THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Season Pacific Holdings Limited**, you should at once hand this Circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SEASON PACIFIC HOLDINGS LIMITED
雲 裳 衣 控 股 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1709)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET COMPANIES

Financial Adviser to Season Pacific Holdings Limited

KINGSTON CORPORATE FINANCE

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

VINCO 域高

Vinco Capital Limited

A notice convening an extraordinary general meeting of Season Pacific Holdings Limited to be held at its registered office at 5/F, AIA Financial Centre, 112 King Fuk Street, San Po Kong, Kowloon, Hong Kong on Monday, 9 September 2019 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this Circular.

A letter from the Board is set out on pages 5 to 42 of this Circular. A letter from the Independent Board Committee is set out on page 43 of this Circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 44 to 72 of this Circular.

A form of proxy for use at the extraordinary general meeting is enclosed with this Circular. Whether or not you intend to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the meeting (i.e. by 11:00 a.m. on Saturday, 7 September 2019) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

All times and dates specified herein refer to Hong Kong local times and dates.

* *For identification purposes only*

16 August 2019

CONTENTS

Pages

In this Circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquisition"	the sale and purchase of the Sales Shares pursuant to the Agreement
"Actual Profit"	the aggregate net profit of the Target Companies after tax and any extraordinary or exceptional items attributable to the Sale Shares based on the Profit Guarantee Audited Accounts
"Adjustment Consideration"	the amount of consideration to be repaid by the Vendor to the Purchaser in the event that the profit guarantee is not achieved
"Agreement"	the sale and purchase agreement dated 6 March 2019 entered into between the Purchaser and the Vendor in relation to the Acquisition and as supplemented by the Supplemental Agreement
"Approval"	the approval of the Acquisition by the Independent Shareholders
"associate"	has the meaning ascribed to it under the Listing Rules
"AUM"	assets under management
"Board"	the board of Directors
"Business Day"	a day (other than Saturdays, Sundays, or public holidays and such other days where a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong), on which licensed banks in Hong Kong are open for business throughout their normal business hours
"Circular"	the circular of the Company dated 16 August 2019
"Company"	Season Pacific Holdings Limited, a company incorporated under the law of the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Consideration"	HK$42 million, being the consideration payable for the Sale Shares

"DA Asset Management"	DA Asset Management Limited, a company incorporated in Hong Kong and wholly and beneficially owned by the Vendor
"DA Equity"	DA Equity Partners Limited, a company incorporated in Hong Kong and wholly and beneficially owned by the Vendor
"DA Finance"	DA Finance (HK) Limited (德林財務(香港)有限公司), a company incorporated in Hong Kong with limited liability and a corporation holding a money lender's licence
"DA Finance Sale Shares"	10,000 shares of DA Finance, representing the entire issued share capital of DA Finance
"Directors"	the directors of the Company
"DL Securities"	DL Securities (HK) Limited (德林證券(香港)有限公司), formerly known as DA Capital (HK) Limited (德林資本(香港)有限公司), a company incorporated in Hong Kong with limited liability, a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"DL Securities Sale Shares"	30,000,000 shares of DL Securities, representing the entire issued share capital of DL Securities
"EGM"	the extraordinary general meeting to be convened and held on Monday, 9 September 2019 by the Company to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Guarantee Period"	the financial year ending 31 December 2020
"Guaranteed Profit"	HK$6 million
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Independent Board Committee"	an independent committee of the Board comprising Mr. Chang Eric Jackson, Mr. Choi Sheung Jeffrey and Ms. Luk Huen Ling Claire, being the independent non-executive Directors to advise the Independent Shareholders in respect of the Acquisition

"Independent Shareholders"	Shareholders other than the Vendor and his associates
"Independent Valuer"	Roma Appraisals Limited, an independent valuer appointed by the Company
"Latest Practicable Date"	12 August 2019, being the latest practicable date prior to the printing of this Circular for ascertaining certain information referred to in this Circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 May 2020 or such date as agreed by the parties to the Agreement in writing
"Mr. Cheung"	Mr. Cheung Lui, an Executive Director, Chairman and Chief Executive Officer of the Company
"Ms. Jiang"	Ms. Jiang Xinrong, an Executive Director and substantial shareholder of the Company and the spouse of the Vendor
"Net Proceeds"	net proceeds from the Placing after deducting the placing commission and related professional, publication fees payable by the Company and the use of which was changed as disclosed in the Company's announcement dated 6 March 2019
"Placing"	the placing of 123,800,000 shares in the Company as disclosed in the announcements of the Company dated 16 May 2018 and 23 May 2018 and completed on 1 June 2018 as disclosed in the announcement of the Company dated 1 June 2018
"PRC"	the People's Republic of China
"Profit Guarantee"	the profit guarantee given by the Vendor, details of which is set out in the section headed "THE ACQUISITION — Profit guarantee" of this Circular
"Profit Guarantee Audited Accounts"	the audited financial statements under HKFRS prepared by the auditors of the Target Companies for the Guarantee Period
"Purchaser"	Topper Alliance Holding Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company

"Responsible Officer(s)"	individual(s) who is/are approved by the SFC under section 126(1) of the SFO as a responsible officer of a licensed corporation
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	collectively, DL Securities Sale Shares and DA Finance Sale Shares
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	a supplemental agreement dated 7 August 2019 entered into between the Purchaser and the Vendor to amend the terms of the Agreement
"Target Companies"	collectively, DL Securities and DA Finance
"US"	United States of America
"US$"	US dollars, the lawful currency of the US
"Valuation"	the valuation of 100% interest in DL Securities and 100% interest in DA Finance as at 31 December 2018 conducted by the Independent Valuer
"Vendor" or "Mr. Chen"	Mr. Chen Ningdi, an individual, being the sole shareholder of the Target Companies and the vendor of the Acquisition
"Vinco Capital" or "Independent Financial Adviser"	Vinco Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"%"	per cent

SEASON PACIFIC HOLDINGS LIMITED
雲裳衣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1709)

Executive Directors:
Mr. Cheung Lui *(Chairman and Chief Executive Officer)*
Ms. Jiang Xinrong
Mr. Yu Xiu Yang

Non-executive Directors:
Ms. Chin Ying Ying
Mr. Li Ren

Independent non-executive Directors:
Mr. Chang Eric Jackson
Mr. Choi Sheung Jeffrey
Ms. Luk Huen Ling Claire

Registered office:
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111, Cayman Islands

Head office and principal place of business in Hong Kong:
5/F, AIA Financial Centre
112 King Fuk Street
San Po Kong
Kowloon
Hong Kong

16 August 2019

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET COMPANIES

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 6 March 2019 in respect of the Agreement dated 6 March 2019 entered into between the Vendor and the Purchaser; and (ii) the announcement of the Company dated 7 August 2019 in respect of the Supplemental Agreement, pursuant to which the Vendor had conditionally agreed to sell and the Purchaser had conditionally agreed to purchase the Target Companies at a consideration of HK$42,000,000.

The purpose of this Circular is to provide you with, among other things, (i) information on the Acquisition and other information as required under the Listing Rules; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders containing its opinion and recommendation in respect of the Acquisition; and (iv) the notice of the EGM.

* *For identification purposes only*

THE ACQUISITION

The principal terms and conditions of the Agreement are set out below:

Date: 6 March 2019

Parties: (1) The Purchaser, an indirect wholly-owned subsidiary of the Company, as purchaser; and

(2) The Vendor, as vendor.

As at the date of the Agreement, the Vendor was the legal and beneficial owner of the Sale Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of the Agreement, the Vendor was a substantial shareholder of the Company holding an aggregate of approximately 17.05% in the total issued shares of the Company through DA Equity, DA Asset Management and DL Securities Management, whose entire issued share capital was ultimately owned by him, and was thus a connected person (as defined in the Listing Rules) of the Company. Subsequent to a restructuring and a series of transferrals by DA Equity and DA Asset Management, DA Equity holds an aggregate of 87,578,000 Shares of the Company and Rapid Raise Investments Limited holds an aggregate of 103,940,000 Shares of the Company. DA Equity is wholly owned by Rapid Raise Investments Limited and, in turn, Rapid Raise Investments Limited is wholly owned by DL Global Holdings Limited. DL Global Holdings Limited is beneficially owned as to 36.60% by Ms. Jiang, 30.00% by Mr. Chen and 33.40% by other shareholders. Ms. Jiang was appointed an executive Director of the Company on 18 June 2019 and is a substantial shareholder of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this Circular, Mr. Chen, being the spouse and thus an associate of Ms. Jiang, is interested in an aggregate of approximately 19.91% in the total issued shares of the Company and remains a connected person of the Company.

Assets to be acquired

The Sale Shares, being 30,000,000 shares of DL Securities, representing the entire issued share capital of DL Securities and 10,000 shares of DA Finance, representing the entire issued share capital of DA Finance.

Consideration

The Consideration for the Acquisition is HK$42 million (subject to adjustment as set out below in the subsections headed "Profit guarantee" and "Conditions precedent to the Completion" in this section), of which HK$41,590,000 is allocated to DL Securities Sale Shares and HK$410,000 is allocated to DA Finance Sale Shares, which shall be paid by the Purchaser to the Vendor in cash in the following manner:

(1) A refundable deposit of HK$21 million shall be paid upon the signing of the Agreement (the "First Instalment"); and

(2) HK$21 million shall be paid upon the Completion (subject to adjustment as set out below in the subsections headed "Profit guarantee" and "Conditions precedent to the Completion" in this section).

As at the date of this Circular, the First Instalment has been paid.

The Acquisition will be financed by both the internal resources of the Group and Net Proceeds from the Placing.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor after taking into account the valuation of 100% interest in DL Securities and 100% interest in DA Finance as at 31 December 2018 with an appraised value of approximately HK$43,500,000 and HK$410,000, respectively, as assessed by the Independent Valuer applying the market approach. The Consideration was determined, having considered (i) the Valuation; (ii) the Company's intention to acquire already established companies with licenses to operate regulated businesses which would otherwise have required undergoing an arduous application process to obtain; and (iii) the existing client base and business network of the Target Companies.

The Directors have reviewed the experience and qualification of the Independent Valuer and having considered that the Independent Valuer has performed (i) over 50 valuations; and (ii) approximately 10 similar valuations from 2016 to 2018, of which one was contained in a publication of a Hong Kong listed company, the Directors believe that the Independent Valuer has sufficient qualification and experience in valuations to perform the Valuation.

The Directors are given to understand that the Independent Valuer has not adopted the income-based approach in the Valuation because it would require making a lot of assumptions and the Valuation could, as a result, be largely influenced by any inappropriate assumption made. As the income approach requires a financial projection of at least five years, the Directors are given to understand that this would involve making assumptions on remote years, and since the corporate finance business is influenced by market conditions, the Independent Valuer considered it is difficult to project the performance in remote years, and assumptions made on remote years would significantly affect the fair value of DL Securities. Further the asset-based approach was not adopted because it could not capture the future earning potential of the Target Companies, and thus, could not reflect the market value of the Target Companies. The Directors understand that, given the foregoing, the Independent Valuer has decided to adopt the market approach in conducting the Valuation. Having considered that the Target Companies' businesses are mainly project-based and the longest contracts on-hand have terms of only two years, the Directors believe that the income approach is not a suitable approach to conduct the Valuation. Further, the Directors are of a view that, despite the limitations of the market approach, there are still market comparables available as reference and is therefore a more suitable approach as compared to the income approach. Thus, the Directors consider that such approach is fair and reasonable and in the interests of the Company and Shareholders as a whole.

The guideline company method under the market approach was used for the valuation of the corporate finance business of DL Securities where the market value is based on comparing prices at which other business entities in a similar nature changed hands at arm's length transactions. The Directors have reviewed the public information, including the relevant financial report(s), announcement(s) and/or circular(s), of the companies identified by the Independent Valuer as being comparable to DL Securities (the "Comparable Companies") and have discussed with the Independent Valuer their criteria for selecting the Comparable Companies. The Directors are given to understand that the Comparable Companies were selected because they are comparable to DL Securities in terms of business nature and operations. In particular, the Comparable Companies were selected mainly with reference to the following selection criteria: (i) principally engaged in type 6 (advising on corporate finance) regulated activity under the SFO; (ii) generates over 50% of its revenue from its operations in Hong Kong; (iii) has over one year of listing and operating history; and (iv) the financial information of the companies is available to the public. Having considered the characteristics of the Comparable Companies, the Directors noted that the Comparable Companies are principally engaged in corporate finance business in Hong Kong and are therefore comparable in terms of business nature and associated risks.

In valuing the securities business under DL Securities, the guideline comparable transaction method under the market approach was adopted by searching for comparable market transactions from November 2015 to December 2018 for SFC license types 1 (dealing in securities) and 4 (advising on securities). Given that there is a large variation of the result and insufficient number of transactions with SFC license types 1 and 4, the Independent Valuer obtained the market value of SFC license types 1 and 4 by comparing the difference between the market value of SFC license types 1, 4 and 9 (asset management) transactions and SFC license type 9 transactions (the "Comparable Transactions"). The Directors are given to understand that the Comparable Transactions were selected mainly with reference to the following selection criteria: (i) primarily engaged in carrying out type 1, type 4 and type 9 regulated activities and solely type 9 regulated activity under the SFO; (ii) loss making as at the announcement of the transaction; (iii) the transactions have been completed within the last three years; and (iv) the financial information of the transaction was available to the public.

The Board understands that in deriving the market value of the SFC licenses, the Independent Valuer assumed that the consideration paid above the net asset value of the loss-making companies was mainly for the SFC licenses (i.e. type 1, type 4 and type 9) of the Comparable Transactions. The Board, having made all enquiries with the Independent Valuer and to the best knowledge of the Directors, considers that such assumption is fair and reasonable as the premium paid above the net asset value of the loss-making companies represents the market value of the SFC licenses (i.e. type 1, type 4 and type 9).

The Directors are given to understand that the Independent Valuer selected the Comparable Transactions within the last three years as the prices for transactions completed over three years ago may not be representative and there may be an insufficient number of comparable transactions completed within a shorter time frame to derive a meaningful valuation. The Directors have discussed with the Independent Valuer and are given to understand that there are no comparable transactions that are perfectly comparable with the present acquisition due to the insufficient number of transactions with SFC license types 1 and 4. Taking into account that (i) there are no direct comparable transactions where the financial information are publicly available; (ii) the Comparable Transactions satisfied all the above criteria; and (iii) the Comparable Transactions are in line with the business of DL Securities where they are principally engaged in the provision of the relevant financial services, the Directors concur with the Independent Valuer that the Comparable Transactions identified are fair and representative for comparison and in accordance with relevant market practice.

In valuing DA Finance, the guideline comparable transaction method under the market approach was adopted by searching for comparable transactions for a money lenders license in Hong Kong (the "Comparable Transactions of Money Lenders License"). The Directors are given to understand that the Comparable Transactions of Money Lenders License were selected mainly with reference to the following selection criteria: (i) primarily holding a money lenders license; (ii) the transactions were completed within the last three years; and (iii) the financial information of the transactions was available to the public. The Directors are given to understand that the Independent Valuer selected comparables that are primarily holding a money lenders license based on either (a) the acquisition is only for the money lenders license held by the target company; (b) the net assets of the target company mainly consisted of the money lenders license, the target company was inactive and did not constitute a business prior to the acquisition; or (c) the target company only held a money lenders license and had no operation at the completion date of the acquisition. Similar to the valuation of the securities business under DL Securities, the Directors understand that the Independent Valuer selected the Comparable Transactions of Money Lenders License within the last three years as the prices for transactions completed over three years ago may not be representative and there may be an insufficient number of comparable transactions completed within a shorter time frame to derive a meaningful valuation. Having considered that (i) the Comparable Transactions of Money Lenders License satisfied all the above criteria and, similar to DA Finance, primarily hold a money lenders license; and (ii) the Independent Valuer adopted the median of the premiums in arriving at the market value of the money lenders license held by DA Finance, the Directors believe the selection basis of Comparable Transactions of Money Lenders License are fair and reasonable.

After discussing with the Independent Valuer the details of the Valuation as set out in the Valuation Report and taking into account (i) the relevant valuation experience of the Independent Valuer; (ii) the opinion of the Independent Valuer who has concluded that the market approach is the most appropriate method for assessing the market value of the Target Companies; (iii) the opinion of the Independent Valuer who has concluded that the guideline company method is the most appropriate method to obtain the market value of the corporate finance business of DL Securities; (iv) the opinion of the Independent Valuer who has concluded that the guideline comparable transaction method is the most appropriate method to determine the value of the type 1 and type 4 SFC licenses and the money lenders license respectively held by the Target Companies; and (v) the data of the Comparable Companies used in the model were obtained from Bloomberg and public announcements of the relevant companies, the Directors concurred with the view of the Independent Valuer that the basis, valuation methodology, selection basis of comparables and assumptions adopted in the Valuation Report are appropriate. After discussing with the Independent Valuer, the Directors are given to understand that though the comparables may have different characteristics, including revenue size, operating history and scale of operations, the Independent Valuer has used the comparables as a benchmark as each of the comparables fulfill the aforementioned selection criteria. Further, the Directors note that the comparables selected for the Valuation are exhaustive based on the Independent Valuer's best efforts in searching for appropriate comparables and publicly available information. Therefore, the Directors are of the view that although few comparables have been used by the Independent Valuer, the comparables are fair and representative in determining the value of the Target Companies. The Directors are also of the view that the methodology, comparables and assumptions adopted were arrived at after due and careful consideration and are fair and reasonable. For details of the valuation of the Target Companies, please refer to Appendix II to this Circular.

The Directors consider that the major purpose of the Acquisition is for the Company to acquire (i) DL Securities' existing client base; and (ii) the respective licenses held by DL Securities and DA Finance in order to obtain a readily available platform for the Company to enter into the financial services industry and commence operations in types 1, 4 and 6 regulated activities and money lending business as soon as practicable to capture business opportunities offered by the blooming financial services industry in Hong Kong. Given that the Target Companies have a sufficient number of Responsible Officers (as the case may be) under the SFO and the licenses required for their respective businesses, more emphasis is placed by the Directors on the contracts on hand, the market potential and the immediate availability for the Company to capitalise upon such assets to diversify its business into the financial services industry and develop its financial services business, than the short operating history of the Target Companies and minimal profit level in the past.

In considering the Acquisition instead of establishing the same businesses, the Directors have reviewed "How to Apply for a Money Lenders Licence" issued by Companies Registry and "Licensing Handbook" issued by the SFC, which state that, subject to other delaying factors (including the types of service or product the applicant proposes to be provided; the time taken for other regulatory bodies to respond to the SFC's vetting requests, where applicable; the response time of the applicant to provide any further information requested by the SFC during the assessment process; and the number of applications the SFC is processing at any particular time, among others), the processing time for applications for a money lenders license and an SFC license is typically approximately 3 to 4 months and 15 weeks, respectively. The Directors have further considered that, prior to submitting such applications, additional time and costs are required to identify, renovate and set up suitable office premises, set up necessary infrastructure, and recruit suitable Responsible Officers, managers-in-charge, other licensed persons and supporting and operational staff which is expected to take around 4 months. Further, substantial time is needed to generate revenue and build a client base subsequent to the approval of such license applications. Taking into account the above, the preparation and application process for a corporation to be licensed for types 1, 4 and 6 regulated activities under the SFO and to build a client base can be around twelve months. According to the information provided by the Vendor, the initial costs of establishment and capital requirements of a corporation licensed for types 1, 4 and 6 regulated activities under the SFO may likely, in aggregate, be upwards of HK$33 million, based on the Vendor's experience in establishing DL Securities, which consist of, among others, (i) legal and professional fees in relation to lodging an application to be a licensed corporation of approximately HK$0.5 million; (ii) annual operating costs of approximately HK$7.6 million (including annual salary expenses and annual rental expenses); (iii) minimum paid-up share capital in the amount of HK$10 million as required under the Securities and Futures (Financial Resources) Rules (Cap.571N of the Laws of Hong Kong); (iv) excess liquid capital to cover at least 12 months' of expenses in the amount of HK$12 million as one of the conditions required by the SFC for final approval of the uplift application with regard to its SFC type 1 license (for details of the uplift application, please see the section headed "INFORMATION OF THE TARGET COMPANIES — A. DL Securities" in this letter); (v) legal and professional fees in relation to the application to uplift the relevant conditions previously imposed on the SFC type 1 license held by DL Securities amounting to approximately HK$1.5 million; and (vi) additional annual operating costs of approximately HK$1.6 million subsequent to the uplift of the relevant conditions previously imposed on the SFC type 1 license held by DL Securities (including additional annual salary expenses for additional staff). Taking into consideration of the above and according to information provided by the Vendor, the Directors are given to understand that the time spent in preparation for and in undergoing the application process for a corporation to be licensed for types 1, 4 and 6 regulated activities under the SFO and the uplift of the relevant conditions previously imposed on DL Securities' licenses can be around twelve months, whilst likely incurring costs and capital contribution in excess of HK$33 million. Subsequent to the capital injection of HK$12 million into DL Securities in May 2019 as required by the SFC before the final approval of the uplift application was granted, the paid-up capital of DL Securities is HK$42 million as at the Latest Practicable Date. Given the foregoing and based on the Directors' experience and general understanding of the market, as (i) the Acquisition includes acquiring various licenses which would otherwise have required undergoing a long and arduous application process to obtain, thus saving the aforementioned time and costs; (ii) the Target Companies already have an established client base and business network; (iii) the Target Companies are able to immediately generate revenue for the Company; and (iv) the substantial capital contribution made for the establishment and operation of the Target Companies, the Directors are of the view that the Consideration is fair and reasonable.

