ordinary course of business of approximately HK\$6.4 million as at 31 December 2023.

The notes payable of the Group as at 31 December 2022 and 2023 represent a unsecured note in an aggregate principal amount of HK\$40.0 million with interest at 3% per annum and maturity date being the third anniversary date (i.e. 30 January 2025) of the issuance of the notes, further details of which are set out in the announcement of the Company dated 28 January 2022.

#### *6M2024 vs 6M2023*

For 6M2024 and 6M2023, the Group's revenue was primarily derived from (i) brokerage services, margin financing and related advisory services; and (ii) money lending business. The Group's revenue decreased to approximately HK\$6.0 million in 6M2024, representing a decrease of approximately 41.6% from approximately HK\$10.3 million in 6M2023. Such decrease was mainly resulting from the decline in placing and advisory services fee income, but partially offset by an increase in brokerage services income.

The Group's recorded net loss for the period of approximately HK\$1.1 million in 6M2024, as compared to a profit of approximately HK\$2.2 million in 6M2023. Such turnaround was mainly due to the decrease in revenue as discussed above.

The Group's total assets mainly comprised (i) loan and interest receivables; (ii) accounts receivables arising from ordinary course of business; (iii) cash and cash equivalents; and (iv) deferred tax assets as at 30 June 2024 and 31 December 2023. The Group's total assets decreased from approximately HK\$71.7 million as at 31 December 2023 to approximately HK\$52.0 million as at 30 June 2024 mainly due to the decrease in accounts receivables arising from ordinary course of business of approximately HK\$20.2 million.

The Group's total liabilities mainly comprised (i) accounts payables arising from ordinary course of business; and (ii) notes payable as at 31 December 2023 and 30 June 2024. The Group's total liabilities decreased from approximately HK\$64.0 million as at 31 December 2023 to approximately HK\$45.5 million as at 30 June 2024 mainly due to the decrease in accounts payables arising from ordinary course of business of approximately HK\$17.5 million as at 30 June 2024.

### ***1.3 Information of the Subscriber***

The Subscriber 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. The two companies are licensed by the Insurance Authority to carry on long-term and general insurance business in Hong Kong. The voting rights of Well Link Insurance Group Holdings Limited is held as to approximately 94% by Mr. Xu Chujia. Mr. Xu Chujia owns 97% of Well Link Fintech, which is the controlling shareholder of the Company. Well Link Insurance Group Holdings Limited and Well Link Fintech are not in the same corporate group but share the same ultimate controlling shareholder. 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 Chairman of the Board and an executive Director of the Company and Mr. Kwan Kin Man Keith, an executive Director and Chief Executive of the Company.

## **2. Reasons for and benefits of the Subscription**

According to the Letter from the Board, the gross proceeds from the Subscription will be HK\$40.0 million and the estimated net proceeds from the Subscription, after deduction of relevant legal and advisory costs, will be approximately HK\$38.0 million. The Company intends to immediately utilise the net proceeds in full upon completion of the Subscription by early repayment of the outstanding principal and interest accrued of the Notes (if any) of the Company issued on 31 January 2022, with outstanding principal amount of HK\$40.0 million with no accrued interest unpaid as of the Latest Practicable Date, and the Notes will be mature on 31 January 2025. As the estimated net proceeds from the Subscription is HK\$38.0 million, the Group expects to utilize approximately HK\$2.0 million of its internal resources to repaid the entire outstanding Notes.

As discussed in the section headed “1.2 Financial information of the Group” above, the Group (i) recorded net loss position of approximately HK\$12.7 million in FY2022 and turnaround to a net profit of approximately HK\$8.9 million in FY2023; (ii) recorded net loss position of approximately HK\$1.1 million in 6M2024 as compared to a profit of approximately HK\$2.2 million in 6M2023; (iii) had cash and cash equivalents of approximately HK\$12.4 million and HK\$12.5 million as at 31 December 2023 and 30 June 2024, respectively; and (iv) had net current assets and net assets of approximately HK\$25.0 million and HK\$7.7 million as at 31 December 2023, respectively, and net current liabilities of approximately HK\$6.3 million and net assets of approximately HK\$6.5 million as at 30 June 2024, respectively. In light of the current financial performance and financial position, given the limited financial resources currently on hand, to maintain sufficient working capital and financial resources for the Group’s daily operations and potential business development opportunities, the Management considered that the Group may face liquidity pressure and may not have enough financial resources to repay the outstanding Notes of approximately HK\$40.0 million as of the Latest Practicable Date when it falls due. In this regard, the Subscription on one hand, can relieve the imminent financial need of the Company for repaying the outstanding Notes when matured to mitigate substantial cash outflow; on the other hand, enable the Group to reduce the indebtedness and finance costs to enhance and replenish liquidity of the Group, optimising the capital structure and providing more financial flexibility to the Group’ business operations.