The Consideration was a commercial term offered by the Vendor after negotiations between the Purchaser and the Vendor. Despite that the historical price-to-earnings ("P/E") ratio is approximately 14 times based on the consideration of HK$42 million and the aggregated net profit of approximately HK$2.9 million generated by the Target Companies for the year ended 31 December 2018, the Directors placed greater emphasis on the consideration that, based on the Guaranteed Profit of HK$6 million, the prospective P/E ratio of the Target Companies is only 7 times and, if the Profit Guarantee is not met, the Consideration will be adjusted based on the Actual Profit (for details of the Profit Guarantee, please see the section headed "THE ACQUISITION — Profit guarantee" in this letter). Prior to entering into the Acquisition, the Directors conducted basic research on companies listed on the Stock Exchange primarily engaged in the provision of financial services and holding SFC licenses for type 1 and type 6 regulated activities under the SFO and have found comparables of the Target Companies which have a significantly higher average P/E ratio of approximately 17 times as compared to the aforementioned prospective P/E ratio of the Target Companies of 7 times and which the Directors have taken into account when assessing the Consideration. The Directors considered that the comparables identified in their basic research are companies which are already listed on the Stock Exchange, have longer operating histories and are of larger scale as compared to the Target Companies. Therefore, in comparing the Target Companies to the comparable companies, the Directors believe a reasonable discount should be applied to the comparable companies' average P/E ratio of approximately 17 times. Given the aforementioned analysis, the Directors are of the view that the prospective P/E ratio of the Target Companies of 7 times based on the Guaranteed Profit, being only approximately two-fifths of the average P/E ratio of the comparables identified in the Directors' basic research, is fair and reasonable. It is of the view of the Directors that (i) the short operating history of the Target Companies; (ii) DA Finance not having commenced substantial operation since incorporation; and (iii) DL

Securities, despite having turned around from a net loss to a net profit for the year ended 31 December 2018, only recorded a low profit margin, is acceptable given that the Company is acquiring already established companies with licenses to operate regulated businesses. The Directors also consider that the Consideration represents approximately 2.5 times of the aggregated net assets value of the Target Companies as at 31 December 2018 for the Acquisition is acceptable given that assets are not a significant factor in determining the value of companies carrying out financial services. Furthermore, subsequent to the capital injection in DL Securities made by the Vendor in May 2019, the Consideration represents only approximately 1.6 times of the aggregated unaudited net assets value of the Target Companies as at 30 June 2019, which the Directors consider is fair and reasonable. Similarly, although the Guaranteed Profit represents approximately 2.1 times of the aggregated net profit of the Target Companies in 2018, it takes into account the contracts that DL Securities has on hand, the expected business growth of the Target Companies and their future prospects, as set out in the subsection headed "Profit guarantee" in this section. Further, having considered (i) the positive outlook and expected growth in the financial services industry as mentioned in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below in this letter; (ii) the potential growth of the Target Companies; (iii) the Valuation; (iv) the Guaranteed Profit; (v) the Acquisition allowing for immediate diversification of the Group's business; and (vi) the ultimate aim to be achieved by the Acquisition as stated above, the Directors consider that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Profit guarantee

Pursuant to the Agreement, the Vendor irrevocably warrants and guarantees to the Purchaser that the Actual Profit will be not less than the Guaranteed Profit during the Guarantee Period.

If during the Guarantee Period, the Actual Profit is less than the Guaranteed Profit, the Vendor shall compensate the Purchaser seven (7) times of the shortfall on a dollar to dollar basis within fourteen (14) days after the delivery of the Profit Guarantee Audited Accounts in an amount calculated as follows:

A = (Guaranteed Profit – Actual Profit) x 7

where A is the Adjustment Consideration for the Profit Guarantee

The expected date which the Profit Guarantee Audited Accounts will be delivered for the purpose of finalising the Adjustment Consideration is within 90 days following the year ending 31 December 2020.

If the Target Companies record an aggregate loss in their Profit Guarantee Audited Accounts, the Actual Profit shall deem to be nil. If the Actual Profit exceeds the Guaranteed Profit, no Adjustment Consideration will be payable to the Vendor by either the Target Companies or the Purchaser.

The amount of the Guaranteed Profit represents a level of business that both the Company and the Vendor consider to be feasible, and an amount the Vendor is willing and confident to guarantee and make good if it is not in fact achieved. As the Directors intend to acquire both of the Target Companies and taking into account DA Finance has a short operating history and has not begun to generate profit, the Directors are of the view that there is no meaningful benchmark of its profitability. However, as DA Finance potentially provides a new business opportunity and revenue source to the Company, the Directors considered that setting the Guaranteed Profit and Actual Profit on an aggregate basis will enable the Company to primarily focus on the profitability of DL Securities whilst capturing the financial results of both Target Companies. As such, the Directors are of the view that a Profit Guarantee on an aggregate basis is fair and reasonable.

The Guaranteed Profit was determined through negotiations between the Purchaser and the Vendor, having considered (i) DL Securities' track record of generating approximately HK$48.3 million revenue for the year ended 31 December 2018; and (ii) the future prospects of the Target Companies, including the expected aggregate revenue of the Target Companies of approximately HK$52 million and approximately HK$56 million for the two years ending 31 December 2020, respectively.

The breakdown of the expected aggregate revenue of the Target Companies of approximately HK$52 million for the year ending 31 December 2019 is set out below:

	Expected revenue for the year ending 31 December 2019 *(HK$'000)* *(approximately)*
Secured contracts (the details of which are set out in the table on pages 24 to 28 in this letter)	
Fixed revenue contracts (contracts E1, O1, P1 and V1)	9,800
Conditional contracts on hand (contracts E2, N1, U1, W1 and W2)	20,918
Signed and completed one-off contracts (contracts L2, P2, Q1 and X1)	14,395
Sub-total	**45,113**
Expected revenue for further potential contracts	
Other potential contracts	1,000
Sub-total	**1,000**
Expected revenue for new segments	
Interest income under the money lending business	600
Brokerage services	5,000
Interest income from margin financing services	500
Sub-total	**6,100**
Total expected revenue	**52,213**

The prospects of the Target Companies for the year ending 31 December 2019 are quantified and based on the following: (i) the four fixed revenue contracts on hand, which are expected to generate revenue of approximately HK$9.8 million for the year ending 31 December 2019, the details of which are set out in the section headed "INFORMATION OF THE TARGET COMPANIES — A. DL Securities — Financial information" in this letter, from which DL Securities has already generated revenue of approximately HK$3.7 million for the six months ended 30 June 2019 based on the unaudited financial information provided by the Vendor; (ii) five conditional contracts of DL Securities on hand, which are expected to generate revenue of approximately HK$20.9 million, the details of which are set out in the section headed "INFORMATION OF THE TARGET COMPANIES — A. DL Securities" in this letter, from which DL Securities has already generated revenue of approximately HK$0.2 million for the six months ended 30 June 2019 based on the unaudited financial information provided by the Vendor; (iii) other one-off completed contracts which have generated revenue of approximately HK$14.4 million for the six months ended 30 June 2019 based on the unaudited financial information provided by the Vendor, the details of which are set out in the section headed "INFORMATION OF THE TARGET COMPANIES — A. DL Securities" in this letter; (iv) other potential contracts with regard to the provision of corporate finance advisory services, amongst others, which are expected to generate revenue of approximately HK$1.0 million from three existing clients (being clients O, P and E as mentioned in the section headed "INFORMATION OF THE TARGET COMPANIES — A. DL Securities — Financial information" in this letter) amongst others; (v) the expected interest income of approximately HK$0.6 million from a HK$30 million potential loan portfolio expected to begin to materialise in the third quarter of 2019 and 6% annual net interest income under the money lending business, mainly targeting customers who wish to obtain trade and/or mortgage financing; and (vi) expected additional revenue of approximately HK$5.5 million potentially generated from brokerage services and interest income from margin financing services upon the uplift of the relevant conditions previously imposed on DL Securities' SFC licenses, based on DL Securities' potential and target clients and expected trading volume, of which approximately HK$1,700 has already been generated for the six months ended 30 June 2019 based on the unaudited financial information provided by the Vendor. Based on the foregoing, the total expected aggregate revenue of the Target Companies for the year ending 31 December 2019 is approximately HK$52 million, representing a growth rate of approximately 8% as compared to the aggregate revenue of the Target Companies for the year ended 31 December 2018. The revenue generated by DL Securities for the six months ended 30 June 2019 is approximately HK$18.3 million and DL Securities has recorded approximately HK$3.1 million in net profit for the same period, based on the unaudited financial information provided by the Vendor.

The prospects of the Target Companies for the year ending 31 December 2020 are quantified and based on the following: (i) the four fixed revenue contracts of DL Securities on hand, which are expected to generate a total revenue of approximately HK$9.8 million; and (ii) the expected annual growth rate of the Target Companies' revenue of approximately 7% based on the Vendor's estimation, which the Directors believe is reasonable as it is in line with the 2013 to 2018 compound annual growth rate of the total equity funds raised and the number of listed companies on the Stock Exchange of 7.4% and 7.1%, respectively, which the Directors consider can be taken as a reference as the increase in equity funds raised and number of listed companies on the Stock Exchange will translate into more business opportunities for DL

Securities' existing financial advisory services, capital raising services and referral services, and planned brokerage and margin financing services upon uplift of the relevant conditions imposed on the relevant SFC licenses. The total equity funds raised and the number of listed companies on the Stock Exchange reflect the total equity fund raising market size and expansion of the Hong Kong capital market, respectively, which affect the financial services business that the Target Companies are currently or planned to be engaged in. For further details of the future prospects of the Target Companies in the financial services industry, please see the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION — Future prospects of the Target Companies" in this letter. The Directors note that the Guaranteed Profit is subject to uncertainties, for example in materialising the conditional contracts on hand, securing additional contracts and executing the Target Companies' plans for developing the brokerage and margin financing businesses as well as the money lending business to generate the remaining expected revenue of approximately HK$27.8 million for the year ending 31 December 2019 and the crystallisation of the expected growth rate of 7% on the Target Companies' expected revenue for the year ending 31 December 2020. However, having reviewed the Target Companies' financial performance for the year ended 31 December 2018 and for the six months ended 30 June 2019 as well as the expertise and market understanding of their management team, the Directors are of a view that the assumptions used to derive the Guaranteed Profit are fair and reasonable. Further, should the Target Companies be unable to meet the Guaranteed Profit, the Consideration will be adjusted downwards by the Adjustment Consideration. Pursuant to the Agreement, if during the Guarantee Period, (i) the Actual Profit is less than the Guaranteed Profit, the Vendor shall compensate the Purchaser seven times of the shortfall on a dollar to dollar basis, or (ii) the Actual Profit exceeds the Guaranteed Profit, no Adjustment Consideration will be payable to the Vendor by either the Target Companies or the Purchaser. As such, the Consideration will be capped at no more than HK$42 million and in the extreme case that the Target Companies record nil profit or an aggregate loss in their Profit Guarantee Audited Accounts, the consideration of the Acquisition will be adjusted to nil.

Taking into account the Profit Guarantee and Adjustment Consideration, the Directors are of the view that the Company is protected against uncertainty of achievability of the Profit Guarantee by the Target Companies and the Acquisition and the adjustment mechanism is fair and reasonable and in the interests of the Shareholders and the Company as a whole.

In determining the Guaranteed Profit, the Purchaser and the Vendor took into account the prospects of the Target Companies in the year ending 31 December 2020, and the expected operating expenses to be incurred of approximately HK$48 million for the year ending 31 December 2020, based on the experience and market understanding of the management and key personnel of the Target Companies, including rental expenses, salary expenses and legal and professional fees taking into account the development of the brokerage and margin financing business as well as the loan business. According to the Vendor, the Target Companies are expected to incur approximately HK$2.5 million in annual rental and management fees for the year ending 31 December 2020 based on the current tenancy agreement. As advised by the Vendor, the expected salary expenses of the Target Companies of approximately HK$10.1 million for the year ending 31 December 2020 is based on (i) the current and expected increase in annual payroll; (ii) annual employee-related benefits; and (iii) potential bonus expenses. The Vendor expects legal and professional fees to be incurred for the year ending 31 December 2020 will consist of (i) approximately HK$2 million for in-house fees relating to DL

Securities' trading system, legal services and audit services; and (ii) approximately HK$28 million for deal-related service fees, based on the Vendor's expected revenue to be generated from the Target Companies' referral services for which due diligence, marketing, legal and valuation services are outsourced to third parties. The Vendor estimates to incur approximately HK$5 million in brokerage costs for commission, based on the expected revenue to be generated from the brokerage business for the year ending 31 December 2020.

In assessing the reasonableness and achievability of the Guaranteed Profit, the Directors also took into account the following: (1) the strong earnings growth of DL Securities where (i) revenue increased by approximately 3.4 times from 2017 to 2018; (ii) it turned around from a net loss to a net profit of approximately HK$2.9 million for the year ended 31 December 2018; (2) as advised by the Vendor, the Target Companies expect to generate HK$9.8 million in revenue from the four fixed revenue contracts on hand for the year ending 31 December 2020; and (3) as advised by the Vendor, based on their client base and management network, the Target Companies target to generate increased revenue from brokerage and margin financing services, after relevant license conditions are uplifted, of approximately HK$5.5 million per year; and annual interest income of approximately HK$1.8 million from the provision of loans by DA Finance. Having considered the foregoing, the Directors are of the view that it is highly probable for the Target Companies to meet the Guaranteed Profit and that the Guaranteed Profit is reasonable and achievable. Although the Consideration will be fully paid to the Vendor upon Completion and the Guaranteed Profit only covers one financial year, in the event that the Target Companies fail to secure potential contracts and the required Guaranteed Profit is not reached, the Consideration will be adjusted downward by the Adjustment Consideration and, in any event, the Vendor has signed a deed of undertaking as detailed below.

The Vendor has signed a deed of undertaking on 10 May 2019 whereby the Vendor irrevocably and unconditionally agrees, undertakes and covenants to the Purchaser that the Vendor shall, on demand by notice in writing of the Purchaser to the Vendor, pay to the Purchaser the compensation payment in the event that the Adjustment Consideration is payable. Should the Vendor default in paying the Adjustment Consideration and breach the terms of the undertaking, the Company shall, on a best effort basis, seek to resolve the matter on an amicable basis, failing which the Company will consider taking all necessary and reasonable legal actions to enforce the Profit Guarantee and the undertaking. It is of the view of the Directors that the mechanism to secure any Adjustment Consideration payable from the Vendor is fair and reasonable, in the interests of the Company and its Shareholders as a whole and can help safeguard the Company's assets.

The Company will comply with the disclosure requirements pursuant to Rule 14A.63 of the Listing Rules if the Actual Profit is less than the Guaranteed Profit.

Conditions precedent to the Completion

Pursuant to the Agreement, Completion is conditional upon fulfillment of the following conditions (or waiver of such condition precedents (in respect of conditions precedent (1) and (6) below only) by the Purchaser):

(1) the Purchaser being satisfied in its absolute discretion with the results of the due diligence review to be conducted;

(2) all necessary consents, licenses and approvals required to be obtained on the part of the Vendor and each of the Target Companies in respect of the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(3) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;

(4) the approval from the SFC in relation to the change of substantial shareholder (as defined in the SFO) of DL Securities having been obtained and not revoked, cancelled or lapsed;

(5) each of the warranties given by the Vendor remaining true and accurate and not misleading in all respects;

(6) the Purchaser being satisfied that, as at Completion, there has not been any material adverse change in respect of each of the Target Companies since the date of the Agreement;

(7) DL Securities shall comply with all the applicable requirements under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) (including but not limited to the minimum paid-up capital and liquid capital requirements) as at the date of Completion;

(8) DA Finance shall comply with all the applicable requirements under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the money lenders license held by DA Finance shall remain valid and in full force and effect as at the date of Completion; and

(9) the approval of the Agreement and the transactions contemplated thereunder by the Independent Shareholders.

Condition precedents (1) and (6) above are waivable at the discretion of the Purchaser in order to provide flexibility to the Purchaser in the event of any changes in the circumstances of the Acquisition. In the event that condition precedent (8) above is not fulfilled, the Purchaser shall not be obliged to purchase the DA Finance Sale Shares and the Consideration will be accordingly reduced by the amount equal to the appraised value of DA Finance, being HK$410,000.

Completion

Completion shall take place on the date falling on the third Business Day after the fulfillment of the above conditions, or such later date as the parties to the Agreement may agree.

Pursuant to the Agreement, in the event that the Completion shall not take place by the Long Stop Date or such later date as the parties to the Agreement may agree, the Agreement shall cease and determine in accordance with the terms and conditions therein and the First Instalment of the Consideration shall be refunded to the Purchaser in full without interest within seven Business Days.

Upon the Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company. Thereafter, the results and assets and liabilities of the Target Companies will be incorporated in the consolidated financial statements of the Company.

Post-completion undertaking

The Vendor undertakes to the Purchaser to ensure and procure that DL Securities maintains a sufficient number of Responsible Officers for carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities in compliance with the applicable requirements under the SFO and their licenses issued and/or renewed by the SFC are in full force, validity and effect, without revocation or suspension for 12 months after Completion. As at the Latest Practicable Date, DL Securities had four Responsible Officers who together meet the SFO requirement on the number of Responsible Officers for each type of regulated activity. The Vendor further undertakes to pay compensation, in the event that the post-completion undertaking is breached, upon request to the Purchaser in an amount calculated as follows:

Shortfall of Responsible Officers below the number required under the SFO for each type of licensed regulated activity carried out by DL Securities x HK$100,000 per month x number of months.

For the purposes of calculation, the compensation payment for any shortfall for less than a month shall be on a pro rata basis.

As confirmed by the Vendor, the employment contracts of the management, key personnel and Responsible Officers of DL Securities have a notice period of one to two months. The Directors are of the view that one to two months would allow sufficient time for the Target Companies to recruit a suitable replacement and manage the business risk so as to not significantly disrupt the operations of the Company in the event of departure of such management, key personnel or Responsible Officer. In any event, should the Target Companies be unable to meet the Guaranteed Profit during the Guarantee Period, the Vendor shall be required to pay the Purchaser the Adjustment Consideration.

INFORMATION OF THE TARGET COMPANIES

A. DL Securities

DL Securities is a company incorporated in Hong Kong with limited liability and a corporation licensed by the SFC to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO as at the date of this Circular.

DL Securities is principally engaged in the provision of financial advisory services, capital raising services to private and listed companies and referral services. The referral services performed by DL Securities involve, among others, (i) advising, sourcing and referring investment projects and/or investors to institutional funds; (ii) connecting projects with clients, and buyers with sellers; and (iii) coordinating, advising on and executing fundraising projects. As advised by the Vendor, the referral clients form part of DL Securities' client base and DL Securities has generated in 2019 and expects to continue to generate recurring business from such referral clients. Such referral projects are sourced from the business network of the management. Further, the key personnel responsible for performing referral services are the Responsible Officers and licensed representatives of DL Securities.

DL Securities is subject to licensing conditions that it shall not (i) advise on matters/transactions falling within the ambit of the Codes on Takeovers and Mergers and Share Repurchases issued by the Commission; and (ii) act as sponsor in respect of an application for the listing on a recognised stock market of any securities. As advised by the Vendor, DL Securities submitted its application to the SFC in September 2018, which has subsequently been approved by the SFC in June 2019, to uplift the conditions previously imposed on its licenses on holding client assets and engaging in dealing activities other than those relating to corporate finance. As required by the SFC before final approval was granted, the Vendor made a capital injection of HK$12 million into DL Securities in mid-May 2019.

Management and key personnel

As at the Latest Practicable Date, DL Securities had four Responsible Officers, of which three could carry out type 1 (dealing in securities) regulated activity, two could carry out type 4 (advising on securities) regulated activity and two could carry out type 6 (advising on corporate finance) regulated activity. Further, as at the Latest Practicable Date, DL Securities had three individuals who were each licensed representatives for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities.

Set out below are details of the Responsible Officers and directors of DL Securities as at the Latest Practicable Date:

- **Mr. ZHOU Xu Xiang (周栩翔) — director and Responsible Officer:** Mr. Zhou has over 20 years' experience in the fields of corporate finance, mergers and acquisitions, private equity and investment advisory. Prior to joining DL Securities in 2012, Mr. Zhou was a founding member of PacBridge Capital Partners from 2009 to 2012, responsible for leading multiple large-scale investment projects and serving as investment adviser for corporations in relation to initial public offerings ("IPO"), mergers and acquisitions and corporate finance. From 2007 to 2009, Mr. Zhou was also employed in the investment banking departments of Lehman Brothers Asia Limited and Nomura International (Hong Kong) Limited, and was principally responsible for, among other things, the advisory, coordination and distribution of pre-IPO funds, equity financing, leveraged loans and high-yield bonds in Asia. Mr. Zhou was also previously employed at The Bear Stearns Companies, Inc. and BNP Paribas S.A. Mr. Zhou holds a master's degree in business administration from Yale School of Management and a bachelor's degree in business administration from Baruch College.

- **Mr. SUN Yu (孫瑜) ("Mr. Sun") — director:** Prior to joining DL Securities in 2015 and DA Finance in 2017, Mr. Sun was employed at Bank of Communications Limited in 2013 and was principally responsible for credit risk analysis. Mr. Sun has experience in strategic restructuring of private and listed companies, merger and acquisition deal executions, private equity investment deal structures and equity fundraising. Mr. Sun holds a bachelor's degree in accounting and finance from The Hong Kong Polytechnic University.

- **Mr. CHO Pak Keung (曹伯強) — Responsible Officer:** Mr. Cho has over 10 years' experience in dealing in securities, five of which where he was responsible for supervisory and monitoring functions. Prior to joining DL Securities in 2018, Mr. Cho was employed as a responsible officer at Hong Kong Securities (International) Company Limited from July 2017 to October 2017 and was principally responsible for, among others, carrying out, supervising and monitoring the daily securities dealing activities, reviewing and implementing the company's margin procedure and handling and monitoring client's orders. Mr. Cho has held the position of dealing manager at Sun Securities Limited from September 2014 to June 2017 and at Hantec Securities Co. Limited from October 2003 to August 2014. Mr. Cho holds a bachelor's degree in business administration from Lingnan University.

- **Mr. TSANG Chun Man (曾晉文) — Responsible Officer:** Prior to joining DL Securities in 2018, Mr. Tsang was an associate director at CMBC Capital Holding Limited from July 2017 to October 2017, principally responsible for monitoring trade activities in portfolios, conduct credit analysis and providing advice and support to management on strategic activities and daily operations. Mr. Tsang was also employed as a responsible officer at Hong Kong Securities (International) Company Limited from October 2016 to July 2017 and at China Rich Securities Limited from March 2012 to October 2016. Ms. Tsang has experience in, among others, execution of equity capital market activities including placements and IPO, monitoring the overall financial exposure and risk control management, real time margin call monitoring, investment advisory and supervising and managing daily brokerage operations. Mr. Tsang holds a bachelor of arts in accounting and financial management from the University of Sunderland.