We have also discussed with the Management and understand that the Company had considered alternative means for raising funds to repay the outstanding Notes, including but not limited to debt financing and equity financing (e.g. share placement, rights issue or open offer).

In respect of debt financing, it (i) would incur additional financial costs and increasing gearing level, imposing further financial burden to the Group; (ii) generally involve pledge of assets and/or securities which may restrict the Group’s ability in managing and deploying its assets and limit the Group’s operational flexibility; and (iii) may subject to lengthy due diligence and negotiations, and uncertain and time-consuming to negotiate and obtain borrowings at an acceptable finance cost with affordable terms and conditions.

In terms of other equity financing such as share placement, rights issue or open offer, we understand that (i) the pre-emptive fundraising methods such as share placement, rights issues or open offers are normally more time consuming, and lengthy discussions with potential agents/underwriters may also be involved; (ii) additional costs, including but not limited to placing fees, underwriting commissions and various administrative and professional expenses, are likely to be incurred; and (iii) under the current volatile market condition and in light of the financial performance and position of the Company which may not be appealing to the market, it is also difficult to ascertain market demand and there is uncertainty in successful equity financing.

Notwithstanding that the Subscription is not in the ordinary and usual course of business of the Group, having considered (i) the financial performance and financial position of the Group as discussed above; (ii) that the Subscription allow the Group to settle the outstanding Notes without substantial cash outlay and financial burden to the Group; (iii) that the Subscription is

considered to be the most appropriate means of financing method for the Group after considering the respective advantages and disadvantages of each of the financing alternatives as discussed above; and (iv) the terms of the Subscription are fair and reasonable as further discussed in the section headed “4. Analysis of the Subscription Price” below, we are of the view that the Subscription is a suitable mean of financing and is in the interests of the Company and the Shareholders as a whole.

### 3. Principal terms of the Subscription Agreement

Set out below are the principal terms of the Subscription Agreement, further details of which are set in the Letter from the Board:

- Date:** 2 September 2024
- Parties:** (1) the Company (as issuer); and  
(2) Ms. Zhang (as subscriber)
- Subscription Shares:** The Subscription Shares represent:
- (a) approximately 20.0% of the existing issued share capital of the Company as at the Latest Practicable Date; and
  - (b) approximately 16.67% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares immediately after completion of the Subscription, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the Latest Practicable Date and the date of Completion. The aggregate nominal value of the Subscription Shares will be HK\$1,600,000.
- Subscription Price:** The Subscription Price of HK\$0.250 per Subscription Share represents:
- (a) a premium of approximately 65.6% to the closing price of HK\$0.151 per Share as quoted on the Stock Exchange on 2 September 2024, being the date of the Subscription Agreement;
  - (b) a premium of approximately 66.9% to the average closing price of HK\$0.150 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement;



- (c) a premium of approximately 47.1% to the closing price of HK\$0.170 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 3,061.8% to the net asset value per Share of HK\$0.0082 with reference to the 2024 interim results published by the Company on 30 August 2024.