- **Mr. YEN Chanan (霍震南) — Responsible Officer:** Prior to joining DL Securities in 2018, Mr. Yen held the position of responsible officer at Great Wall Pan Asia Corporate Finance Limited from July 2017 to May 2018 and at Joincap Capital Limited from June 2014 to August 2017. He also held the positions of assistant manager, senior associate and manager in the corporate finance departments of several financial services provider. Mr. Yen's experience includes the execution of different kinds of corporate finance exercise including IPO, equity fundraising and financial advisory work, performing industry research, conducting financial modelling, comparable analysis, and due diligence. Mr. Yen holds a masters of commerce with a major in accounting and finance from the University of Sydney, Australia and is a qualified certified practising accountant of Australia.

Infrastructure and internal controls

Within DL Securities' infrastructure, the board consists of two directors and the overall management oversight is provided by its chief executive officer, under whom there are four managers-in-charge. The internal departments of DL Securities consist of compliance, finance and accounting, anti-money laundering and counter-terrorist financing, operational control and review, information technology, risk management and its key business lines. The key business lines include (i) the settlement division; (ii) the corporate finance division; and (iii) the dealing division.

As advised by the Vendor, DL Securities has internal control policies, anti-money laundering policy and guidelines and a compliance manual setting out guidance to its employees in order to comply with regulatory and statutory obligations that govern its business activities in Hong Kong as a licensed corporation under the SFO. In addition to the anti-money laundering policy which sets out client identification measures, the compliance manual provides for rules and internal measures in relation to, among others, the minimum financial resources to be maintained, disclosure of securities interests, operations and record keeping, market misconduct, anti-money laundering and counter financing of terrorism.

Financial information

Set out below is the financial information of DL Securities as extracted from the audited consolidated accounts of DL Securities and its then subsidiary, DA Finance, for the two years ended 31 December 2018 and DL Securities' unaudited management accounts for the six months ended 30 June 2019:

	For the year ended 31 December 2017	**For the year ended 31 December 2018**	**For the six months ended 30 June 2019**
	(audited)	(audited)	(unaudited)
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
	(approximately)	*(approximately)*	*(approximately)*
Revenue	14,262	48,244	18,324
Net (loss)/profit before taxation and extraordinary items	(3,915)	2,898	3,055
Net (loss)/profit after taxation and extraordinary items	(3,915)	2,898	3,055

The breakdown of revenue by nature of services provided by DL Securities for the two years ended 31 December 2018 and for the six months ended 30 June 2019, respectively, is set out below:

	For the year ended 31 December 2017	**For the year ended 31 December 2018**	**For the six months ended 30 June 2019**
	(audited)	(audited)	(unaudited)
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
	(approximately)	*(approximately)*	*(approximately)*
Management fee income	1,220	3,134	Nil
Service fee income	12,168	44,941	18,324
Commission income	874	169	Nil
Total	14,262	48,244	18,324

The revenue from management fee income was derived from the provision of operational management services and restructuring management services. According to the information provided by DL Securities, the revenue of DL Securities is mainly derived from service fee income generated primarily from its referral services which accounted for over 90% of the total revenue for the year ended 31 December 2018 as well as from strategic consultation services, company secretary services and corporate finance advisory services among others. According to the Vendor, the referral services primarily involve (i) sourcing and referring investment projects and/or investors to institutional funds; and (ii) assisting on disposal of investment projects for institutional funds. As advised by the Vendor, the remuneration for referral services typically ranges from 1% to 5% of the transacted value and is also determined based on the scale, nature and geographic location of the target. The significant growth of the revenue of DL Securities from approximately HK$13.7 million for the year ended 31 December 2017 to approximately HK$48.3 million for the year ended 31 December 2018 was due to the successful commencement of referral services since the beginning of 2018 and the increase in the number of deals and higher average fee earned per deal. The low profit margin of DL Securities for the two years ended 31 December 2018 is primarily attributable to the early development of its referral services which required substantial service fees to be incurred for outsourcing due diligence, marketing, legal and valuation services to third parties.

The customer base of DL Securities mainly consists of listed companies, institutional funds and professional investors. During the year ended 31 December 2018 and up to 30 June 2019, DL Securities had approximately 24 customers, of which 17 customers operate in the financial services industry, including private banks, asset management companies and financial services providers. The remaining seven customers are engaged in, among others, the real estate industry, construction industry and information technology industry. The details of the 24 customers are set out below:

	Client	Client background	Services engaged	Commencement year of business relationship	One-off/ recurring customer	Contract number	Contract period	Contract amount *(HK$'000) (approximately)*	Revenue recognised for the contract for the year ended 31 December 2018 *(HK$'000) (approximately)*	Revenue recognised for the contract for the six months ended 30 June 2019 *(HK$'000) (approximately)*	Expected revenue to be generated for the contract for the six months ending 31 December 2019 *(HK$'000) (approximately)*	Expected revenue to be generated for the contract for the year ending 31 December 2020 *(HK$'000) (approximately)*	Completed as at 30 June 2019
1.	Client A	The private banking arm of a multinational investment bank and financial services company headquartered in Canada.	Referral services	2013	Recurring	A1	Since 16/03/2017 *(Note 2)*	50% of revenue generated each year with respect to referred clients for the first five years	76	—	—	—	Yes
2.	Client B *(Note 1)*	A private investment company with total assets over HK$100 million.	Company secretarial services	2016	One-off	N/A	N/A *(Note 5)*	18	18	—	—	—	Yes
3.	Client C	The cost centre of the client group which is principally engaged in gas investment in middle Asia.	Company secretarial services	2016	One-off	N/A	N/A *(Note 5)*	16	16	—	—	—	Yes
4.	Client D	A real estate investment company with total assets over HK$50 million.	Company secretarial services	2017	One-off	N/A	N/A *(Note 5)*	18	18	—	—	—	Yes

	Client	Client background	Services engaged	Commencement year of business relationship	One-off/ recurring customer	Contract number	Contract period	Contract amount *(HK$'000) (approximately)*	Revenue recognised for the contract for the year ended 31 December 2018 *(HK$'000) (approximately)*	Revenue recognised for the contract for the six months ended 30 June 2019 *(HK$'000) (approximately)*	Expected revenue to be generated for the contract for the six months ending 31 December 2019 *(HK$'000) (approximately)*	Expected revenue to be generated for the contract for the year ending 31 December 2020 *(HK$'000) (approximately)*	Completed as at 30 June 2019
5.	Client E	A company listed on the Stock Exchange principally engaged in providing foundation construction and ground investigation services in Hong Kong, with total assets over HK$400 million.	Corporate finance advisory services	2018	Recurring	E1	01/12/2018–30/11/2020	4,000 (per year) *(Note 3)*	333	2,000	2,000	4,000	No
						E2	21/06/2019–20/06/2021	1,400	—	200	200	1,000	No
6.	Client F	An information technology consulting firm based in the US.	Strategic consultation services	2018	One-off	F1	18/07/2018–17/10/2018	196	196	—	—	—	Yes
7.	Client G	A securities firm based in the PRC with total assets of approximately RMB600 billion and net assets of approximately RMB120 billion.	Referral services	2018	One-off	G1	Since 02/05/2018 *(Note 2)*	1,698	1,698	—	—	—	Yes
8.	Client H	Financial adviser based in the US with a focus on the market in India.	Referral services	2018	One-off	H1	Since 15/05/2018 *(Note 2)*	118	118	—	—	—	Yes
9.	Client I	Private investment company based in the US with total assets over US$100 million.	Referral services	2018	One-off	I1	Since 23/07/2018 *(Note 2)*	21,956	21,956	—	—	—	Yes
10.	Client J	Fund with over US$100 million AUM.	Referral services	2018	One-off	J1	Since 30/08/2018 *(Note 2)*	14,507	14,507	—	—	—	Yes

	Client	Client background	Services engaged	Commencement year of business relationship	One-off/ recurring customer	Contract number	Contract period	Contract amount *(HK$'000)* *(approximately)*	Revenue recognised for the contract for the year ended 31 December 2018 *(HK$'000)* *(approximately)*	Revenue recognised for the contract for the six months ended 30 June 2019 *(HK$'000)* *(approximately)*	Expected revenue to be generated for the contract for the six months ending 31 December 2019 *(HK$'000)* *(approximately)*	Expected revenue to be generated for the contract for the year ending 31 December 2020 *(HK$'000)* *(approximately)*	Completed as at 30 June 2019
11.	Client K	Pan-Asian investment firm based in Singapore with over US$200 million AUM.	Referral services	2018	One-off	K1	Since 05/11/2018 *(Note 2)*	1,953	1,953	—	—	—	Yes
12.	Client L *(Note 4)*	Venture capital fund based in the US with over US$1 billion AUM.	Referral services	2018	Recurring	L1	05/10/2018–04/01/2019	US$3 per share if the purchase price per share of the project is US$53 or above	2,211	—	—	—	Yes
						L2	30/04/2019–29/07/2019	5% of the subscription amount	—	4,906	—	—	Yes
13.	Client M *(Note 1)*	Private equity fund with over US$50 million AUM.	Corporate finance advisory services	2018	One-off	M1	01/08/2018–31/12/2018	1,693	1,693	—	—	—	Yes
14.	Client N	Fund with over US$100 million AUM.	Investment advisory services	2019	Recurring	N1	Since 14/01/2019 *(Note 2)*	0.12% annual management fee plus 10% carry interest	—	—	3,000	3,000	No
15.	Client O	A company listed on the Stock Exchange, principally engaged in (i) e-commerce and provision of on-line sales platform; (ii) money-lending business; and (iii) provision of property management and property agency services in Hong Kong, with total assets over HK$300 million.	Corporate finance advisory services	2019	Recurring	O1	11/03/2019–10/03/2021	2,400 (per year) *(Note 3)*	—	733	1,667	2,400	No

	Client	Client background	Services engaged	Commencement year of business relationship	One-off/ recurring customer	Contract number	Contract period	Contract amount *(HK$'000) (approximately)*	Revenue recognised for the contract for the year ended 31 December 2018 *(HK$'000) (approximately)*	Revenue recognised for the contract for the six months ended 30 June 2019 *(HK$'000) (approximately)*	Expected revenue to be generated for the contract for the six months ending 31 December 2019 *(HK$'000) (approximately)*	Expected revenue to be generated for the contract for the year ending 31 December 2020 *(HK$'000) (approximately)*	Completed as at 30 June 2019
16.	Client P	A company listed on the Stock Exchange, principally engaged in the provision of application development services and the sale of integrated circuit cards, magnetic cards, related equipment and application systems, and trading of liquor products in the PRC, with total assets over HK$80 million.	Corporate finance advisory services	2019	Recurring	P1	18/01/2019–17/01/2021	1,800 (per year) *(Note 3)*	—	805	995	1,800	No
						P2	Since 29/01/2019 *(Note 2)*	2% of the financing amount	—	156	—	—	Yes
17.	Client Q	Sovereign fund based in New Zealand with over US$1 billion AUM.	Referral services	2019	One-off	Q1	10/04/2019–09/07/2019	5% of the subscription amount	—	4,416	—	—	Yes
18.	Client R *(Note 1)*	Private investment vehicle with total assets over HK$25 million	Operational management services	2018	One-off	R1	01/06/2018–31/05/2019	3,000	3,000	—	—	—	Yes
19.	Client S *(Note 1)*	Private investment vehicle with total assets over HK$25 million	Operational management services	2018	One-off	S1	01/09/2018–30/11/2018	500	500	—	—	—	Yes
20.	Client T *(Note 1)*	An inactive corporation licensed by the SFC to conduct type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO	Restructuring management services	2018	One-off	T1	N/A *(Note 5)*	34	34	—	—	—	Yes

	Client	Client background	Services engaged	Commencement year of business relationship	One-off/ recurring customer	Contract number	Contract period	Contract amount *(HK$'000) (approximately)*	Revenue recognised for the contract for the year ended 31 December 2018 *(HK$'000) (approximately)*	Revenue recognised for the contract for the six months ended 30 June 2019 *(HK$'000) (approximately)*	Expected revenue to be generated for the contract for the six months ending 31 December 2019 *(HK$'000) (approximately)*	Expected revenue to be generated for the contract for the year ending 31 December 2020 *(HK$'000) (approximately)*	Completed as at 30 June 2019
21.	Client U	Private investment vehicle with total assets over US$1 billion	Referral services	2019	One-off	U1	25/05/2019–24/05/2020	4% of the investment notional of up to US$150,000,000	—	—	14,040	—	No
22.	Client V	A company listed on the Stock Exchange, principally engaged in automobile dealership and after-sales services, with total assets over HK$10 billion	Corporate finance advisory services	2019	Recurring	V1	10/06/2019–09/06/2020	3,200 *(Note 3)*	—	187	1,413	1,600	No
23.	Client W	HK venture capital fund with AUM over US$2 billion	Referral services	2019	Recurring	W1	03/06/2019–02/12/2019	US$0.45 per share if the purchase price per share of the project is US$6.15	—	—	2,854	—	No
						W2	19/06/2019–18/12/2019	US$0.10 per share if the purchase price per share of the project is US$5.70	—	—	624	—	No
24.	Client X	US venture capital fund with AUM over US$15 billion	Referral services	2019	One off	X1	30/5/2019–29/8/2019	3.75% of the subscription amount	—	4,917	—	—	Yes

Notes:

1. According to information provided by the Vendor, save for clients B, M, R, S and T, the customers of DL Securities were independent third parties of the Target Companies. The Vendor is the sole beneficial owner of each of clients B, M, R and S as well as the beneficial owner of 30% interest in the issued share capital of client T, therefore clients B, M, R, S and T are related parties of the Target Companies.

2. These contracts are one-off and project-based, and thus, the length of engagement with its customers depends on the progress in completing each project.

3. These are fixed revenue contracts, which generate recurring revenue.

4. Client L signed two contracts with DL Securities, both of which have been completed.

5. Services have been rendered and payment has been collected but no contract was signed for these one-off projects.

Save for the four recurring contracts signed with companies listed on the Stock Exchange for the provision of corporate finance advisory services and one recurring contract signed with a fund for the provision of investment advisory services, all of DL Securities' contracts are one-off and project-based, and thus, the length of engagement with its customers depends on the progress in completing each project. For contracts that are not project-based, six customers signed long term contracts with DL Securities during the year ended 31 December 2018 and up to 30 June 2019. The term of engagement of these customers is two years or with no expiry date. Of the 24 customers, 19 of them were independent third parties. For the year ended 31 December 2018, the revenue generated by independent third party customers and the related party customers was approximately HK$43.1 million and HK$5.2 million, respectively, representing approximately 89.1% and 10.9%, respectively, of the revenue generated during the period. All revenue expected to be generated by DL Securities for the year ending 31 December 2019 will be from independent third parties. Customers for its corporate finance and referral services had been and will continue to be sourced by management referral and the business network of DL Securities which is derived from its management team, including its Responsible Officers and directors. To expand its client base, new institutional clients will be introduced through referrals from the management team, whereas DL Securities plans to build its customer base for its brokerage and margin financing services upon uplift of the relevant conditions imposed on the SFC licenses by attracting retail customers through marketing campaigns and business partner promotions and other promotion activities. Further, the source of funding for developing or improving the operations of DL Securities is its own retained earnings and cash flow from operations.

According to the Vendor, DL Securities has a number of potential contracts under negotiation. In addition, as at 30 June 2019, DL Securities has four contracts on hand for the provision of corporate finance advisory services to companies, or subsidiaries of companies listed on the Stock Exchange in the construction and information technology industries that generate recurring revenue, of which three fixed revenue contracts (please refer to contracts E1, O1 and P1 in the table above for details) have a term of two years commencing December 2018, January 2019 and March 2019 with fixed annual fees of HK$4.0 million, HK$1.8 million and HK$2.4 million, respectively and one fixed revenue contract (please refer to contract V1 in the table above for details) has a term of one year commencing June 2019 with fixed annual fee of HK$3.2 million. Further, as at 30 June 2019, DL Securities (i) signed five conditional contracts (please refer to contracts E2, N1, U1, W1 and W2 in the table above for details) with companies listed on the Stock Exchange, asset management companies and venture capital funds which generate fees based on commission for services rendered; and (ii) signed and completed one-off contracts, which have generated approximately HK$14.4 million in revenue for the six months ended 30 June 2019.

The nature of the services required under the conditional contracts is to secure clients and/or projects for the customer or provide investment advice in return for commission. Under the conditional contracts, the commission is paid either (i) upon successful completion of the projects under the referral agreement; or (ii) on a quarterly basis after the customer, being the fund manager, receives payment from the segregated portfolio and depending on the performance of the segregated portfolio. According to the information provided by the Vendor, conditional contracts E2, N1, U1, W1 and W2 are expected to begin to materialise during the year ending 31 December 2019.

As at 30 June 2019, the unaudited net asset value of DL Securities was approximately HK$31,536,000, and its major assets included cash and bank balances, amounts due from group companies and accounts receivable. As warranted by the Vendor pursuant to the Agreement, the accounts receivable and other amounts due from debtors as at Completion will be recoverable in full in the ordinary course of business, and none of those amounts is subject to any dispute, counterclaim or set off.

According to information provided by the Vendor, in January 2011, DL Securities was incorporated and founded by Asiabiz Investment Partners Limited ("Asiabiz"), which was in turn held by the Vendor as to approximately 70% of its then equity interests. After a series of share transferrals, in December 2014, the Vendor held approximately 50% of the issued share capital of Asiabiz, the entire issued share capital of which was acquired by DA Financial Holdings Limited, which in turn was held by the Vendor as to approximately 20% of its then equity interests, from the then shareholders of Asiabiz, including the Vendor.

In December 2017, the Vendor acquired the entire issued share capital of DL Securities from Asiabiz at an acquisition cost of HK$13,900,000.

At incorporation, a total of 10,000 shares of DL Securities were allotted and issued to Asiabiz for HK$10,000. DL Securities further allotted and issued 11,990,000 shares and 8,000,000 shares to Asiabiz in January 2012 and January 2013 for HK$11,990,000 and HK$8,000,000, respectively. In September 2015 and December 2017, the paid up share capital of DL Securities was increased by HK$5,000,000 and HK$3,000,000, respectively, without allotting and issuing new shares through crediting additional contribution through cash injection, not being a shareholder's loan, by the Vendor. In February 2018, DL Securities allotted and issued 10,000,000 shares to the Vendor for HK$2,000,000. In May 2019, the paid up share capital of DL Securities was further increased by HK$12,000,000, without allotting and issuing new shares through crediting additional capital injection by the Vendor, to satisfy one of the conditions for final approval of the uplift application by the SFC.

As at the Latest Practicable Date, DL Securities had a paid up share capital of HK$42,000,000.

B. DA Finance

DA Finance is a company incorporated in Hong Kong with limited liability and a corporation holding a money lender's licence. DA Finance is primarily engaged in the money lending business and the provision of loans to individuals and corporations. As at the Latest Practicable Date, since DA Finance has not commenced formal operations, it has not yet established an infrastructure. The key personnel of DA Finance is Mr. Sun who has been employed by DA Finance since August 2017. For details of Mr. Sun's working experience and qualifications, please see the section headed ''INFORMATION OF THE TARGET COMPANIES — A. DL Securities — Management and key personnel'' in this letter.

Infrastructure and internal controls

As advised by the Vendor, DA Finance has internal policies and procedures in place in relation to (i) credit control; (ii) credit evaluation and assessment; and (iii) repayment and debt collection. Such internal measures require (i) the initial assessment and pre-approval of the loan application; (ii) the preparation of a due diligence report on the customer; (iii) drawdown of loans on non-cash basis; and (iv) ongoing monitor of the borrower's repayment ability after drawdown.

Before commencement of formal operations, DA Finance intends to set up all necessary infrastructure for due diligence, risk management, credit evaluation and loan collection functions, amongst others, and to employ sufficient qualified staff to undertake such functions as and when necessary. As advised by the Vendor, DA Finance is expected to commence formal operations in August or September of 2019.

Financial information

Set out below is the financial information of DA Finance as extracted from its audited accounts for the period from 14 September 2016 (being the date of incorporation of DA Finance) to 31 December 2017 and its unaudited management accounts for the year ended 31 December 2018 and for the six months ended 30 June 2019:

	For the period from 14 September 2016 (being the date of incorporation of DA Finance) to 31 December 2017 (audited) *(HK$'000)* *(approximately)*	**For the year ended 31 December 2018** (unaudited) *(HK$'000)* *(approximately)*	**For the six months ended 30 June 2019** (unaudited) *(HK$'000)* *(approximately)*
Revenue	Nil	32	Nil
Net loss before taxation and extraordinary items	(14)	(27)	(312)
Net loss after taxation and extraordinary items	(14)	(27)	(312)

The revenue of approximately HK$32,000 for the year ended 31 December 2018 was interest generated from two unsecured loans granted to a related company of DA Finance, each for US$0.1 million, for a period of six months and at 8% interest per year. The related company was referred to DA Finance by its shareholder.

DA Finance recorded recurring loss during the two years ended 31 December 2018 as the loan business had not yet formally launched and thus no substantial revenue was generated from third party customers. As advised by the Vendor, the increase in net loss in the six months ended 30 June 2019 was mainly due to office rental expenses and an one-time renovation fee of approximately HK$120,000 with regard to office renovation works. As at the Latest Practicable Date, DA Finance has not provided loans to third party customers. According to the Vendor, DA Finance intends to expand to the provision of loans to customers who provide equity and real estate collateral, primarily through management referrals. As advised by the Vendor, DA Finance intends to fund the development and improvement of its operations through borrowing from third party investors and is currently in the preliminary negotiation stage with two lending funds as potential third party investors, being a family office fund and a company listed on the Stock Exchange, for funding in the total amount of HK$15 million.

The unaudited net liabilities value of DA Finance was approximately HK$329,000 as at 30 June 2019.

According to the information provided by the Vendor, the original acquisition cost of the entire issued share capital of DA Finance when it was acquired by DL Securities in August 2017 was approximately HK$10,000. During the restructuring of the Target Companies in March 2019, the Vendor acquired the entire issued share capital of DA Finance from DL Securities for a consideration of approximately HK$450,000.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in sales of apparel products with the provision of supply chain management total solutions to customers.

INFORMATION RELATING TO THE VENDOR

As at the date of this Circular, the Vendor, Mr. Chen Ningdi, is the spouse of a Director and substantial shareholder of the Company, Ms. Jiang, and together they are interested in an aggregate of approximately 19.91% in the total issued shares of the Company through DA Equity, Rapid Raise Investments Limited, DL Global Holdings Limited and DA Capital Management Limited, and thus is a connected person of the Company.

DA Equity holds an aggregate of 87,578,000 Shares of the Company and Rapid Raise Investments Limited holds an aggregate of 103,940,000 Shares of the Company. DA Equity is wholly owned by Rapid Raise Investments Limited and, in return, Rapid Raise Investments Limited is wholly owned by DL Global Holdings Limited. DL Global Holdings Limited is beneficially owned as to 36.60% by Ms. Jiang, 30.00% by Mr. Chen and 33.40% by other shareholders.

DA Capital Management Limited, a company wholly owned by Mr. Chen, holds an aggregate of 32,220,000 Shares in the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

As at the date of this Circular, the Vendor is a connected person of the Company and therefore the Acquisition constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the Group's 2018/2019 interim report, the Group's sales and margin for the six months ended 30 September 2018 were under pressure due to continued challenges in the global business environment which has resulted in the Group facing sales pressures particularly in tough markets such as the Americas and the Middle East. The Group's range of supply chain management total solutions also faces an increasingly uncertain future. The macro economic uncertainties arising from headwinds in global trade from increases in US trade tariffs, as well as an increasing interest rate environment and downward pressures on the global stock markets creates a very difficult trading environment and the general prospects for the apparel industry remain very challenging. The retail industry in the Americas and Middle East have proven to be increasingly difficult with several well known and established retailers as well as other independent retailers closing down operations in the US in 2018.

Given the challenges in the global economic outlook, to further reduce our Group's future risk, our Directors believe that the Group should diversify its business through investment in companies which will allow the Group to broaden its source of income, explore new markets with growth potential and capture new business opportunities which may create substantial value to the Shareholders. The Directors are of the view that the change in use of proceeds from the Placing for suitable acquisition and equity investment opportunities, including but not limited to the investment in the Target Companies as well as general working capital, will allow the Company to simultaneously continue to develop its existing business organically, expand into the financial services industry through the Acquisition and expand the Group's revenue stream. Further, the Directors expect that the Company's existing business will rebound once the global economic environment improves.

Apart from the abovementioned reasons, the Directors understand that the establishment of a company which engages in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO requires a very lengthy and arduous process (for more details of the time and costs involved in the establishment of companies engaged in type 1, 4 and 6 regulated activities under the SFO and money lending business, please see the section headed "THE ACQUISITION — Basis of the Consideration" in this letter). Further, the Company would need additional time to recruit sufficient Responsible Officers for each regulated activity as required by the SFC. The Directors have noted that DL Securities has an established network of clients and has a number of deals in the pipeline, which the Company would be able to immediately capitalise on. In addition, given the competitiveness of the financial services industry in Hong Kong, the Directors are of the view that huge amount of time and effort would be incurred for setting up a new company to carry out financial advisory services and money lending business with comprehensive individual and institutional client base and network. Further, the Directors believe that setting up a company to apply for the relevant licences from the regulatory bodies requires substantial manpower, knowledge and documentation, something not immediately achievable by the Company.

The Company did not search for other potential targets with corporate finance and money lending businesses prior to entering into the Agreement nor considered acquisition of other similar companies. However, the Directors conducted basic analysis on companies listed on the Stock Exchange primarily engaged in the provision of financial services and holding SFC licenses for type 1 and type 6 regulated activities under the SFO and comparable to DL Securities after the opportunity to acquire the Target Companies arose, where the average P/E ratio of such companies was approximately 17 times (for more details of the Company's analysis, please see the section headed "THE ACQUISITION — Basis of the Consideration" in this letter). In reviewing the Acquisition, the Directors then engaged the Independent Valuer to assess the market value of the Target Companies. Having considered that the prospective P/E ratio of the Target Companies based on the Guaranteed Profit of 7 times is significantly less than the average P/E ratio of comparables identified by the Directors, and taking into account the preliminary Valuation, Profit Guarantee and Adjustment Consideration, the Directors were of the view that the Acquisition was fair and reasonable and hence decided to pursue the Acquisition. After considering the terms of the Agreement, the Directors were of the view that the Acquisition can generate additional revenue stream from already established companies with existing client base and business network, and is fair and reasonable. Further, having considered the above reasons and that the Acquisition allows for diversification of the Group's business, thereby broadening the Group's source of income, the Directors are of the view that the Acquisition and the terms therein are in the interests of the Company and its Shareholders as a whole.

In 2018, the Hong Kong Stock Exchange was the world leader in initial public offering funds raised. It also launched Bond Connect, a scheme connecting the PRC interbank bond market with Hong Kong and the world; and made additional enhancements to the Stock Connect program, including expanding the daily quota. These schemes and enhancements are expected to increase the trading activity and the overall revenue of the Hong Kong financial services industry. Hong Kong is one of the world's largest securities markets by market capitalisation. According to the SFC's website citing the World Federation of Exchanges, as at 31 December 2018, Hong Kong ranked the fifth largest market of the world's leading stock exchanges and the third largest stock market in Asia, with a total market capitalisation of approximately US$3,819.2 billion. Further, the average daily turnover of the Stock Exchange increased from approximately HK$88.2 billion as at 31 December 2017 to approximately HK$107.4 billion as at 31 December 2018. As at 31 December 2018, there were 218 newly listed companies on the Stock Exchange, a substantial increase from 174 newly listed companies as at the end of 2017. Given the foregoing, the Directors are of the view that the overall industry environment and newly listed companies on the Stock Exchange may facilitate growth of the business of Stock Exchange participants and corporate finance business. In respect of the money lending business, according to the "Review of the effectiveness of the new regulatory measures to tackle money lending-related malpractices" issued by the Legislative Council Panel on Financial Affairs in February 2018 and the statistics published by The Licensed Money Lenders Association Limited in March 2019, the total number of licensed money lenders in Hong Kong increased from 1,848 in 2016, to 1,994 in 2017 and to 2,173 as at March 2019. This upward trend indicates a continuous growth of the money lending business in Hong Kong. Further, money lending is also a core service in the financial services industry. Although the global economic environment is facing challenges with elevated risk of higher volatility in the financial markets, this economic environment presents both opportunities and challenges for the financial services industry. The Directors believe that the challenging global business environment will create increased demand from companies for additional funding and loans, which will in turn create more business opportunities for the Target Companies. Further, as PRC investors seek to diversify their international portfolios coupled with the continued internationalisation of the PRC domestic capital markets, it will bring additional business opportunities for the Target Companies. In view of the positive prospect of the industry, our Directors believe that investing in the Target Companies will allow the Group to benefit from diversified revenue streams and access to the Hong Kong financial services market with growth potential and better return on capital. The Board considers that the Agreement is on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The executive Director, Ms. Jiang, who was appointed as an executive Director with effect from 18 June 2019, possesses experience in operating the business of the Target Companies and has approximately 10 years of experience in the banking and financial services industry since 2008. Further, the existing management has extensive management and banking experience. The executive Director, Mr. Cheung, has approximately 10 years of experience in the banking industry since his employment in The Hongkong and Shanghai Banking Corporation Limited in 2005. It is not intended that the Company's existing management will be involved in day-to-day activities of the Target Companies but rather on a strategic and management level with the support of the Target Companies' Responsible Officers and existing management teams. It is of the Directors' view that given its financial experience and exposure, the Company's current management team has sufficient experience to manage and oversee the business of the Target Companies.

Having considered the details of the Target Companies and the above reasons for and benefits of the Acquisition, the Directors are of the view that the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company's business plan

Given the on-going uncertainties due to China-US trade war, Brexit and the significant market challenges in the apparel industry in the short to medium term, the Group will continue to utilise its leading total supply chain management solutions to provide its customers with the best solutions to overcome such difficulties. The Directors consider the Acquisition as an opportunity to diversify the Group's sources of income and explore new markets with growth potential.

Despite the expansion into the financial services industry through the Acquisition, the Directors have no intention to dispose of the Company's existing business. The Company's existing business will remain the principal business of the Company. The Company would continue to develop its existing business organically.

The Acquisition will provide the Group with access to the Target Companies' respective (i) SFC licences to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities; and (ii) money lender's license, which serve as a stepping stone for the Company to diversify its business into the financial services industry of Hong Kong, which the Directors believe will have sustainable development and substantial growth potential as discussed above.

According to information provided by the Vendor, DL Securities' application to uplift conditions previously imposed on its SFC licenses has been approved in June 2019, after which DL Securities will commence provision of brokerage and margin financing services and expects to generate annual revenue from this business segment of approximately HK$5.5 million for the year ending 31 December 2019 and grow at a steady rate thereafter in view of the positive industry environment as set out in the section headed "REASONS FOR AND

BENEFITS OF THE ACQUISITION" in this letter. Upon completion of the Acquisition, the Company intends to use its existing business networks to develop channels to attract potential clients to utilise the services of the Target Companies and explore more investment opportunities for the Target Companies' new and existing clients. The Company will also allocate resources to the Target Companies to facilitate their future development as and when necessary.

Future prospects of the Target Companies

Set out below are details of the future prospects of the core business segments of the Target Companies:

(a) Type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

As detailed above, the relevant conditions previously imposed on the SFC licenses held by DL Securities have been uplifted in June 2019, after which it can commence the provision of brokerage and margin financing services, thereby broadening the scope of its services and source of revenue.

(b) Type 6 (advising on corporate finance) regulated activities under the SFO

As advised by the Vendor, the majority of the revenue generated by DL Securities for the year ended 31 December 2018 was derived from service fee income from its referral services. Further, the Vendor confirms that DL Securities intends to procure and expand its customer base for its referral services through management referral and the business network of DL Securities, which will continue to contribute stable revenue to the Group.

(c) Money lending business

In respect of the money lending business, the increase in the total number of licensed money lenders in Hong Kong indicates a continuous growth of the money lending business in Hong Kong. For details, please refer to the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" in this letter. The Board believes that the money lending business of DA Finance will give the Group an additional revenue stream.

Business risks associated with the Target Companies

Set out below are details of the business risks of the Target Companies:

(a) Reliance on management, key personnel and Responsible Officers

The success of the Target Companies is largely attributable to the contribution of the management, key personnel and Responsible Officers (as the case may be) of the Target Companies. Their knowledge and experience in the financial services industry, as well as their established relationships with their clients will largely influence the future prospects of the Target Companies. In particular, DL Securities has been relying on referrals from, and the business network of, its management to source its business.

There is no assurance that the Company will be able to retain these management and key personnel, and the loss of any of them without suitable and timely replacements, or the inability to attract and retain qualified personnel may adversely affect the business, results of operations, financial positions and prospects of the Target Companies.

In the future, the Company may encounter shortages of appropriately skilled personnel, which may hamper its ability to implement its strategies on the expansion of the operation of the Target Companies and materially and adversely affect its business and results of operations.

(b) Inability to source deals and clients

The future growth and success of the Target Companies will depend on their ability to continue to secure deals and customers. During the two years ended 31 December 2018, majority of the deals of DL Securities were (i) sourced from the referral and business network of its management; (ii) contract-based; and (iii) on a non-recurring basis. As such, there is no guarantee that DL Securities will be able to secure new businesses from existing or new customers. Further, as DA Finance has yet to formally launch its loan business, there is no guarantee that it will be able to source sufficient new customers.

In the event that our Group fails to secure new deals and customers or there is a significant decrease in the number of customers, the business and financial positions and prospects of the Target Companies could be materially and adversely affected.

(c) The money lending business is exposed to risks arising from market volatility and credit risks of clients

The money lending business conducted by DA Finance involves risks including (i) default risk that a client fails to perform its financial obligations to repay a loan or a guarantor of the client fails to meet its guarantee obligations; (ii) market risk that DA Finance may suffer loss arising from changes in the value of any collateral due to fluctuations in currency exchange rate, share prices and interest rates; and (iii) liquidity risk that the collateral may not be liquidated in the short term when the market of the collateral is illiquid. The money lending business is highly vulnerable to market conditions and price volatility and liquidity of the collateral pledged to DA Finance. There is no assurance that in the event of default by a client on his/her/its obligation of repay, the proceeds from selling the collateral will be sufficient to cover the outstanding loan balance. If DA Finance is unable to recover the shortfall, the Group's financial condition and results of operation could be materially and adversely affected.

(d) Default or delay in settlement by clients in respect of the service fees from type 1, type 4 and type 6 regulated activities under the SFO

In respect of the regulated activities under the SFO conducted by DL Securities, the agreements specify the terms of the service fees including the payment schedule, commissions and conditions. DL Securities issues debit notes to its clients after a milestone specified under the engagement letter is achieved, satisfaction of a particular condition under the agreement or upon completion of the transaction. There is no assurance that the clients of DL Securities will settle their service fees in a timely manner and if there is any significant delay or failure or default in making the payment, the Group's financial condition and results of operation could be materially and adversely affected.

(e) The Target Companies are subject to extensive regulatory requirements which change from time to time and non-compliance with these regulatory requirements

The financial services industry in Hong Kong is highly regulated and industry participants are subject to different laws, rules, regulations, codes and guidelines including but not limited to the SFO, the Code of Conduct for Persons Licensed by or Registered with the SFC, the Companies Ordinance, the Listing Rules and the Hong Kong Code on Takeovers and Mergers. As DL Securities is a licensed corporation under the SFO, it is under the supervision of the SFC and the Stock Exchange and is required to ensure continuous compliance with all applicable laws, rules, regulations, codes and guidelines and satisfy the SFC and the Stock Exchange that it remains fit and proper to be licensed. The SFC conducts on-site inspections and off-site monitoring to ascertain and supervise intermediaries' business conduct and compliance with relevant regulatory requirements and to assess and monitor the financial soundness of intermediaries. DL Securities may be subject to such regulatory inspections and investigations from time to time. If the results of the inspections or investigations reveal serious misconduct, the SFC may take disciplinary actions which would lead to revocation or suspension of licences, public or private reprimand or imposition of pecuniary penalties against DL Securities, its Responsible Officers, licensed representatives or any of its staff. Further, as DA Finance is a licensed money lender under the Money Lenders Ordinance, it is under the supervision of the Registrar of Companies and the Commissioner of Police. DA Finance is therefore subject to the regulation under the Money Lenders Ordinance concerning money lending transactions and the duty of money lenders. Law enforcement agencies will take enforcement action against licensed money lenders who are in breach of the relevant provisions.

Any disciplinary actions taken against or penalties imposed on the Target Companies, Responsible Officers (as the case may be), licensed representatives or relevant staff could have a material adverse impact on the Group's business operations and financial results.

(f) The results of operation of business activities of the Target Companies are subject to the performance of the financial services market in Hong Kong

During the two years ended 31 December 2018, the Target Companies derived their revenue from provision of financial services in Hong Kong. The performance of the Target Companies is directly affected by the market conditions including market volatility, fluctuations in trading volume, funding availability, investor sentiment and business needs in Hong Kong. The financial services market of Hong Kong is directly influenced by the global economic environment including macroeconomic and monetary policies, currency fluctuations and other socio-political factors. Any changes to the economic and market conditions which adversely affects the performance of the financial services market in Hong Kong and may in turn adversely affect and slowdown the securities trading, corporate finance activities, fund raising activities and investment in funds in Hong Kong. Consequently, demand for the Target Companies' services may decline and the Group's financial condition and results of operation could be materially and adversely affected.

(g) Any material adverse change in the political, economic, social, legal conditions and government policies in Hong Kong

The business operations of the Target Companies are based in Hong Kong and their income were all derived in Hong Kong during the two years ended 31 December 2018. Accordingly, their business operations, financial condition, results of operation and prospects are predominantly affected by the political, economic, social, legal conditions and government policies in Hong Kong, but also by the economic, social, legal and political development in the PRC, fluctuations in global interest rates, and changes in international economic and political situations. As such, any material adverse change in the existing political, economic, social, legal conditions and government policies in Hong Kong could materially and adversely affect the Group's business operations, financial condition and results of operation.

EGM

The EGM will be convened and held at 5/F, AIA Financial Centre, 112 King Fuk Street, San Po Kong, Kowloon, Hong Kong on Monday, 9 September 2019 at 11:00 a.m for the Independent Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

A form of proxy for the EGM is enclosed with this Circular. Such form of proxy is also published on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.seasonpacific.com). Whether or not you intend to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. not later than 11:00 a.m. on Saturday, 7 September 2019). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. DL Securities and DA Finance are each directly owned as to 100% by Mr. Chen. Mr. Chen, who (together with his associate(s)) holds 223,738,000 Shares, representing approximately 19.91% share capital of the Company as at the date of this Circular, is regarded as being interested in the Agreement and the transactions contemplated thereunder due to his interest in DL Securities and DA Finance and therefore will abstain from voting on the resolution at the EGM approving the Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolution approving the aforesaid matters.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 September 2019 to Monday, 9 September 2019, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 3 September 2019.

RECOMMENDATION

The Board considers that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that Independent Shareholders eligible to vote at the EGM to attend and vote in favour of the resolution to be proposed at the EGM.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that while the entering into of the Agreement and the Supplemental Agreement is not in the ordinary and usual course of business of the Company, the terms of the Agreement and the Supplemental Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee would recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement, the Supplemental Agreement and the transactions contemplated thereunder. A letter of the Independent Board Committee containing its recommendation is set out on page 43 of this Circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this Circular and the notice of the EGM. Completion of the Agreement is conditional upon the fulfilment of the conditions set out under the paragraph headed "Conditions precedent to the Completion" in this Circular, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

Yours faithfully,
By order of the Board
Season Pacific Holdings Limited
Cheung Lui
Chairman, Chief Executive Officer & Executive Director

SEASON PACIFIC HOLDINGS LIMITED
雲裳衣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1709)

16 August 2019

To the Independent Shareholders

Dear Sir or Madam,

We refer to the Circular of Season Pacific Holdings Limited dated 16 August 2019 (the "Circular") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of the Company on the terms of the Agreement, details of which are set out in the letter from the Board contained in the Circular.

Your attention is drawn to the letter from the Board contained in the Circular and the advice of Vinco Capital in its capacity as the Independent Financial Adviser on whether the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, as set out in the letter from the Independent Financial Adviser in the Circular.

Having taken into account the advice of the Independent Financial Adviser in relation thereto as stated in its letter set out on pages 44 to 72 of the Circular, we consider that while the entering into of the Agreement and the Supplemental Agreement is not in the ordinary and usual course of business of the Company, the terms of the Agreement and the Supplemental Agreement are normal commercial terms, fair and reasonable insofar as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement, Supplemental Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Season Pacific Holdings Limited

Mr. Chang Eric Jackson	**Mr. Choi Sheung Jeffrey**	**Ms. Luk Huen Ling Claire**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

* *For identification purposes only*

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, which has been prepared for the purpose of incorporation in this circular:

VINCO 域高

Vinco Capital Limited
Unit 2610, 26/F.,
The Center 99 Queen's Road Central, Hong Kong

16 August 2019

To the Independent Board Committee and the Independent Shareholders of Season Pacific Holdings Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET COMPANIES

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the ''Letter from the Board'' of the circular issued by the Company dated 16 August 2019 (the ''**Circular**'') to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to (i) the announcement of the Company dated 6 March 2019 in respect of the Agreement; and (ii) the announcement of the Company dated 7 August 2019 in respect of the Supplemental Agreement (the ''**Announcements**''). As set out in the Announcements, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of DL Securities and DA Finance at the consideration of HK$42 million. Upon the Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company.

As at the Latest Practicable Date, the Vendor is a substantial shareholder of the Company holding an aggregate of approximately 19.91% in the total issued shares of the Company through DA Equity, DA Assent Management and DA Capital Management, whose entire issued share capital is ultimately owned by him. As such, under Rule 14A of the Listing Rules, the Vendor is a connected person of the Company and the Acquisition also constitutes a connected transaction of the Company. As one or more applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition is subject to the announcement, reporting and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chang Eric Jackson, Mr. Choi Sheung Jeffrey and Ms. Luk Huen Ling Claire has been formed to advise the Independent Shareholders as to whether the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and its Independent Shareholders as a whole.

We, Vinco Capital, have been appointed and have been approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parities that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the independent non-executive Directors, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We have not acted as the independent financial adviser to the Company's other transactions during the last two years.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

We consider that we have reviewed all currently available information and documents particularly, (i) the annual report of the Company for the year ended 31 March 2018 (the "**Annual Report 2017/2018**"), the interim report for the six months ended 30 September 2018 (the "**Interim Report 2018/2019**"); (ii) the constitutional documents of the Company, DL Secuities and DA Finance; (iii) the Agreement and the Supplemental Agreement entered into between the Purchaser and Vendor; (iv) the audited report of DL Secuities for the year ended 31 December 2017; (v) the unaudited financial results of DL Secuities for the year ended 31 December 2018; (vi) the audited report of DA Finance for the year ended 31 December 2017; (vii) the unaudited financial results of DA Finance for the year ended 31 December 2018; (viii) the sale and purchase agreement entered into between DA Finance and the Vendor in March 2019; (ix) the valuation report on DL Secuities and DA Finance prepared by the Independent Valuer; and (x) the price-to-earnings ratio (the "**P/E Ratio**") of comparable listed companies, which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Acquisition, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in respect of the Acquisition, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Acquisition, we have considered the principal factors and reasons set out below.

I. Information of the parties

Information of the Group

The Company is a Hong Kong-based investment holding company. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in sales of apparel products with the provision of supply chain management total solutions to customers.

Set out the table 1 below is the summary of the financial information of the Group as extracted from the Annual Report 2017/2018 and Interim Report 2018/2019:

Table 1: Summary of the consolidated financial performance of the Group

	For the year ended 31 March		For the six months ended 30 September	
	2017	**2018**	**2017**	**2018**
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
America	115,712	112,055	79,159	70,906
Europe	32,983	81,790	47,820	46,361
Asia Pacific	18,115	44,570	8,777	12,483
Middle East	38,571	40,967	33,653	2,453
Africa	838	—	—	—
Total revenue	206,219	279,382	169,409	132,203
Gross profit	53,923	54,584	36,578	22,603
Gross profit margin	(26.1%)	(19.5%)	(21.6%)	(17.1%)
Net profit/(loss) attributable to owners of the Company for the year/period	**25,143**	**15,688**	**16,923**	**(3,271)**

For the year ended 31 March 2018

As shown in table 1, the Group's revenue increased by approximately HK$73.2 million or 35.5% from approximately HK$206.2 million for the year ended 31 March 2017 to approximately HK$279.4 million for the year ended 31 March 2018. According to the Annual Report 2017/2018, the increase is mainly due to the Group's strategy to diversify its customer base by growing its business with new customers, capturing greater market share as well as sustaining its existing business. Although the Group's revenue derived from America market slightly decreased by approximately HK$3.6 million or 3.1% from approximately HK$115.7 million for the year ended 31 March 2017 to approximately HK$112.1 million for the year ended 31 March 2018 and the Group did not derive any revenue from Africa market for the year ended 31 March 2018 compared to the revenue of approximately HK$0.8 million for the year ended 31 March 2017, the Group's revenue derived from Europe market and Asia Pacific market significantly increased. The revenue derived from Europe market significantly increased by approximately HK$48.8 million or 147.9% from approximately HK$33.0 million for the year ended 31 March 2017 to approximately HK$81.8 million for the year ended 31 March 2018, while the revenue derived from Asia Pacific market significantly increased by approximately HK$26.5 million or 146.4% from approximately HK$18.1 million for the year ended 31 March 2017 to approximately HK$44.6 million for the year ended 31 March 2018. The Group's revenue derived from Middle East market also slightly increased by approximately HK$2.4 million or 6.2% from approximately HK$38.6 million for the year ended 31 March 2017 to approximately HK$41.0 million for the year ended 31 March 2018.