**Ranking of the  
Subscription  
Shares:**

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

**Conditions of the  
Subscription:**

Completion is conditional upon the fulfilment of the following conditions:

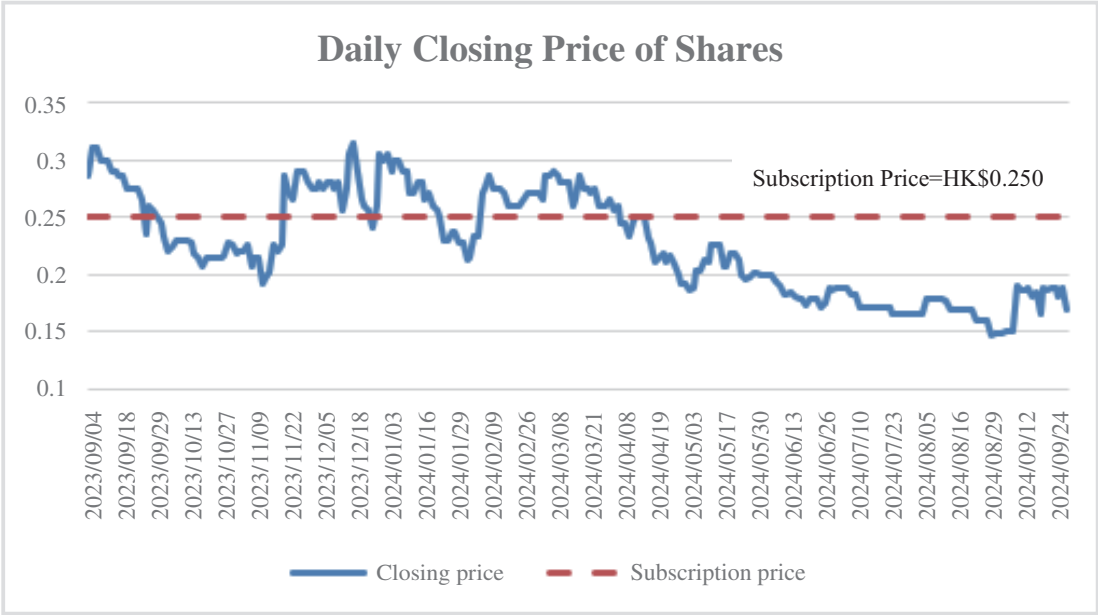
- (a) passing of the necessary resolution(s) at the EGM by the Independent Shareholders of the Company to approve the Subscription Agreement, the Specific Mandate and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and such approval has not been revoked prior to Completion; and
- (c) each of the Company and the Subscriber having obtained all necessary consents and approvals in respect of the Subscription Agreement and the transactions contemplated thereunder.

If the above conditions are not fulfilled by before 4:00 p.m. (Hong Kong time) on 31 October 2024 (or such other date as the parties may agree in writing), the Subscription Agreement will be automatically terminated and lapsed and none of the parties to the Subscription Agreement shall have any claim against the other in respect of the Subscription.

**4. Analysis of the Subscription Price**

**4.1 Historical price performance of the Shares**

Set out below is the chart illustrating the historical closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 4 September 2023 to the Latest Practicable Date (the “**Review Period**”). We consider a period of approximately one year is adequate, fair and representative to illustrate the general trend and recent price movements of the Shares, which also reflects the prevailing market sentiment and assessment on the business performance of the Group in order to conduct a reasonable comparison between the closing prices of the Shares and the Subscription Price:



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As illustrated in the graph above, during the Review Period, the closing prices of the Shares ranged from the lowest of HK\$0.147 per Share recorded on 23 August 2024 to the highest of HK\$0.315 per Share record on 14 December 2023, with an average closing price of HK\$0.226.

During the Review Period, the Share price exhibited a general downward trend with Share price reaching a high of HK\$0.31 on 5 and 6 September 2023 before gradually falling to a low of HK\$0.192 on 10 November 2023 at beginning of the Review Period. Afterwards, the Share price rebounded to the highest point HK\$0.315 on 14 December 2023 and hovered around HK\$0.212 to HK\$0.305 between December and March and subsequently resuming to a downward trend up till the Latest Practicable Date, with a lowest point of HK\$0.147 recorded on 23 August 2024.

We considered that the Subscription Price of HK\$0.250 per Subscription Share, representing (i) a premium of approximately 70.1% over the lowest closing price of the Shares; (ii) a discount of approximately 20.6% to the highest closing price of the Shares; and (iii) a premium of approximately 10.4% to the average closing price of the Shares during Review Period, is fair and reasonable based on the historical price performance of the Shares.