The Group's gross profit increased by approximately 0.7 million or 1.3% from approximately HK$53.9 million for the year ended 31 March 2017 to approximately HK$54.6 million for the year ended 31 March 2018. The Group's gross profit margin decreased by approximately 6.6% from approximately 26.1% for the year ended 31 March 2017 to approximately 19.5% for the year ended 31 March 2018. The decrease was mainly due to the higher growth in cost of sales to the Group's sales growth during the year ended 31 March 2018. The cost of sales increased by approximately 47.6% from approximately HK$152.3 million for the year ended 31 March 2017 to approximately HK$224.8 million for the year ended 31 March 2018. The lower growth in sales was mainly attributed to the Group's strategy to expand its market share by offering competitive pricing to secure new customers. The Group offered competitive pricing for greater portion of its sales in order to further expand its market share, which led to lower gross profit margin.

The Group's net profit decreased by approximately HK$9.4 million or 37.5% from approximately HK$25.1 million for the year ended 31 March 2017 to approximately HK$15.7 million for the year ended 31 March 2018. The decrease was mainly due to the increase in general and administrative expenses. The Group's general and administrative expenses increased by approximately HK$8.8 million or 49.7% from approximately HK$17.7 million for the year ended 31 March 2017 to approximately HK$26.5 million for the year ended 31 March 2018. The increase was mainly due to the share-based payment expenses arisen from the grant of share options pursuant to the share option scheme of the Company during the year ended 31 March 2018 and relevant expenses of transfer of listing.

For the six months ended 30 September 2018

As shown in table 1, the Group's revenue decreased by approximately HK$37.2 million or 22.0% from approximately HK$169.4 million for the six months ended 30 September 2017 to approximately HK$132.2 million for the six months ended 30 September 2018. As disclosed in the Interim Report 2018/2019, the Group's sales and margin for the six months ended 30 September 2018 were under pressure due to continued challenges in the global business environment which has resulted in the Group facing sales pressures particularly in tough markets. Although the Group's revenue derived from Asia Pacific market increased by approximately HK$3.7 million or 42.0% from approximately HK$8.8 million for the six months ended 30 September 2017 to approximately HK$12.5 million for the six months ended 30 September 2018, the revenue derived from America market, Europe market and Middle East market decreased for the six months ended 30 September 2018. The Group's revenue derived from Middle East market significantly decreased by approximately HK$31.2 million or 92.7% from approximately HK$33.7 million for the six months ended 30 September 2017 to approximately HK$2.5 million for the six months ended 30 September 2018, while the revenue derived from America market decreased by approximately HK$8.3 million or 10.5% from approximately HK$79.2 million for the six months ended 30 September 2017 to approximately HK$70.9 million for the six months ended 30 September 2018. Nevertheless, the Group's revenue derived from Europe market slightly decreased by approximately HK$1.4 million or 2.9% from approximately HK$47.8 million for the six months ended 30 September 2017 to approximately HK$46.4 million for the six months ended 30 September 2018.

Due to the continued challenges in the global business environment, the Group's gross profit margin decreased by approximately HK$14.0 million or 38.3% from approximately HK$36.6 million for the six months ended 30 September 2017 to approximately HK$22.6 million for the six months ended 30 September 2018. Due to the above reason together with the one-off effects of share based payment expenses and placing commission and other fees, the Group recorded a net loss of approximately HK$3.3 million for the six months ended 30 September 2018 compared to the net profit of approximately HK$16.9 million for the six months ended 30 September 2017.

Information of the Vendor

Mr. Chen Ningdi, is the spouse of a Director and substantial shareholder of the Company, Ms. Jiang, and together they are interested in an aggregate of approximately 19.91% in the total issued shares of the Company through DA Equity, Rapid Raise Investments Limited, DL Global Holdings Limited and DA Capital Management Limited, and thus is a connected person of the Company.

DA Equity holds an aggregate of 87,578,000 Shares of the Company and Rapid Raise investments Limited holds an aggregate of 103,940,000 Shares of the Company. DA Equity is wholly owned by Rapid Raise Investments Limited and, in return, Rapid Raise Investments Limited is wholly owned by DL Global Holdings Limited. DL Global Holdings Limited is beneficially owned as to 36.60% by Ms. Jiang, 30.00% by Mr. Chen and 33.40% by other shareholders.

DA Capital Management Limited, a company wholly owned by Mr. Chen, holds an aggregate of 32,220,000 Shares in the Company.

II. Information of the Target Companies

(i) DL Secuities

DL Secuities is a company incorporated in Hong Kong with limited liability and a corporation licensed by the SFC to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

Set out table 2 below is the summary of the financial information of DL Secuities for three years ended 31 December 2016, 2017 and 2018:

Table 2: Summary of financial information of DL Secuities

	For the year ended 31 December 2016 *HK$'000* (audited)	For the year ended 31 December 2017 *HK$'000* (audited)	For the year ended 31 December 2018 *HK$'000* (unaudited)	For the six months ended 30 June 2018 *HK$'000* (unaudited)	For the six months ended 30 June 2019 *HK$'000* (unaudited)
Revenue	5,314	13,738	48,327	3,865	18,324
Net profit/(loss)	(2,176)	(1,107)	1,920	(4,151)	3,055

	As at 31 December 2016 *HK$'000* (audited)	As at 31 December 2017 *HK$'000* (audited)	As at 31 December 2018 *HK$'000* (unaudited)	As at 30 June 2019 *HK$'000* (unaudited)
Total assets	11,063	13,098	22,582	35,850
Net assets	10,903	12,796	16,716	31,536

As confirmed by the Vendor, the revenue of DL Securities was mainly derived from type 6 (advising on corporate finance) regulated activities under SFO, although it has type 1 and type 4 license. The revenue of DL Securities is mainly derived from service fee income generated primarily from its referral services which accounted for over 90% of the total revenue for the year ended 31 December 2018 as well as from strategic consultation services, company secretary services and corporate finance advisory services among others. As shown in table 2, the revenue of DL Secuities significantly increased by approximately HK$8.4 million or 158.5% from approximately HK$5.3 million for the year ended 31 December 2016 to approximately HK$13.7 million for the year ended 31 December 2017. The increase was mainly due to increase in number of completed projects. The revenue of DL Secuities further increased by approximately HK$34.6 million or 252.3% from approximately HK$13.7 million for the year ended 31 December 2017 to approximately HK$48.3 million for the year ended 31 December 2018. This significant increase was attributable to the successful commencement of referral services since 2018 and the increase in the number of deals and higher average fee earned per deal. Accompany with the significant increase in revenue, DL Secuities got out of the red during the year ended 31 December 2018. The net loss of DL Secuities for the year ended 31 December 2017 reduced from approximately HK$2.2 million for the year ended 31 December 2016 to approximately HK$1.1 million. For the year ended 31 December 2018, DL Secuities recorded net profit of approximately HK$1.9 million compared to the net loss of approximately HK$1.1 million for the year ended 31 December 2017. The revenue of DL Securities increased by approximately HK$14.5 million or 3.7 times from approximately HK$3.9 million for the six months ended 30 June 2018 to approximately HK$18.3 million for the six months ended 30 June 2019. The significance increase was mainly due to increased number of referral services and higher average fee earned per deal in referral services business during the year ended 30 June 2019. For details, please refer to the section headed ''INFORMATION OF THE TARGET COMPANIES — A. DL Securities — Financial information'' in the ''Letter From the Board''.

As at 31 December 2017, total assets and net assets of DL Secuities increased compared to those as at 31 December 2016. The total assets increased by approximately HK$2.0 million or 18.0% from approximately HK$11.1 million as at 31 December 2016 to approximately HK$13.1 million, while the net assets increased by approximately HK$1.9 million or 17.4% from approximately HK$10.9 million as at 31 December 2016 to approximately HK$12.8 million. The increases in total assets and net assets were mainly due to increase in fixed assets. The total assets and net assets of DL Secuities further increased as at 31 December 2018 compared to those as at 31 December 2017. The total assets increased by approximately HK$9.5 million or 72.5% from approximately HK$13.1 million as at 31 December 2017 to approximately HK$22.6 million, while the net assets increased by approximately HK$3.9 million or 30.5% from approximately HK$12.8 million as at 31 December 2017 to approximately HK$16.7 million. Although the current liabilities of DL Secuities significantly increased from approximately HK$0.3 million as at 31 December 2017 to approximately HK$5.9 million as at 31 December 2018 due to increased in accounts payable and unearned revenue, the increases in total assets and net assets as at 31 December 2018 were mainly due to significant increase in cash. DL Secuities's bank balances and cash increased by approximately HK$7.3 million or 187.2% from approximately HK$3.9 million as at 31 December 2017 to approximately

HK$11.2 million as at 31 December 2018 due to the cash received from customers after completion of projects. DL Securities's total assets by approximately HK$13.3 million or 58.7% from approximately HK$22.6 million as at 31 December 2018 to approximately HK$35.9 million as at 30 June 2019. DL Securities' s net assets increased by approximately HK$14.8 million or 88.7% from approximately HK$16.7 million as at 31 December 2018 to approximately HK$31.5 million as at 30 June 2019. The increase in total assets and net assets were mainly attributable to (i) increase in cash and bank balance due to the cash received from customers after completion of projects; (ii) increase in account receivables and margin loan receivable due to commencement of brokerage and margin financing business during 2019; (iii) a capital injection of HK$12 million during the six months ended 30 June 2019; and (iv) increase in prepayment due to trading rights deposit paid to the Stock Exchange and trading system deposit.

Upon completion of the Acquisition, DL Secuities will become an indirect subsidiary of the Company.

(ii) DA Finance

DA Finance is a company incorporated in Hong Kong with limited liability and a corporation holding a money lender's licence.

Set out table 3 below is the summary of the financial information of DA Finance for the period from 14 September 2016 (being the date of incorporation) to 31 December 2017 and the year ended 31 December 2018.

Table 3: Summary of financial information of DA Finance

	For the from 14 September 2016 (being the date of incorporation) to 31 December 2017 *HK$'000* (audited)	**For the year ended 31 December 2018** *HK$'000* (unaudited)	**For the six months ended 30 June 2018** *HK$'000* (unaudited)	**For the six months ended 30 June 2019** *HK$'000* (unaudited)
Revenue	Nil	32	nil	nil
Net (loss)	(14)	(28)	(57)	(312)

	As at 31 December 2017 *HK$'000* (audited)	**As at 31 December 2018** *HK$'000* (unaudited)	**As at 30 June 2019** *HK$'000* (unaudited)
Total assets	12	13,443	4,632
Net (liabilities)	(4)	(18)	(329)

As shown in table 3, DA Finance did not have any revenue for the period from 14 September 2016 to 31 December 2017. This is because the company was inactive during the period. DA Finance recorded a net loss of approximately HK$14,000 for the period due to administrative and other operating expenses including auditor's remuneration and business registration fee. DA Finance had revenue of approximately HK$32,000 for the year ended 31 December 2018. The revenue was solely loan interest income from other group company. Expenses, including accountancy fee, consulting fee, legal and professional fee, outweighed the generated revenue so DA Finance recorded a net loss of approximately HK$28,000 for the year ended 31 December 2018. DA Finance did not generate any revenue for the six months ended 30 June 2018 and 2019. This was because DA Finance's business had not yet formally launched. DA Finance recorded net loss of approximately HK$312,000 for the six months ended 30 June 2019 comparing to the net loss of approximately HK$57,000 for the six months ended 30 June 2018. The increase in net loss was mainly due to office rental expenses and a one-time renovation fee of approximately HK$120,000 with regard to office renovation works.

As at 31 December 2017, DA Finance had total assets of approximately HK$11,600 because it was inactive during the period. As at 31 December 2018, the total assets of DA Finance increased to approximately HK$13.4 million. The assets consisted of mainly the amount due from shareholder and other group's company. DA Finance recorded net liabilities of approximately HK$17,700 as at 31 December 2018 mainly because of the amount due to shareholder. As at 30 June 2019, DA Finance recorded total assets and net liabilities of approximately HK$4.6 million and HK$329,000, respectively. DA Finance's total assets significantly decreased by approximately HK$8.8 million or 65.5% from approximately HK$13.4 million as at 31 December 2018 to approximately HK$4.6 million as at 30 June 2019. The significant decrease was mainly due to repayment of lone due from shareholder. The net liabilities of DA Finance increased from approximately HK$18,000 as at 31 December 2018 to approximately HK$329,000 as at 30 June 2019. The increase in net liabilities was mainly due to decrease in total assets.

Upon completion of the Acquisition, DA Finance will become an indirect subsidiary of the Company.

III. Principal terms of the Agreement

Set out the table below is the principal terms of the Agreement:

Date	:	6 March 2019
Parties	:	(1) Topper Alliance Holding Limited, an indirect wholly-owned subsidiary of the Group, as the Purchaser (2) Chen Ningdi, as the Vendor
Subject matter	:	The Purchaser proposes to acquire 100% equity interest in DL Secuities and DA Finance at Consideration of HK$42 million.
Acquisition price	:	As mutually agreed by both parties, Roma Appraisals Limited was appointed to conduct a valuation of the Target Companies as at the date of valuation, being 31 December 2018, and had issued a valuation report. According to the report, the valuation of 100% interest in DL Secuities and 100% interest in DA Finance as at 31 December 2018 with an appraised value of approximately HK$43,500,000 and HK$410,000 respectively.
Payment method	:	The Consideration for the Acquisition is HK$42 million which shall be paid by the Purchaser to the Vendor in cash in the following manner: (1) A refundable deposit of HK$21 million shall be paid upon the signing of the Agreement (the ''**First Instalment**''); and (2) HK$21 million shall be paid upon the Completion (subject to adjustment as set out below in the principal terms ''Profit guarantee'' and ''Conditions to the agreement''). The Acquisition will be financed by both the internal resources of the Group and Net Proceeds from the Placing.
Transfer schedule	:	The parties to the Agreement have agreed that upon fulfilment of the conditions to the Agreement, the transfer of the entire issued share capital of the Target Companies under the Agreement shall be completed on the date falling on the third Business Day after the fulfilment of the conditions, or such later date as the parties to the agreement may agree.
Conditions to the agreement	:	(1) the Purchaser being satisfied in its absolute discretion with the results of the due diligence review to be conducted;

(2) all necessary consents, licenses and approvals required to be obtained on the part of the Vendor and each of the Target Companies in respect of the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

: (3) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;

: (4) the approval from the SFC in relation to the change of substantial shareholder (as defined in the SFO) of DL Secuities having been obtained and not revoked, cancelled or lapsed;

: (5) each of the warranties given by the Vendor remaining true and accurate and not misleading in all respects;

: (6) the Purchaser being satisfied that, as at Completion, there has not been any material adverse change in respect of each of the Target Companies since the date of the Agreement;

: (7) DL Secuities shall comply with all the applicable requirements under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) (including but not limited to the minimum paid-up capital and liquid capital requirements) as at the date of Completion;

: (8) DA Finance shall comply with all the applicable requirements under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the Money Lenders License held by DA Finance shall remain valid and in full force and effect as at the date of Completion; and

: (9) the approval of the Agreement and the transactions contemplated thereunder by the Independent Shareholder

Profit guarantee : the Vendor irrevocably warrants and guarantees to the Purchaser that the Actual Profit will be not less than HK$6 million, as the Guaranteed Profit during the Guarantee Period. If during the Guarantee Period, the Actual Profit is less than the Guaranteed Profit, the Vendor shall compensate the Purchaser seven (7) times of the shortfall on a dollar to dollar basis within fourteen (14) days after the delivery of the Profit Guarantee Audited Accounts in an amount calculated as follows:

A = (Guaranteed Profit — Actual Profit) x 7
where A is the Adjustment Consideration
for the Profit Guarantee

If the Target Companies record an aggregate loss in its Profit Guarantee Audited Accounts, the Actual Profit shall deem to be nil. If the Actual Profit exceeds the Guaranteed Profit, no Adjustment Consideration will be payable to the Vendor by either the Target Companies or the Purchaser.

Guaranteed Profit

As confirmed by the Directors, the Guaranteed Profit was determined through negotiation between the Purchaser and the Vendor. The Vendor irrevocably warrants and guarantees to the Purchaser that the Actual Profit will be not less than HK$6 million. Both parties have considered (i) the revenue of approximately HK$48.3 million generated by DL Securities for the year ended 31 December 2018; (ii) the future prospects of the Target Companies in the two years ending December 2020.

To assess the fairness and reasonableness of the determination of the Guaranteed Profit (including the underlying assumptions), we have reviewed supporting documents provided by the Company and have done our own research for our justification. We noted that the expected revenue in 2019 is based on, among others, (a) revenue of HK$14.4 million from other one-off completed contracts for the six months ended 30 June 2019; (b) additional revenue of approximately HK$5.5 million from brokerage services and interest income from margin financing; and (c) revenue of HK$20.9 million from five conditional contracts from which DL Securities has already generated revenue of approximately HK$0.2 million for the six months ended 30 June 2019. We have collected reviewed the completed contracts and those five conditional contracts; the expected amounts of revenue generated from those contracts are the same as the amounts stated in those contracts. For the expected revenue of approximately HK$0.5 million generated from margin financing business. DL Securities has commenced margin financing business in 2019. We have reviewed the latest management accounts of DL Securities. We found that DL Securities recorded margin loan receivables of approximately HK$4.1 million. The currently available liquid capital of DL Securities is approximately HK$14.9 million and additional fund after collecting the account receivables would be approximately HK$500,000 and DL Securities may invest HK$5 million more in margin financing business by using outside funding. DL Securities will have approximately HK$25 million invest in margin financing business. Based on our desktop research, the prevailing market interest rate for margin financing is prime rate plus 2%. The current Hong Kong dollar prime rate is 5.375%, the market annual interest rate for margin financing would be 7.375%. Assume that the Company would spend three months to find customers and utilise all prepared fund for margin financing which would be at least HK$25 million. By multiplying HK$25 million to the market interest rate, the interest income for margin financing business for the three months ending 31 December 2019 would be approximately HK$0.5 million which is the same as the Directors' expectation. For the expected of approximately HK$5 million generated from brokerage business, we noted that DL Securities has commenced its brokerage business and one corporate account has been opened. Besides, approximately HK$1,700 has already been generated for the six months ended 30 June 2019 based on the unaudited financial information provided by the Vendor. Since DL Securities has also commenced margin financing business, brokerage income will be generated from the trading from margin clients.

We noted that the expected expenses in 2019 are expected to be approximately HK$48 million. We have reviewed the tenancy agreement entered between DL Securities and the landlord. We found that the rental and management fee would be approximately HK$2 million per annual. As advised by the Directors, 50% of brokerage business revenue (i.e. approximately HK$2.5 million) will be the sales commission expenses. We reviewed the current payroll expenses of DL Securities, we found that there would be payroll expenses of approximately HK$8 million for the year ending 31 December 2019. We found that the current monthly salary for existing staff including 7 management and 8 staff is approximately HK$0.5 million. DL Securities will recruit 4 new staff for brokerage and margin financing business stating from June 2019, including 1 staff for settlement team, 1 staff for customer service team, 1 staff for finance team and 1 staff for sales team. The aggregate monthly salary for those 4 new staff is assumed to be approximately HK$0.1 million which is within the market salary benchmark. There will also be expenses of employees' insurance, allowance, mandatory provident fund schemes and bonus. We noted that the payroll expenses of DL Securities for the year ended 31 December 2018 was approximately HK$7.1 million, by considering the addition expenses incurred from the recruitment of new employees, we are of the view that the expected payroll expenses of approximately HK$8 million is fair and reasonable.

We noted that the expected revenue of approximately HK$52 million in 2019. In which (i) approximately HK$45.1 million has been secured by contracts (refer to the section headed "INFORMATION OF THE TARGET COMPANIES — A. DL Securities — Financial information in "Letter from the Board" for details); (ii) approximately HK$1 million is expected to be generated from potential contracts; and (iii) approximately HK$6.1 million is expected to be generated from brokerage and margin financing business and money lending business. We have collected and reviewed the contract of the 20 customers listed in the "Letter from the Board". We have assessed the length of business relationship between DL Securities and the customers, the nature of the contracts and the contracts' amount. We noted that DL Securities has maintained 6 years business relationship with one of the customers and 3 years business relationship with two of the customers. We also found that 6 out of 20 contracts are referring contracts and the remaining contracts are either one-off or project-based contracts. As advised from the Director, they believe that DL Securities have strong customer business and long and steady business relationship with some of the existing customers. Although most of the current contracts are one-off, DL Securities will keep long-term business relationship with the customers. Based on (i) the increased in number of deals completed by DL Securities in the financial year 2018; (ii) the significant increased in revenue of DL Securities in the financial year 2018; and (iii) approximately HK$45.1 million of expected revenue in 2019 has been secured by contracts, we are of the view that the expected revenue of approximately HK$52 million is achievable.

As advised by the Vendor, the expected in-house fee including legal services, audit services and trading system would be approximately HK$1 million. We have reviewed the quotation of trading system provided by the Vendor, there will be annual expenses of approximately HK$690,000 for the trading system. Besides, the Directors expect the legal and professional fee incurred from corporate finance deals will be approximately HK$33 million for the year ending 31 December 2019 which is approximately 63% of the expected revenue of approximately HK$52 million. We reviewed that historical legal and professional fee incurred from corporate finance business, we found that the legal and professional fee for the year ended 31 December 2018 accounted for 68% of the total revenue. Since the DL Securities will introduce brokerage and margin financing business starting in June 2019, we are of the view that the legal and professional fee incurred from corporate finance business for the year ending 31 December 2019 will be slightly less than 68% of the total revenue. Therefore, we are of the view the determination of legal and professional fee incurred from corporate finance business for the year ending 31 December 2019 which is 63% of the total revenue is fair and reasonable.

We noted that the Directors assumed the expected annual growth rate of the Target Companies' revenue will be approximately 8% and 7% for the year ending 31 December 2019 and 2020 respectively. Based on our desktop research, the 2013 to 2018 compound annual growth rate of the total equity funds raised and the number of listed companies on the Stock Exchange of 7.4% and 7.1% respectively which are close to the expected annual growth rates assumed by the Directors. Since (i) the increase in equity funds raised and number of listed companies on the Stock Exchange will translate into more business opportunities for DL Securities' existing financial advisory services, capital raising services and referral services, and brokerage and margin financing business; and (ii) the total equity funds raised and the number of listed companies on the Stock Exchange reflect the total equity fund raising market size and expansion of the Hong Kong capital market, we are of the view that the financial services industry has positive prospects and the expected annual growth rates of the Target companies revenue are fair and reasonable.

We noted that (i) DL Securities has three advisory contracts with fixed revenue on hand, which are expected to generate revenue of approximately HK$8.2 million for each of the two years ending 31 December 2020; (ii) DL Securities has already generated revenue of approximately HK$2.2 million from those three contracts on hand as at the Latest Practicable Date based on the unaudited financial information provided by the Vendor; (iii) other completed contracts which have generated revenue of approximately HK$14.4 million as at the Latest Practicable Date based on the unaudited financial information provided by the Vendor; (iv) two conditional contracts of DL Securities on hand and potential contracts expected to generate revenue of approximately HK$28.8 million for the year ending 31 December 2019; (v) DL Securities' s application to uplift conditions previously imposed on its SFC licenses has been approved in June 2019, after which DL Securities will commence provision of brokerage and margin financing services which would enable DL Securities to generate additional commission and interest income; and (vi) although there were downward pressures on the global stock market, the 2013 to 2018 compound annual growth rate of the total equity funds raised and the number of listed companies on the Stock Exchange of 7.4% and 7.1%, respectively. Besides, DL Securities has already generated net profit of approximately HK$3.1 million for the six months ended 30 June 2019 which is more than a half of the Guaranteed Profit. Based on the above evidence, we concur the Directors' view that the Guaranteed Profit is achievable and the determination is fair and reasonable.

The Vendor has signed a deed of undertaking on 10 May 2019 whereby the Vendor irrevocably and unconditionally agrees, undertakes and covenants to the Purchaser that the Vendor shall, on demand by notice in writing of the Purchaser to the Vendor, pay to the Purchaser the compensation payment in the event that the Adjustment Consideration is payable. Should the Vendor default in paying the Adjustment Consideration and breach the terms of the undertaking, the Company shall, on a best effort basis, seek to resolve the matter on an amicable basis, failing which the Company will consider taking all necessary and reasonable legal actions to enforce the Profit Guarantee and undertaking. Having considered the mechanism to secure any Adjustment Consideration payable from the Vendor and the fact that the agreement terms regarding the Guarantee Profit could safeguard the Company's assets, we are of the view that the agreement terms regarding the Guarantee Profit is in the interest of the Company and its shareholders as a whole.

We have reviewed the terms of historical equity transfer agreements entered into by listed companies on the Stock Exchange and compared the them to the principal terms of the Agreement. Given that fact that (i) there is no material difference between the terms of historical equity transfer agreements entered into by listed companies and the terms of the Agreement; and (ii) the Consideration of the Acquisition is determined based on the valuation conducted by the Independent Valuer (for details, please refer to Section C.V. The Consideration of the Acquisition in this letter), we are of the view that the above agreed terms under the Agreement is on normal commercial terms, fair and reasonable.

IV. Reasons for and benefits of the Acquisition

As mentioned in the ''Letter form the Board'' of the Circular, the Directors consider that the Group's sales and margin were under pressure due to continued challenges in the global business environment which has resulted in the Group facing sales pressures, particularly in tough markets such as the Americas and the Middle East. As mentioned in the Section C. I. Information of the parties, the Group's revenue decreased by approximately HK$37.2 million or 22.0% from approximately HK$169.4 million for the six months ended 30 September 2017 to approximately HK$132.2 million for the six months ended 30 September 2018. According to the ''Letter from the Board'', the macroeconomic uncertainties arising from headwinds in global trade from increases in US trade tariffs, as well as an increasing interest rate environment and downward pressures on the global stock markets creates a very difficult trading environment and the general prospects for the apparel industry remains very challenging. The retail industry in the Americas and Middle East have proven to be increasingly difficult with several well-known and established retailers as well as other independent retailers closing down operations in the US in 2018. According to our desktop research with reference to media, 16 US retailers have filed for bankruptcy or announced liquidations in 2018. Besides, in Middle East, one of the oldest fashion retailers was closed after 30 years in business in late 2017. These indicate that the garment industry in the US and Middle East is facing a downturn.

The Directors believe that the Acquisition can allow the Group to broaden its source of income, explore new markets with growth potential and capture new business opportunities which may create substantial value to the Shareholders. By acquiring the Target Companies, the group can diversify its business to financial service industry. Although there were downward pressures on the global stock market which create difficulties in trading environment, the 2013 to 2018 compound annual growth rate of the total equity funds raised and the number of listed companies on the Stock Exchange of 7.4% and 7.1%, respectively which indicate that the equity fund raising related activities and demand of corporate advisory from listed companies were positively growing. The prospects of corporate finance related activities are positive. DL Securities' s application to uplift conditions previously imposed on its SFC licenses has been approved in June 2019, after which DL Securities will commence provision of brokerage and margin financing services. The total securities market turnover of the Stock Exchange of Hong Kong fluctuated during the 2013 to 2018, increasing from HK$15,264.6 billion to HK$26,422.8 billion at a Compound annual growth rate (CAGR) of 11.6%. This indicates that the securities trading activities in Hong Kong stock market were positively growing. The prospects of brokerage and margin financing business are positive. Based on the above, we are of the view that the future prospects of financial services industry are positive. As confirmed by the Directors, there are two main reasons for the Group to choose to expand their business in financial service industry. First, the prospect of financial service industry is positive. Hong Kong is a financial centre and finance is a core industry in Hong Kong. In 2018, the Stock Exchange was the world leader in initial public offering funds raised; it also launched Bond Connect, a scheme connecting the PRC interbank bond market with Hong Kong and the world; and made additional enhancements to the Stock Connect program, including expanding the daily quota. These schemes and enhancements are expected to increase the trading activity and the overall revenue of the Hong Kong financial industry. Money lending is also a core financial service in the industry. By acquiring DL Secuities and DA Finance, the Group not only can diversify it business into the industry with positive prospect, but also can prepare itself to be a financial service provider with boarder range of financial service products with the money lending licence. Second, the executive Director, Mr. Cheung Lui, has a wealth of experience in banking from his previous role as relationship manager in the commercial banking division at a well-known commercial bank where his experience and responsibilities included overseeing credit trade finance facility arrangement to corporate clients. We have reviewed the experience and background in banking industry of Mr. Cheung, we are of the view that Mr. Cheung has sufficient knowledge, network and experience to manage and develop the Target Companies. As confirmed by the Directors, the management and responsible officers of DL Secuities and DA Finance will be retained after the Completion. We have reviewed the curriculum vitae of the management and responsible officers, we are of the view that there is sufficient expertise in the Target Companies. The Directors believe that investing in the Target Companies will allow the Group to benefit from diversified revenue streams and access to the Hong Kong financial services market with growth potential and better return on capital.

The Group is primarily engaged in garment industry, diversifying its business into financial service industry is not in the usual and ordinary course of business of the Group. However, by considering that (i) the sales and margin of the Group were under pressure due to the downturn of global business enlivenment; (ii) the financial service industry in Hong Kong has positive prospect; (iii) Mr. Cheung has sufficient knowledge and experience to manage and develop the Target Companies; and (iv) the Group will retain the expertise in the Target Companies after the Acquisition, we are of the view that the Acquisition is in the interest of the Company and the Shareholders as a whole.

V. The Consideration of the Acquisition

As mutually agreed by the Group and the Vendor, Roma Appraisals Limited was appointed to conduct a valuation of the Target Companies and had issued a valuation report. According to the valuation report, the valuation of 100% interest in DL Secuities and 100% interest in DA Finance as at 31 December 2018 with an appraised value of approximately HK$43,500,000 and HK$410,000 respectively.

The Consideration has been arrived at after arm's length negotiations between the Purchaser and the Vendor and was based on the valuation results of DL Secuities and DA Finance as at 31 December 2018, which was appraised by the using market approach.

Roma Appraisals Limited, a subsidiary of Roma Group (8072:HK), is principally engaged in the provision of valuation and technical advisory services in Hong Kong under the brand "Roma" with principal clients being companies listed on Stock Exchange. They provide a diverse spectrum of services to their clients, including natural resources valuation, technical advisory services and various specialized valuation and consultancy services, covering business and intangible assets valuation, financial instruments valuation, real estate valuation, work of art valuation, industrial valuation, purchase prices allocation and corporate advisory. We have been furnished with the qualification and experience of the Independent Valuer in relation to the conduct of valuation of the Target Companies, and note that the Independent Valuer has possessed sufficient qualifications and experience in valuing companies similar to the Target Companies over 10 years. The Independence Valuer confirmed that they have performed more than 10 similar valuations on SFC licensed firms including the firms that possess type 1, 4 & 6 SFC licenses and money lenders license. The Independent Valuer is independent to the Group and the Vendor and also is independent to the shareholders, directors, and any associates of the Group and the Vendor.

In assessing the fairness and reasonableness of the appraised value of the Target Companies, we have performed additional due diligence on the valuation report issued by the Independent Valuer, we have reviewed the valuation report and interviewed the Independent Valuer regarding, among other things, the basis and assumptions made and the methodology adopted by the Independent Valuer in conducting the appraisal for the major assets of the Target Companies. We understand that the Independent Valuer has adopted market approach for evaluating the value of the Target Companies. Income approach was not adopted for the valuation of the Target Companies. The Independent Valuer considered that income approach is not an appropriate approach to appraise the value of the Target Companies since a lot of assumptions would have to be made and the valuation could be largely influenced by any assumptions made. It is difficult to accurately forecast the future revenue, number of customers, cash flow and business plan. Since those quantitative assumptions may largely vary to the actual situation in the future, this may affect the accuracy of the valuation. Besides, DA Finance recorded a net loss in the past two years. The Independent Valuer is of the view that the net losses of the business resist them from making precise forecast to the value of the Target Companies. The Independent Valuer is also of the view that asset-based approach is not an appropriate method to assess the value of the Target Companies due to the asset-light nature of their business. Besides, DL Secuities did not operate through using their type 1 and type 4 licenses while DA Finance has been inactive, the asset-based approach could not capture the future earning potential of the business. Therefore, the Independent Valuer adopted market approach instead in their appraisal on the value of the Target Companies.

The market-based approach values a business entity by comparing prices at which other business entities in a similar nature 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 for an equally desirable alternative. By adopting this approach, the Independent Valuer first looked for valuation indication of prices of other similar business entities that have been sold recently. The right transactions employed in analysing indications of values 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.

After discussed with the Independent Valuer, we concur that (i) income-based approach required marking a number of assumptions that would largely influence the appraisal result and it is difficult to make absolutely appropriate assumption; (iii) income-based approach requires a financial projection of at least five years which would involve making assumptions on remote years, it is difficult to project the performance in remote years, and assumptions made on remote years would significantly affect the fair value of the Target Companies; (iv) DA Finance was loss-making since its incorporation; (v) the Target Companies are asset-light due to its nature; and (vi) asset-based approach could not reflect the market value of the Target Companies. Having considered the above, we concur that income-based approach and asset-based approach are not suitable measures in appraising the value of the Target Companies. Although the core value of the corporate finance business and money are primarily based on the expertise, experience and the customer network of the responsible officers/staff and there are only limited available Comparable in the market, due to the inappropriateness of the adoption of income-based approach and asset-based approach, we are of the view that market based approach is the most suitable measure for the Valuation. In the light of that (i) income-based approach and asset-based approach are not suitable measure in the Valuation; (ii) the Independent Valuer has set reasonable criteria to search for appropriate comparables by adopting market approach; (iii) the comparables selected for the Valuation are exhaustive based on the Independent Valuer's best efforts in searching for appropriate comparables, we are of the view that the appraisal result of market-based approach is fair and reasonable.

To assess the value of type 6 business of DL Secuities, the Independent Valuer selected 9 comparable companies which (i) are principally engaged in corporate finance business; (ii) have major operating segment in Hong Kong; (iii) The companies have sufficient listing and operating histories; and (iv) the financial information of the companies is available to the public. We understand that since the selected comparables are listed companies on the Hong Kong Stock Exchange, the scale of operation and market capitalisation must be larger than those of DL Securities. However, due to lack of recent similar transactions that involved acquisition of companies similar to DL Securities and the unavailability of financial information, especially the P/E ratio of private companies similar to DL Securities. Similar companies listed on the Hong Kong Stock Exchange is the only gateway to obtain comparable P/E ratios, we consider that the comparables may reflect the recent market trend of the acquisition of securities firms, thus we consider the comparables are fair and representative samples for comparison. We have conducted our own research on appropriate comparables, we found that the comparables selected by the Independent Valuer are exhaustive based on the Independent Valuer's best efforts in searching for appropriate comparables. We note that the revenue of the selected comparables were mainly derived from type 6 regulated activities, ranged from 53.2% to 100%. Although the corporate finance business of DL Securities had generated more than 90% of it revenue, we considered that the selection criterion that is the companies have more than 50% of revenue generated from corporate finance business is fair and reasonable as more than 50% revenue represents the majority of revenue of the Comparables. Since the majority of revenue of the Comparables was generated from corporate finance business which is the same as DL Securities, we have no doubt on the comparableness of the selected Comparables. Besides, the operation geography of the selected comparables is mainly in Hong Kong. Based on the above, we are of the view that the selected comparables are representable to DL Securities. Since the Target Companies are non-listed companies, they have disparity in marketability compared to those 9 selected comparable companies,the Independent Valuer has made appropriate adjustments to compensate the disparity of marketability by using marketability discount. Marketability discount (discount for lack of marketability) is an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability. Having considered that (i) the selected comparables are publicly traded with higher marketability; (ii) the Target Companies are privately owned company with lower marketability; and (iii) the marketability discount rate is with reference to the Stout Restricted Stock Study published by Stout Risius Ross, LLC. in December 2018 which is a common reference for valuer to perform valuation, we are of the view that the adoption of marketability discount is fair and reasonable. Moreover, the valuation of the Target Company is in controlling basis, there is a disparity compare with the price to earnings multiples adopted from the 9 listed companies, which is presented in minority basis. Hence the Independent Valuer has made adjustment on the disparity of controlling power over a company by using control premium. As discussed with the Independent Valuer, they believe that the market value of the corporate finance business under DL Securities from the perspective of controlling interest, while the P/E multiple applied is the publicly listed companies' share price to its per-share earnings, these per share price extracted from stock market shall represent a share price hold by a holder without controlling power over the company. Hence the valuation result of DL Securities calculated based on the P/E multiple shall represent a market value of DL Securities, in which the holder without controlling power towards DL Securities. However, the valuation is conducted based on 100% equity interests of DL Securities, a holder of DL Securities should have controlling power over DL Securities.

Hence, a control premium should be considered to the valuation of DL Securities. We considered that DL Securities is a private company, the holder of DL Securities has 100% controlling power over DL Securities. In comparison, the Comparables are publicly owned, the controlling power is spread by the shares owned by multiple shareholders. Since the Company is acquiring 100% equity interests of DL Securities, upon the Completion, the Company would have 100% controlling power over DL Securities. Given the facts that (i) the Company would have DL Securities has higher controlling interest than the owner's of the Comparables after the Completion; and (ii) the adopted 28.80% of control premium is with reference to the Mergerstat Control Premium Study (2nd quarter of 2018) published by FactSet Mergerstat, LLC which is a common reference for valuer to perform valuation, we are of the view that it is fair and reasonable to adopt a control premium in the valuation of DL Securities to show the higher controlling interests that the Company would possess after the Completion. By considering that (i) the selected comparable companies are mainly engaged in corporate finance business; (ii) the marketability of DL Secuities is lower than the comparable companies which are publicly being traded on Stock Exchange; and (iii) the Group will have 100% control to DL Secuities after the Completion, we are of the view that the guideline comparable companies approach and the adjustments made are fair and reasonable.

To assess the value of type 1 and type 4 business of DL Secuities, the Independent Valuer first obtained the market value of license type 1, 4, and 9 and license type 9 from comparable transactions. The difference between the market value of license type 1,4,9 and license Type 9 represent the market value of SFC license type 1,4 and securities business under DL Secuities. The Independent Valuer found four comparable transactions which (i) the target company was primarily engaged in carry out type 1, type 4 and type 9 and solely type 9 regulated activities under the SFO; (ii) the target companies were loss making as at the announcement of the transactions, it was assumed that consideration paid above the net asset value of the loss-making target company was mainly for purchasing the SFC license; (iii) the transactions were completed before the date of valuation; and (iv) the financial information of the transaction was available to the public. We note that the Independent Valuer selected two acquisition transactions of companies with type 1, 4 & 9 SFC licenses and two acquisition transactions of companies with type 9 license only (for details, please refer to Appendix II — Valuation Report). All four target companies in the transactions were loss-making. The method adopted by the Independent Valuer to calculate the market price of type 1 & 4 licence is expressed as the following equation:

Aggregate market value of type 1,4 & 9 license – market value of type 9 license
= aggregate market value of type 1 & 4 license

Since the target companies in the transactions were loss making, the difference between the consideration and the net asset value of those company is the remaining value the premium the acquirers were willing pay for the acquisition. It is expected that most of the remaining value is the value of the SFC license since those company could not operate without the SFC licenses. By using this method, the aggregate value of type 1, 4 & 9 licenses and the value of type 9 license could be calculated. We understand the methodology adopted by the Independent Valuer and we are of the view that the assumptions and basis behind this methodology is fair and reasonable. We note there are only two acquisition transactions of companies with type 1, 4, & 9 SFC licenses and only two acquisition transactions companies with only type 9 SFC license were selected by the Independent Valuer. We considered that DL Securities has not utilised its type 1 & 4 SFC license to generate any profit; the target companies in the comparable transactions have to be loss-making in order to adopt the valuation methodology to appraise the value of type 1 & 4 SFC license. Publicly, there are only few transactions can fulfil the selection criteria. After our own desktop research, we understand that the comparable transactions selected by the Independent Valuer is exhaustive under the selection criteria. In the light of that (i) the mentioned valuation method is the only workable method to appraise the net value of type 1 & 4 SFC license; and (ii) the comparable transactions selected by the Independent Valuer are exhaustive. Therefore, we are of the view that the valuation result drawn by the Independent Valuer is representative and fair and reasonable.

To assess the value of DA Finance, the Independent Valuer searched for relevant market transactions comparable to the money lending licence. The Independent Valuer was able to find three comparable transactions in the past three years which (i) the target companies were primarily holding a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong); (ii) the transactions were completed within three years before the date of valuation; and (iii) the financial information of the transaction was available to the public. We note that the number of comparable transactions selected by the Independent Value is small. The Independent Valuer selected comparable transactions within the last three years. We consider that the prices for transactions completed over three years ago may not be representative so that it is meaningless to extent the research period in order to enlarge the number of comparable transactions. We also consider that there would be insufficient number of comparable transactions to set a shorter time frame for the research on comparable transactions. Although we note that the Independent Valuer has done the research on comparable transactions under best-effort basis, we have done our desktop research on comparable transactions in order to ensure the selected comparable transactions are exhaustive. We have identified two additional comparable transactions, by adding them into the list of the comparable companies, it has no material change in the valuation result (for details, please refer to Section C. VI. — Comparison with other companies in the same industry of this letter). Although we added two additional comparable transactions to the comparable transactions identified by the Independent Valuer, there is not material change in the valuation result. We are, therefore, of the view that the valuation result drawn by the Independent Valuer is reliable.

In light of the above, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the valuation report. Accordingly, we are of the view that the valuation report has been reasonably prepared and are normal in nature without any unusual assumptions; and the Consideration is fair and reasonable.

Although the Consideration is determined with reference to the valuation conducted by the Independent Valuer, we have conducted our independent research and analysis to examine whether the Acquisition is more beneficial to the Company instead of setting up the businesses of the Target Companies by the Company itself.

For DL Securities, according to the "Licensing Handbook" issued by the SFC in April 2017, we note that there are minimum paid-up share capital and liquid capital requirements for the application for licensed corporation. To set up a company which is the same as DL Securities, SFC type 1, 4 & 6 licenses are required for conducting brokerage services, margin financing and corporate finance related business. For applying SFC type 1, 4 & 6 licenses for a securities firm, a minimum paid-up share capital of HK$10 million and a minimum liquid capital of HK$3 million are required under the Securities and Futures (Financial Resources) Rules (Cap. 571N of the Laws of Hong Kong). However, when DL Securities applied for uplift on the conditions imposed on the SFC type 1 license for commencing margin financing business, excess liquid capital to cover at least 12 months' of expenses in the amount of HK$12 million as one of the conditions required by the SFC for final approval of the uplift application with regard to its SFC type 1 license. Based on the experience of DL Securities, we believe that the SFC may require applicant to have liquid capital more than the minimum liquid capital in the amount of HK$3 million for the application for SFC type 1, 4 & 6 licenses. Besides minimum paid-up share capital and liquid capital requirements, there will be other financial costs for setting up a company which is the same as DL Securities. Those may include (i) the professional fees in relation to lodging an application to be a licensed corporation; (ii) rental and renovation cost for premises to set up the company; and (iii) remuneration for recruiting and attracting suitable Responsible Officers, managers-in-charge, licensed representatives and supporting and operational staff. Apart from financial costs, time costs also incur if the Company set up the securities firm by itself. The time costs include (i) approximately 15 weeks for obtaining approval from SFC on the application for the SFC type 1, 4 & 6 licenses according to the "Licensing Handbook"; (ii) the time for identifying suitable premises to set up the company's office; (iii) the time for renovation for the premises; (iv) the time for identifying and recruiting suitable Responsible Officers managers-in-charge, licensed representatives and supporting and operational staff; (v) the time to build up customers based; and (vi) the time for identifying the negotiating with the system providers which provide facilities and system for the business operation. Given the fact that DL Securities has (i) existing suitable manpower; (ii) established client base and business network; (iii) entered into tenancy agreement for an office for its business operation; (iv) SFC type 1, 4 & 6 licenses; and (v) facilities and systems for business operations, we are of the view that the Acquisition offers the Company a lower costs, mainly time costs, and allows the Company to generate income from SFC type 1, 4 & 6 regulated activities in a shorter time frame. as compare to set up a new securities firm by the Company itself. For DA Finance, setting up a company which is the same as DA Finance requires to obtain a money lenders licence. According to the "How to Apply for a Money Lenders Licence" issued by Companies Registry in May 2019, the processing time for applications for a money lenders license is typically approximately 3 to 4 months. Besides, time costs include (i) the time for identifying suitable premises to set up the company's office; (ii) the time for identifying and recruiting suitable supporting and operational staff; and (iii) the time for identifying the negotiating with the system providers which provide facilities and system for the business operation. Given the fact that DA Finance has (i) existing supporting and operational staff; (ii) entered into tenancy agreement for an office for its business operation; (iii) facilities and systems for business operations, we are of the view that the Acquisition enables the Company to save time costs and allows the Company to generate income from money lending business in a shorter time frame as compare to set up a new money lending firm by the Company itself. Based on the above, we are of the view that the Acquisition is more beneficial to the Company instead of setting up the businesses of the Target Companies by the Company itself.