#### **4.2 Trading Liquidity of the Shares**

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares as compared to the total number of issued Shares during the Review Period:

	<b>Number of trading days</b>	<b>Average daily trading volume of the Shares for the month/period</b>	<b>Percentage of average daily trading volume of the Shares to the total number of issued Shares</b>
<b>2023</b>			
September	19	276,632	0.035%
October	20	264,400	0.033%
November	22	547,273	0.068%
December	19	2,952,842	0.369%
<b>2024</b>			
January	22	470,545	0.059%
February	19	192,000	0.024%
March	20	182,000	0.023%
April	20	275,200	0.034%
May	21	156,190	0.020%
June	19	82,947	0.010%
July	22	30,545	0.004%
August	22	17,091	0.002%
September (up to and including Latest Practicable Date)	15	236,800	0.030%

*Source: The website of the Stock Exchange (www.hkex.com.hk)*

As illustrated from the table above, the average trading volume of the Shares was generally low, ranging from 17,091 Shares to 2,952,842 Shares during the Review Period, representing approximately 0.002% to 0.369% of the total number of issued Shares as at the end of relevant month/period. The relatively low trading volume suggests that it would be difficult for the Company to pursue sizeable equity financing alternative in stock market without providing considerable discount. As such, we considered the Subscription Price to be fair and reasonable from the perspective of trading liquidity of the Shares.

#### ***4.3 Market Comparable Analysis***

In assessing the fairness and reasonableness of the Subscription Price, we have also performed analysis on comparable market transactions based on the following criteria: (i) companies listed on the Stock Exchange; (ii) subscription of new shares under specific mandate by connected persons announced during the period from 2 March 2024 up to the Last Trading Date (being approximately 6 months prior to and including the date of the Subscription Agreement, the “**Comparable Period**”); (iii) excluding issues for the purposes of (a) share award or for emolument; (b) acquisitions; and/or (c) restructuring; and (iv) excluding issues of A shares or domestic shares. Based on the above criteria, we have identified an exhaustive list of 11 transactions (the “**Comparables**”).

We considered that selection criteria to be fair and representative as (i) the Comparable Period provides sufficient and reasonable number of Comparables for comparisons; (ii) it demonstrates the recent market practices of similar transaction nature with similar market conditions and sentiments for illustrating the recent trend and terms under common market practice so as to provide a meaningful reference for comparison.

Shareholders should note that despite the aforesaid criteria, the market capitalisation, business, scale of operations, financial performance, trading prospects and capital structure (collectively, “**Company Conditions**”) of the Group are not exactly the same as those of the Comparables, and we have not conducted any in-depth investigation into the businesses and operations of the Comparables. Notwithstanding the above variations in the Company Conditions, based on the aforementioned selection criteria, the Comparables represent the recent market practices of transactions conducted for similar purposes with the Company under similar market conditions and sentiments, providing a general reference of the recent trend and terms of similar transactions under common market practice. Hence, we considered the inclusion of the Comparables, which are all closely resemble to the transaction nature of the Company, are appropriate reference for assessing the terms of the Subscription regardless of the variations in Company Conditions and the list of Comparables is exhaustive and is sufficient for us to form a view on the fairness and reasonableness of the Subscription. Details of the Comparables are summarised below:

<b>Date of announcement</b>	<b>Company (stock code)</b>	<b>Market Capitalisation (HK\$ million)<sup>Note</sup></b>	<b>Premium/ (Discount) of Subscription price over/(to) the closing price per share on the date of respective subscription agreement/last trading day (%)</b>	<b>Premium/ (Discount) of Subscription price over/(to) the average closing price per share for last 5 consecutive trading days immediately prior to/including the date of respective subscription agreements (%)</b>
8-Jul-24	Winshine Science Company Limited (209)	30.5	(9.1)	(9.1)
17-Jun-24	Zhuguang Holdings Group Company Limited (1176)	715.3	21.2	18.3
14-Jun-24	Sinopharm Tech Holdings Limited (8156)	15.2	(18.7)	(18.7)
7-Jun-24	Wenye Group Holdings Limited (1802)	23.2	(3.5)	(14.1)
22-May-24	Cornerstone Technologies Holdings Limited (8391)	677.0	12.3	20.8

<b>Date of announcement</b>	<b>Company (stock code)</b>	<b>Market Capitalisation (HK\$ million)<sup>Note</sup></b>	<b>Premium/ (Discount) of Subscription price over/(to) the closing price per share on the date of respective subscription agreement/last trading day (%)</b>	<b>Premium/ (Discount) of Subscription price over/(to) the average closing price per share for last 5 consecutive trading days immediately prior to/including the date of respective subscription agreements (%)</b>
14-May-24	Hua Yin International Holdings Limited (989)	194.5	19.1	6.4
13-May-24	Television Broadcasts Limited (511)	1,448.2	7.2	12.7
13-May-24	Labixiaoxin Snacks Group Limited (1262)	356.0	(5.2)	(15.8)
18-Mar-24	China Qidian Guofeng Holdings Limited (1280)	1,399.1	(31.4)	(31.6)
15-Mar-24	Apollo Future Mobility Group Limited (860)	562.3	(9.8)	(16.4)
7-Mar-24	China HK Power Smart Energy Group Limited (931)	2,669.6	0.0	1.4
	<b>Maximum</b>		21.2	20.8
	<b>Minimum</b>		(31.4)	(31.6)
	<b>Mean</b>		(1.6)	(4.2)
	<b>Median</b>		(3.5)	(9.1)
	<b>The Company</b>	120.8	65.6	66.9

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: Market capitalisation is calculated based on the share closing price of the respective companies times the total number of shares issued as at the Last Trading Date.

As illustrated in the table above, the subscription price of the Comparables:

- (i) ranged from approximately 31.4% discount to approximately 21.2% premium with a mean and median of approximately 1.6% and 3.5% discount to their respective closing prices on/prior to the date of the corresponding agreement; and
- (ii) ranged from approximately 31.6% discount to approximately 20.8% premium with a mean and median of approximately 4.2% and 9.1% discount to their average closing prices for the last five consecutive trading days prior to/up to and including the date of the corresponding agreement.

The Subscription Price of HK\$0.250, which represents a premium of approximately 65.6% and 66.9% over the closing Share price on the date of the Subscription Agreement and the average closing Share Price for the last five consecutive trading days immediately prior to the date of the Subscription Agreement, respectively, is higher than the mean and median of the Comparables. Based on the above, from the perspective of market comparable analysis, we of the view that the Subscription Price is fair and reasonable.

## 5. Potential dilution effect on the shareholding interests of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion of the Subscription, assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and up to the Completion:

	As at the Latest Practicable Date		Immediately after completion of the Subscription (assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and up to the Completion)	
	<i>Number of Shares</i>	<i>Approx.% of shareholding</i>	<i>Number of Shares</i>	<i>Approx.% of shareholding</i>
<b>Controlling Shareholder, connected person and Director</b>				
Well Link Fintech	523,672,000	65.46%	523,672,000	54.55%
The Subscriber	–	–	160,000,000	16.67%
Mr. Kwan Kin Man Keith	24,000,000	3.00%	24,000,000	2.50%
<b>Other public Shareholders</b>	<u>252,328,000</u>	<u>31.5%</u>	<u>252,328,000</u>	<u>26.28%</u>
<b>Total</b>	<b><u>800,000,000</u></b>	<b><u>100.00%</u></b>	<b><u>960,000,000</u></b>	<b><u>100.00%</u></b>

As illustrated in the table above, the shareholding of the other public Shareholders would decrease from approximately 31.5% to approximately 26.3% immediately upon the Completion, representing a dilution effect of approximately 5.2%. Despite the potential dilution effect as a result of the Subscription, after taking into consideration that (i) the terms of the Subscription are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole; and (ii) the reasons for and benefits of the Subscription as discussed above, we consider that the potential dilution effect of the Subscription is justifiable.

## **RECOMMENDATION**

Having considered the above factors and reasons, we are of the view that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable; and (ii) although the Subscription and the transactions contemplated thereunder, including the grant of the Specific Mandate is not conducted in the ordinary and usual course of business of the Group, it is on normal commercial terms and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription.



Yours faithfully,  
For and on behalf of  
**Eddid Capital Limited**

A handwritten signature in black ink, appearing to read 'Yu Hiu To', with a stylized flourish at the end.

**Yu Hiu To**  
*Managing Director*

*Mr. Yu Hiu To is a licensed person and a responsible officer of Eddid Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.*