VI. Comparison with other companies in the same industry

(a) DL Secuities

In addition to the asset valuation conducted by the Independent Valuer, in order to assess the fairness and reasonableness of the acquisition price, we have conducted our own assessment on the market value of the Target Companies. As mentioned in Section B. V. — The Consideration of the Acquisition of this letter, income-based approach and asset-based approach are not suitable in the valuation of the Target Companies. Therefore, we have used market-based approach to assess the fairness of the Valuation conducted by the Independent Valuer. We have identified a population of nine listed companies which are mainly engaged in corporate finance business similar to those of DL Secuities (together the "**Comparables**") which we consider to be exhaustive. Since DL Secuities is an asset-light company due to its business nature, we consider that the price to book ratio (the "**P/B Ratio**") comparison is not suitable in this case. We have selected other most commonly used benchmark, the P/E Ratio, in assessing the finalised valuation of DL Secuities and compared the market statistics of the Comparable with the Consideration in terms of P/E Ratio as at 6 March 2019, being the date of the Agreement, which to the best of our knowledge and belief, can form a fair and representative sample for the Independent Shareholders' reference. Besides, we have also selected another benchmark, the price-to-revenue ratio (the "**P/S Ratio**"), to assess the fairness of the Consideration for acquiring DL Securities. P/S ratio is a valuation ratio that compares a company's stock price to its revenues. It is an indicator of the value placed on each dollar of a company's sales or revenues.

Set out table 4 below is the details of P/E Ratio and P/S Ratio comparison of the Comparables and the Acquisition:

Table 4: P/E Ratio comparison

	Company name	**Stock code**	**P/E Ratio as at 6 March 2018** *(Note 1)*	**P/S Ratio as at 6 March 2018** *(Note 2)*
1	Yunfeng Financial Group Limited	376.HK	N/A *(Note 3)*	14.5x
2	First Shanghai Investments Ltd	227.HK	26.6x	2.1x
3	Sunwah Kingsway Capital Holdings Limited	188.HK	23.3x	2.6x
4	Altus Holdings Ltd	8149.HK	9.1x	3.4x
5	Asia-Pac Financial Investment Co Ltd	8193.HK	N/A *(Note 3)*	2.9x
6	Somerley Capital Holdings Limited	8439.HK	40.0x	3.3x
7	Innovax Holdings Limited	2680.HK	N/A *(Note 4)*	N/A *(Note 4)*
8	VBG International Holdings Ltd	8365.HK	10.6x	3.5x
9	Vinco Financial Group Limited	8340.HK	36.5x	3.3x
		Maximum	40.0x	14.5x
		Average	24.4x	4.4x
		Median	25.0x	3.3x
		Minimum	9.1x	2.1x
	DL Securities		22.9x *(Note 5)*	0.9x *(Note 6)*

Note:

1. The P/E Ratio as at 6 March 2019 is calculated by dividing the market capitalisation of the Comparables as at 6 March 2019 by their net profit extracted from their latest annual report.

2. The P/S Ratio as at 6 March 2019 is calculated by dividing the market capitalisation of the Comparables as at 6 March 2019 by their revenue extracted from their latest annual report.

3. The P/E Ratio is unavailable due to its negative net profit extracted from their latest annual report.

4. The P/E Ratio is unavailable due to insufficient information to obtain its trailing 12 months net profit.

5. The implied P/E Ratio is calculated by dividing the acquisition price by its trailing 12 months net profit.

6. The implied P/S Ratio is calculated by dividing the acquisition price by its trailing 12 months revenue.

As shown in table 3, the P/E Ratio of the Comparables ranges from approximately 9.1x to 40.0x, and the average P/E Ratio of the Comparables is approximately 24.4x. Based on the above scenario, it shows that determination of the Consideration at the P/E Ratio of approximately 22.9x is (i) within the range of the P/E Ratio of the Comparables; and (ii) lower than and close to the average. By excluding the comparables with the highest and the lowest P/E Ratio, the range of P/E Ratios of the comparable would be 10.6x to 36.5x. The implied P/E Ratio of DL Securities is still in the range. Given that (i) the implied P/E Ratio of DL Securities is within the range of the P/E Ratio of the Comparables; (ii) the implied P/E Ratio of DL Securities is lower than and closed to the average P/E Ratio of the Comparables, we are of the view that determination of the consideration for DL Securities of approximately 22.9x is justifiable, fair and reasonable. As shown in the table the P/S Ratios of the Comparables range from 2.1x to 14.5x. The average of the P/S Ratio of the Comparable is 4.4x. The implied P/S Ratio of DL Securities is 0.9x which is not in the range of the P/S Ratio of the Comparables and is lower than the average P/S Ratio of the Comparables. This indicates that, in average, investors are willing to pay HK$4.4 for HK$1 revenue of the Comparables which is similar to DL Securities, while the Company is paying HK$0.9 for HK$1 revenue for DL Securities. Since the Company is paying less for HK$1 revenue for DL Securities as compared to which investors are willing to pay for the same of the companies which are similar to DL Securities. We are of the view that the Consideration for acquiring DL Securities is favourable to the Company and is in the interest of the Company and the Shareholders as a whole.

(b) DA Finance

In addition to the asset valuation conducted by the Independent Valuer, in order to assess the fairness and reasonableness of the acquisition price, we have conducted our own assessment on the market value of the Target Companies. As mentioned in Section B. V. — The Consideration of the Acquisition of this letter, income-based approach and asset-based approach are not suitable in the valuation of the Target Companies. Therefore, we have used market-based approach to assess the fairness of the Valuation conducted by the Independent Valuer. Since DA Finance is an asset-light company due to its business nature, we consider that the P/B Ratio comparison is not suitable in this case. Besides, since DA Finance recorded a net loss since its incorporation, we consider that P/E Ratio also is not suitable in the case. Besides, since DA Finance did not have business operation in the financial year ended 31 December 2018. The revenue of DA Finance for the year ended 31 December 2018 cannot represent its profitability. Therefore, we consider that P/S Ratio is not suitable in this case. For assessing the finalised valuation of DA Finance. We have identified two comparable transactions in the past three years which are alternative to the transactions found by the Independent Valuer and the target companies were primarily holding money lenders licenses under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (together the "**Comparable Transactions**") which we consider to be exhaustive.

Set out table 5 below is the details of the Comparable Transactions and the Acquisition:

Table 5: Comparable Transactions and the Acquisition

Acquirer company	Target company	Announcement date	Net asset value (NAV) of the target company *(HK$)*	Net profit/(Loss) of the target company *(HK$)*	Consideration *(HK$)*	Premium above NAV *(HK$)*
Comparable transactions identified by the Independent Valuer						
Asia Investment Finance Group Limited (33.HK)	AIF Finance Limited	16-Mar-16	N/A (only the money lenders license was acquired)	N/A (only the money lenders license was acquired)	500,000	500,000
Jumbo Riches Limited (subsidiary of Huarong Investment Stock Corporation Limited (2277.HK))	Goldyard Finance Limited	30-Jun-16	-140,000	nil (no operation prior to the acquisition)	1,700,000	1,840,000
Gigantic Ocean Investments Limited (subsidiary of Imperium Group Global Holdings Limited (776.HK))	Best Gold Corporation Limited	8-Jul-16	1	nil (no operation prior to the acquisition)	500,000	499,999
Additional comparable transactions identified						
DX.com Holdings Limited (8086.HK)	AMCO United Holding Limited (630.HK)	7-Oct-16	57,266,852 as at 31 August 2016 *(note 1)*	(43,000) for the period from 1 January to 31 August	58,266,852	1,000,000
Allied Honest Investment Limited (subsidiary of Milan Station Holdings Limited (1150.HK))	Blossom Fame Limited	29-Mar-17	1,291,000 as at 31 December 2016	2,556,000 for the year ended 31 March 2016	1,700,000	409,000
					Median:	**500,000**
The Company	DA Finance	6-Mar-19	(17,745) as at 31 December 2018	(27,745) for the year ended 31 December 2018	410,000	427,745

Note 1: It is adjusted NAV. The NAV is adjusted by adding back the amount of the shareholder's loan owing to the vendor as at 31 August 2016.

As mentioned in Section C. V. — The Consideration of the Acquisition of this letter, in order to ensure the selected comparable transactions selected by the Independent Valuer, we have conducted our desktop research on comparable transactions. The selection criteria we adopted is the same as those adopted by the Independent Valuer, including that (i) the target company was primarily holding a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong); (ii) the transaction was completed within three years before the Date of Valuation; and (iii) the financial information of the transaction was available to the public. As shown in table 5, we have identified two additional comparable transactions and the comparable transactions listed in table 5 is exhaustive under the selection criteria. We note that the target company in the comparable transactions made by Allied Honest Investment Limited (subsidiary of Milan Station Holdings Limited generated profit of approximately HK$2.6 million for the year ended 31 March 2016 which is different from the target companies in other comparable transactions which were loss-making or did not have operation. The Independent Valuer confirmed that they had identified those two transactions in research process. The excluded them from the comparable transaction because (i) AMCO United Holding Limited had a value of goodwill before it was acquired and (ii) Blossom Fame was profit-making before it was acquired. The Independent Valuer believes that the value of goodwill and profit-making characteristic may affect the accuracy of the sole value of money lender license. However, based on the selection criteria stated on the valuation report, we are of the view that we cannot exempt those two transactions to assess the valuation result. We ignore the effect of value of goodwill and profitability in our assessment. The premium above NAV of the target companies in those two comparable transactions ranges from HK$409,000 to HK$1,000,000. By adding the two additional comparable transactions, the median of the premium above NAV of all 5 comparable transactions is HK$500,000 which is the same as the median identified of the premium above NAV identified by the Independent Valuer. Although we added two additional transaction to the comparable transactions selected by the Independent Valuer, there is not material change in the valuation result. We are, therefore, of the view that the valuation result drawn by the Independent Valuer is reliable.

VII. Possible financial effects on the acquisition of the Group

Earnings

As mentioned in the "Letter from the Board", Upon the Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company and the net profit/loss of the Target Companies will be consolidated to the Group's account. There is no immediate material impact on earnings of the Group. The Acquisition enables the Group to diversify its business in financial service industry. This will allow the Group to broaden its source of income, explore new markets with growth potential and capture new business opportunities. In view of the positive prospect of the industry, the Directors believe that investing in the Target Companies will allow the Group to benefit from diversified revenue streams and access to the Hong Kong financial services market with growth potential and better return on capital.

Working capital

Based on the Interim Report 2018/2019, the Group's working capital sufficiency (i.e. total current assets of approximately HK$182.4 million, less total current liabilities of approximately HK$37.6 million) and cash and cash equivalents as at 30 September 2018 amounted to approximately HK$144.8 million and HK$102.0 million respectively, representing a current ratio of 4.9 times. The Consideration will be settled in cash. Assume that the value of current assets and current liabilities remain the same, after the settlement of the Consideration, the Group still has working capital sufficiency and cash and cash equivalents of approximately HK$117.2 million and HK$72.8 million, while the Group's current ratio will be dropped to 3.1 times. Based on the above, we are of the view that the Acquisition will not have material impact on the Group's working capital requirement and liquidity.

Net asset value

According to the Interim Report 2018/2019, the net asset value of the Group was approximately HK$148.9 million as at 30 September 2018 while that of DL Secuities was approximately HK$16.7 million as at 31 December 2018. DA Finance recorded net liabilities of approximately HK$17,700. For the Acquisition, the Group's net asset will decrease HK$42 million due to the cash of approximately HK$42 million payable to the Vendor as the Consideration. Assume that the net asset values of the Group and the Target Companies remain unchanged, the Group's net assets value will decrease by approximately HK$25.3 million or 17.0% to HK$123.6 million. Since the decrease in the Group's net asset value will be minimal after the Acquisition, we are of the view that the Acquisition will not have material impact on the Group's net asset value.

In light of the foregoing financial effects of the Acquisition on the earnings, working capital, net asset value and gearing position of the Group as a whole, the mentioned above indicates that the Acquisition would have no significant adverse impact on the Group's financial position. Therefore, we are of the view that while the Group's cash resources would be reduced, the Acquisition is an effective utilisation of its cash resources which is aimed at positioning the Group for a better growth in the future which, in the long run, is expected to benefit the Group and the Independent Shareholders as a whole.

D. RECOMMENDATION

Having taken the above principal factors and reasons into consideration, we are of the view that although the Acquisition is not in the usual and ordinary course of business of the Group, it is on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Acquisition are fair and reasonable. Therefore, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition and the transactions contemplated under the Agreement and the Supplemental Agreement.

Yours faithfully,
For and on behalf of
Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity/ nature of interest	Number of Shares	Approximate percentage of interest in the Company *(Note 1)*
Mr. Cheung	Interest of controlled corporation	356,876,000 *(Note 2)*	31.76%
	Beneficial owner	10,000,000 *(Note 3)*	0.89%
Ms. Jiang	Interest in controlled corporation/ Interest of spouse *(Notes 4 and 5)*	223,738,000	19.91%
Mr. Li Ren	Beneficial owner	101,884,000	9.07%
Ms. Luk Huen Ling Claire ("Ms. Luk")	Beneficial owner	10,000,000 *(Note 3)*	0.89%

Notes:

1. Based on the total number of issued Shares as at the Latest Practicable Date.

2. These 356,876,000 Shares were registered in the name of Alpha Direct Investments Limited ("Alpha Direct"). Mr. Cheung held 100% of the entire issued share capital of Alpha Direct and is deemed to be interested in the 356,876,000 Shares held by Alpha Direct pursuant to the SFO.

3. These 10,000,000 Shares represented the share options granted to each of Mr. Cheung and Ms. Luk pursuant to the share option scheme of the Company.

4. DA Equity is wholly owned by Rapid Raise Investments Limited. Rapid Raise Investments Limited is the beneficial owner of 103,940,000 Shares of the Company. In return, Rapid Raise Investments Limited is wholly owned by DL Global Holdings Limited. DL Global Holdings Limited is beneficially owned as to 36.60% by Ms. Jiang, 30.00% by Mr. Chen and 33.40% by other shareholders. Accordingly, DL Global Holdings Limited and Rapid Raise Investments Limited are deemed to be interested in 191,518,000 Shares of the Company pursuant to the SFO.

5. 32,220,000 Shares were registered in the name of DA Capital Management Limited. Mr. Chen holds 100% of the entire issued share capital of DA Capital Management Limited and is deemed to be interested in the 32,220,000 Shares held by DA Capital Management Limited pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	**Capacity/ nature of interest**	**Number of Shares interested in or deemed to be interested**	**Approximate percentage of interest in the Company** *(Note 1)*
Alpha Direct	Beneficial owner	356,876,000	31.76%
Mr. Cheung	Beneficial owner/ Interest in controlled corporation	366,876,000	32.65%
Ms. Ngan Shui Ling Crystal	Interest of spouse *(Note 2)*	366,876,000	32.65%
DL Global Holdings Limited	Interest in controlled corporation *(Note 4)*	191,518,000	17.04%

Name	Capacity/ nature of interest	Number of Shares interested in or deemed to be interested	Approximate percentage of interest in the Company *(Note 1)*
Ms. Jiang	Interest in controlled corporation/ Interest of spouse *(Notes 3 and 4)*	223,738,000	19.91%
Rapid Raise Investments Limited	Beneficial owner/ Interest in controlled corporation *(Note 4)*	191,518,000	17.04%
Mr. Chen	Interest of spouse *(Note 3)*/ Interest in controlled corporation *(Note 5)*	223,738,000	19.91%
Mr. Li Ren	Beneficial owner	101,884,000	9.07%
DA Equity	Beneficial owner *(Note 4)*	87,578,000	7.79%

Notes:

1. Based on the total number of issued Shares as at the Latest Practicable Date.

2. Ms. Ngan Shui Ling Crystal is the spouse of Mr. Cheung. By virtue of the SFO, she is deemed to be interested in all the Shares held by Mr. Cheung.

3. Mr. Chen is the spouse of Ms. Jiang. By virtue of the SFO, Mr. Chen is deemed to be interested in all the Shares held by Ms. Jiang and Ms. Jiang is deemed to be interested in all the Shares held by Mr. Chen.

4. DA Equity is wholly owned by Rapid Raise Investments Limited. Rapid Raise Investments Limited is the beneficial owner of 103,940,000 Shares of the Company. In return, Rapid Raise Investments Limited is wholly owned by DL Global Holdings Limited. DL Global Holdings Limited is beneficially owned as to 36.60% by Ms. Jiang, 30.00% by Mr. Chen and 33.40% by other shareholders. Accordingly, DL Global Holdings Limited and Rapid Raise Investments Limited are deemed to be interested in 191,518,000 Shares of the Company pursuant to the SFO.

5. 32,220,000 Shares were registered in the name of DA Capital Management Limited. Mr. Chen holds 100% of the entire issued share capital of DA Capital Management Limited and is deemed to be interested in the 32,220,000 Shares held by DA Capital Management Limited pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, no person, other than a Director or chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares, and Debentures" above, had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. MATERIAL INTEREST

As at the Latest Practicable Date, none of the Directors had a material interest in the Acquisition.

As at the Latest Practicable Date, none of the Company, its holding company and fellow subsidiaries of its controlling shareholder had entered into any contracts in relation to the Group's business in which any Directors had a material interest, whether directly or indirectly.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which was considered to compete or was likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. EXPERTS AND CONSENT

The names and qualifications of the experts who have given opinion or advice which are contained or referred to in this Circular are as follows:

Name	Qualification
Vinco Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
Roma Appraisals Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts (i) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) did not have any direct or indirect interest in any assets which have been, since 31 March 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of its letter and references to its name in the form and context in which it appears.

9. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

10. MISCELLANEOUS

In the event of inconsistency, the English text of this Circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours from 9:30 a.m. to 6:00 p.m. on any weekday except public holidays at the principal place of business of the Company in Hong Kong at 5/F, AIA Financial Centre, 112 King Fuk Street, San Po Kong, Kowloon, Hong Kong from the date of this Circular up to and including the date of the EGM.

16 August 2019

Season Pacific Holdings Limited
5/F, AIA Financial Centre,
112 King Fuk Street,
San Po Kong,
Kowloon, Hong Kong

Case Ref: KY/BV5408/FEB19/GW

Dear Sir/Madam,

Re: Business Valuation of 100% Equity Interest in DL Securities (HK) Limited and DA Finance (HK) Limited

We refer to recent instructions from Season Pacific Holdings Limited (hereinafter referred to as the "Company") to us to conduct a business valuation on 100% equity interest in DL Securities (HK) Limited (hereinafter referred to as "DL Securities") and DA Finance (HK) Limited (hereinafter referred as "DA Finance") (collectively referred to as the "Target Group"), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 31 December 2018 (hereinafter referred to as the "Date of Valuation").

This report states the purpose of valuation, scope of work, economic overview, industry overview, an overview of the Target Group, basis of valuation, investigation, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company 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 at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Target Group and/or their representative(s) (together referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

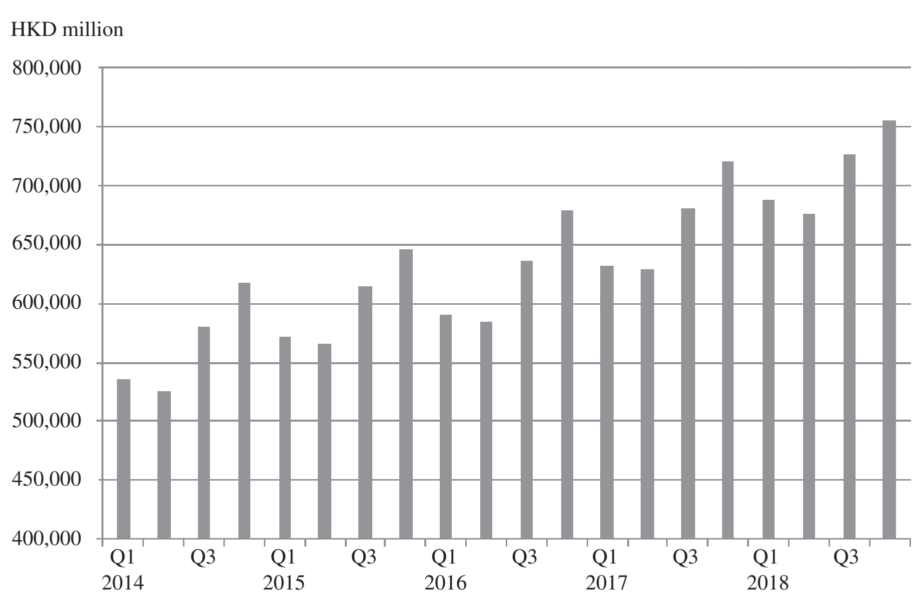
We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose. In case of any change in the assumptions, our opinion of value may vary materially.

3. ECONOMIC OVERVIEW

3.1 Overview of the Economy in Hong Kong

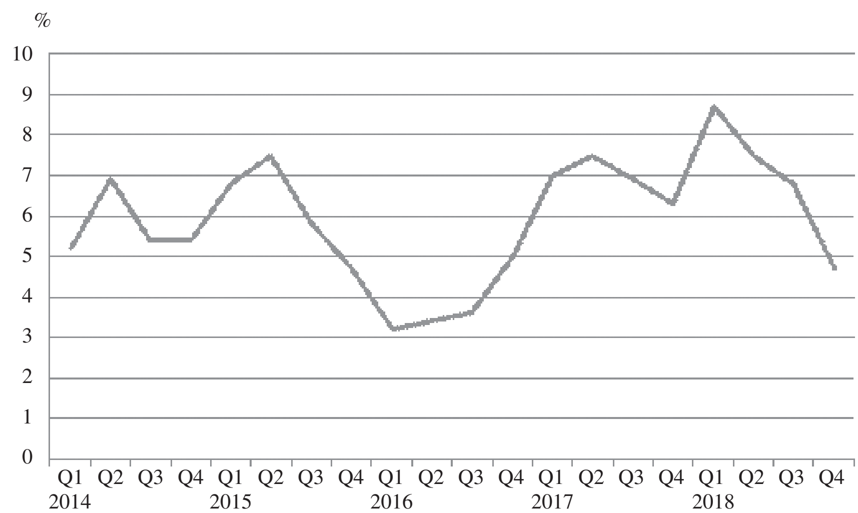
Hong Kong has long been a free market economy highly dependent on international trade and finance. For this reason, it was heavily exposed to the global economic turmoil which began in 2008 and resulted in a sharp drop of the nominal gross domestic product ("GDP") of Hong Kong in the first quarter of 2009. Since then, the economy of Hong Kong has been recovering. The GDP of Hong Kong in the fourth quarter of 2018 was HKD755,174 million, a 4.7% increase over the same quarter of 2017. Figure 1 and Figure 2 illustrate the trend of Hong Kong's nominal GDP over the past few quarters.

Figure 1 — Hong Kong's Quarterly Nominal Gross Domestic Product from the First Quarter of 2014 to the Fourth Quarter of 2018



Source: Bloomberg

Figure 2 — Year Over Year Percentage Change of Hong Kong's Quarterly Nominal Gross Domestic Product from the First Quarter of 2014 to the Fourth Quarter of 2018

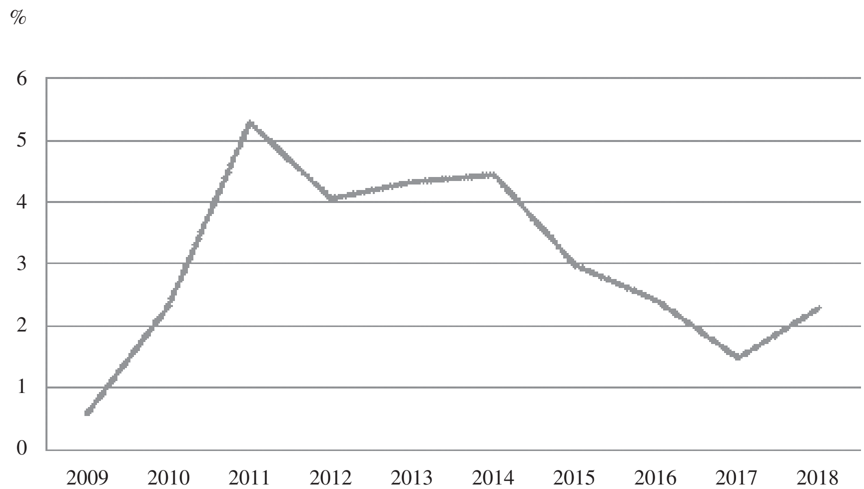


Source: Bloomberg

3.2 Inflation in Hong Kong

The inflation rate in Hong Kong was volatile in the past ten years. According to the International Monetary Fund ("IMF"), the average inflation rate in Hong Kong was negative in 2004. Since then the inflation rate was on an uptrend and reached 4.3% in 2008. Due to the global financial crisis, the inflation rate dropped in 2009. The inflation rate rebounded strongly both in 2010 and 2011, mainly caused by a sharp rise in the commodity prices in China. The inflation started to fall in 2014 and reached 1.5% in 2017, then the inflation rate rose back to 2.3% in 2018. The IMF forecasted that the inflation rate in Hong Kong would be 2.1% in 2019, and then increase gradually from 2020 to 2023. Figure 3 shows the historical trend of Hong Kong's average inflation rate from 2009 to 2018.

Figure 3 — Hong Kong's Average Inflation Rate from 2009 to 2018



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

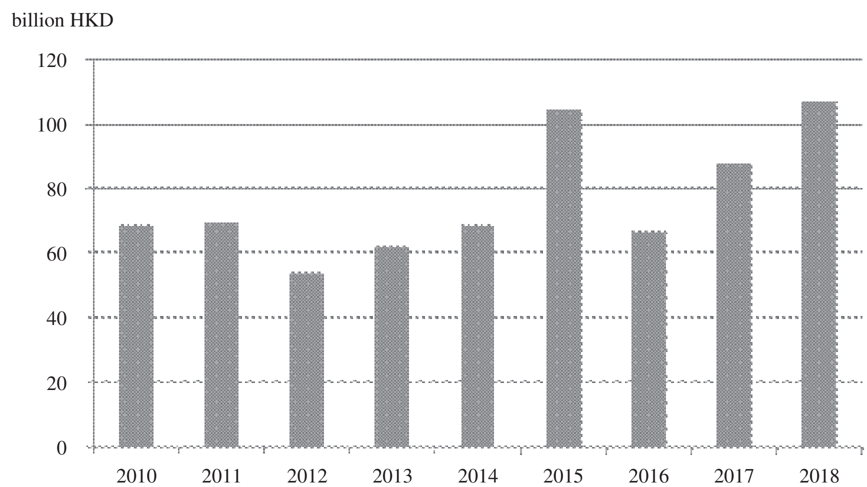
We understand the Target Group is principally engaging in carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance ("SFO").

As discussed with the Management, the existing active business of the Target Group up to the Date of Valuation is type 6 regulated activities only. Given the business operation is largely related to trading in the Hong Kong stock market, we have obtained information related to the Hong Kong stock market to provide insight of the industry the Target Group is participating in.

According to the fact book issued by Hong Kong Exchanges and Clearing Limited ("HKEX"), the average daily turnover values of Hong Kong stock market has been around HKD60 billion over the recent years. The turnover value reached its peak in 2015 when, averagely, shares worth more than HKD100 billion to be transacted every day in the year. As for the year of 2018, the average daily turnover value was HKD106.9 billion, representing an increase of 22.0% when compared with HKD87.6 billion for the year 2017.

Figure 4 illustrates the average daily turnover values of Hong Kong stock market from 2010 to 2018.

Figure 4 — Average Daily Turnover Values of Hong Kong Stock Market from 2010 to 2018

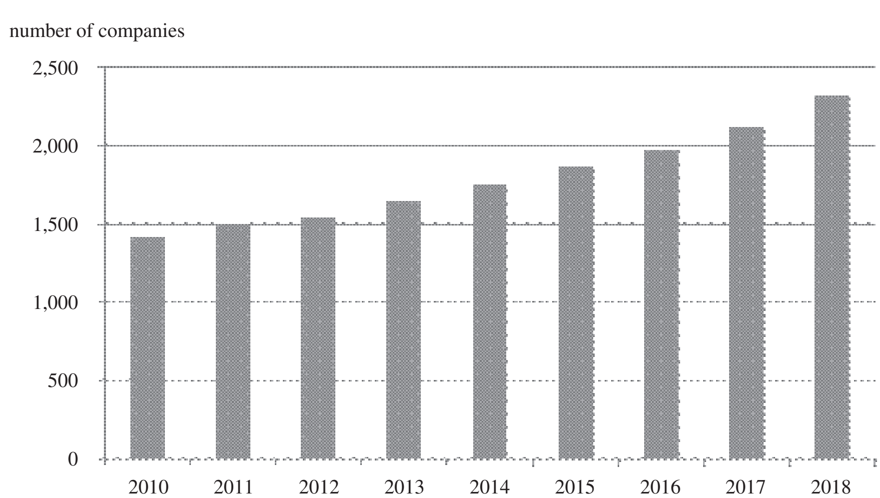


Source: HKEX

Back in 2010, there were about 1,400 listed companies in Hong Kong stock market. A stable increase has been observed in the recent years, as more and more businesses choose to be listed in Hong Kong. Thanks to the enhanced stock connection with Mainland China and its innate advantages, the total number of listed companies in Hong Kong stock market is boosted to more than 2,300 as at December 2018.

Figure 5 presents the numbers of listed companies in Hong Kong stock market from 2010 to 2018.

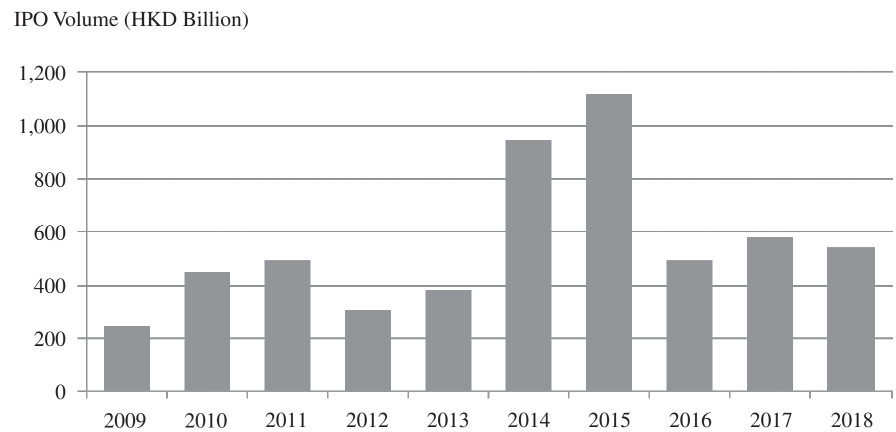
Figure 5 — Number of Listed Companies in Hong Kong Stock Market from 2010 to 2018



Source: HKEX

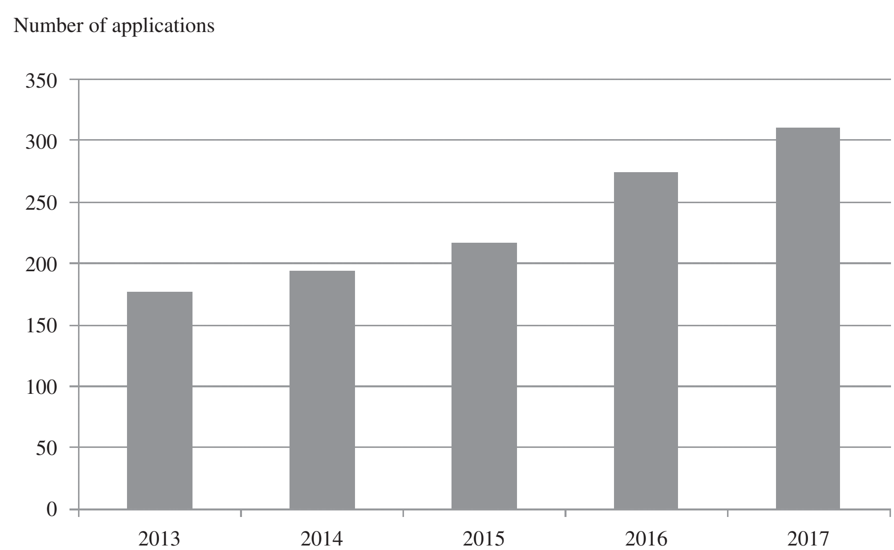
With the increasing trend in the daily turnover value in Hong Kong stock market, number of corporate finance activities in Hong Kong was also boosting. Figure 6 to 8 present the trend of initial public offering in Hong Kong stock market with different indicators, including volume of fund raised by initial public offering, number of applications accepted for vetting by the IPO vetting team in Hong Kong Stock Exchange and number of application for which approval was granted in principle in Hong Kong Stock Exchange.

Figure 6 — Volume of Fund Raised by Initial Public Offering in Hong Kong Stock Exchange from 2009 to 2018



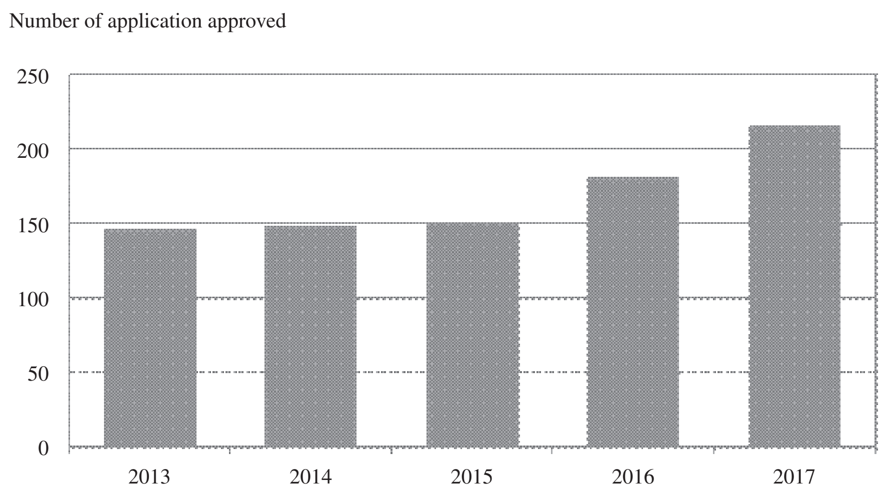
Source: HKEX

Figure 7 — Number of Applications Accepted for Vetting by the IPO Vetting Team in Hong Kong Stock Exchange from 2013–2017



Source: HKSFC

Figure 8 — Number of Application for which Approval was Granted in principle in Hong Kong Stock Exchange in 2013–2017



Source: HKSFC

5. OVERVIEW OF THE TARGET GROUP

DL Securities is a company incorporated in Hong Kong with limited liability and a corporation licensed by the Securities and Futures Commission (''SFC'') to conduct Type 1 (dealing in securities), Type 4 (advising on securities)(collectively referred to as ''Securities Business'') and Type 6 (advising on corporate finance)(referred to as ''Corporate Finance Business'') regulated activities under the SFO. DA Finance is a company incorporated in Hong Kong with limited liability and a corporation holding a money lenders license (referred to as ''Money Lenders License'').

Since the business of DL Securities and DA Finance covered several business segments, the valuation was conducted under sum of the parts basis for the following segments under DL Securities and DA Finance.

For DL Securities:

- Corporate Finance Business under DL Securities;
- Securities Business under DL Securities;

For DA Finance:

- Money Lenders License under DA Finance; and
- Assets and Liabilities other than Money Lenders License under DA Finance.

6. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2017, **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".

7. INVESTIGATION

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Target Group. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy in Hong Kong as we considered necessary for the purpose of the valuation. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

The valuation of the Target Group requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The business nature and prospect of the Target Group;
- The financial information of the Target Group;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of the Target Group such as the ability in maintaining competent technical and professional personnel; and
- Investment returns of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Target Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. 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 most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature 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 for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values 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.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits. Alternatively, this present value 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.

8.3 Asset-Based Approach

The Asset-Based 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 to the value of its invested capital (''equity and long term debt''). Under the Asset-Based Approach, the market value of equity of a business entity/group refers to the market values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

8.4 Business Valuation

8.4.1 Business Valuation of DL Securities

8.4.1.1 Corporate Finance Business under DL Securities

In the process of valuing Corporate Finance Business under DL Securities, we have taken into account of the operation and financial information of Corporate Finance Business and conducted discussions with the Management to understand the status and prospect of the Corporate Finance Business and the industry it is participating. Also, we have considered the accessibility to available data in choosing among the valuation approaches.

The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. If Income-Based Approach has to be applied, a financial projection for 5 years or above is needed. Since DL Securities engages in the provision of corporate finance services, which is significantly influenced by the future market condition, it is difficult to justify the projection in remote years. Assumptions made on the financial forecast would affect the market value of 100% equity interest in DL Securities significantly. Therefore, Income-Based Approach was not adopted. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of Corporate Finance Business and therefore it could not reflect the market value of Corporate Finance Business. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of Corporate Finance Business.

As advised by the Management, the revenue and profit currently generated by DL Securities as at the Date of Valuation was related to Corporate Finance Business only. We considered the adoption of guideline company method under Market-Based Approach in valuing the market value of DL Securities corporate finance business.

By adopting the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales, price-to-earnings and price-to-book multiples. The operation of Corporate Finance Business and similar companies do not heavily depend on their assets hence the price-to-book multiples were not adopted. The price-to-sales multiples were not adopted because they could not fully capture the cost structure of the DL Securities. Therefore, we have adopted the price-to-earnings ("P/E") multiple as we considered it as the most appropriate multiple in calculating the market value of corporate finance business under DL Securities.

We adopted several listed companies with similar business nature and operations similar to those of Corporate Finance Business as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies principally engage in corporate finance business, which is type 6 regulated activities under the SFO;
- The companies have major operating segment of corporate finance business, which is over 50% of the total revenue, in Hong Kong;

- The companies have sufficient listing and operating histories, which are listed over 1-year up to the Date of Valuation; and
- The financial information of the companies is available to the public.

According to the aforementioned selection criteria and under best-effort basis, nine comparable companies were selected and adopted. Details of the exhaustive list of the comparable companies adopted based on our aforementioned selection criteria were illustrated as follows:

Company Name	Stock Code	Listing Location	Business Description	Listing Date	SFC Licenses Held
Yunfeng Financial Group Limited	376.HK	Hong Kong	Yunfeng Financial Group Limited is a financial services company. The company provides securities trading, underwriting, placements, and other related advisory services.	17/7/1987	Type 1, 4, 6, 9
First Shanghai Investments Ltd	227.HK	Hong Kong	First Shanghai Investments Ltd., through its subsidiaries, invests in securities and provides corporate finance, stock broking, and general insurance services. The company also provides consultancy services, container transportation, and storage services.	24/8/1972	Type 1, 2, 4, 5, 6, 9
Sunwah Kingsway Capital Holdings Limited	188.HK	Hong Kong	Sunwah Kingsway Capital Holdings Limited, through its subsidiaries, invests in securities, stock and provide future brokerage. The company also provides financial advisory services, asset and fund management, money lending and other securities related financial services.	15/9/2000	Type 1, 2, 4, 6, 9

Company Name	Stock Code	Listing Location	Business Description	Listing Date	SFC Licenses Held
Altus Holdings Ltd	8149.HK	Hong Kong	Altus Holdings Ltd is an investment holding company. The company and its subsidiaries are engaged in corporate finance services and property investments. The company is based in Hong Kong.	17/10/2016	Type 1, 4, 6, 9
Asia-Pac Financial Investment Co Ltd	8193.HK	Hong Kong	Asia-Pac Financial Investment Co Ltd provides integrated professional services to public and private companies and individual investors mainly in Hong Kong and the People's Republic of China. The company offers asset advisory, appraisals, and corporate services and consultancy.	31/5/2011	Type 4, 6, 9
Somerley Capital Holdings Limited	8439.HK	Hong Kong	Somerley Capital Holdings Limited operates as a holding company. The company, through its subsidiaries, provides financial advisory services. Somerley Capital Holdings offers services in the areas of secondary issues, initial public offerings, takeovers, and acquisition and disposals. Somerley Capital Holdings serves customers in Hong Kong.	28/3/2017	Type 1, 6, 9
Innovax Holdings Limited	2680.HK	Hong Kong	Innovax Holdings Limited provides financial and securities services. The company offers corporate finance advisory, placing and underwriting, securities dealing and brokerage, asset management, and other services. The company provides services in Hong Kong.	28/3/2017	Type 1, 4, 6, 9

Company Name	Stock Code	Listing Location	Business Description	Listing Date	SFC Licenses Held
VBG International Holdings Ltd.	8365.HK	Hong Kong	VBG International Holdings Ltd. offers financial services. The company provides corporate finance advisory, business consulting, placing, and underwriting services. The company serves customers in Asia and Europe.	14/9/2018	Type 1, 6
Vinco Financial Group Ltd	8340.HK	Hong Kong	Vinco Financial Group Limited operates as a corporate finance advisory firm. The company specializes in initial public offerings, mergers and acquisitions, corporate restructuring, arranging loan syndication, and convertible bonds Issuance. The company serves customers in Hong Kong.	26/5/2017	Type 1, 6

Source: Bloomberg

The comparable companies with over 50% revenue from the provision of corporate financial advisory service are selected. The P/E multiples and the percentages of revenues related to corporate finance service of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	P/E Multiple	Corporate Finance service revenue *HK$'000*	% of Revenue Related to Corporate Finance Service
Yunfeng Financial Group Limited	376.HK	N/A		
First Shanghai Investments Ltd	227.HK	10.86	252,227[1]	53.24%
Sunwah Kingsway Capital Holdings Limited	188.HK	N/A		
Altus Holdings Ltd	8149.HK	6.59	31,158[1]	53.22%
Asia-Pac Financial Investment Co Ltd	8193.HK	N/A		
Somerley Capital Holdings Limited	8439.HK	18.21	45,393[2]	100.00%
Innovax Holdings Limited	2680.HK	N/A		
VBG International Holdings Ltd	8365.HK	11.70	62,393[1]	81.29%
Vinco Financial Group Limited	8340.HK	6.67	20,215[1]	100.00%
Median		10.86		

Notes:

1 Based on the annual report of the company for the year ended 31 December 2018

2 Based on the interim report of the company for the period ended 30 September 2018

The mean and the median of the P/E multiples are 10.81 and 10.86 respectively. Both mean and median P/E multiples will arrive at similar valuation results. Since there is a P/E multiple with 18.21x, using median of the multiples can eliminate the effect brought by the outlier. Therefore, we obtained the estimated market value of corporate finance business under DL Securities as at 31 December 2018 by applying the median P/E multiple to the trailing 12-months net profit of HKD1,899,603 of corporate finance business under DL Securities for the period from 1 January 2018 to 31 December 2018. Also, since direct relationship between the P/E ratio and the market capitalization of comparable companies cannot be observed, there is no sufficient evidence that the scale of business of the comparable companies have influence on the P/E multiples in the valuation. The calculation details are listed as follows:

		HKD
Trailing 12-months Net Profit[1]	:	1,899,603
Median P/E multiple	:	10.86x
Market Value of Corporate Finance Business under DL Securities Before Adjustments in Minority Basis	:	20,637,662
Control Premium	:	28.80%
Market Value of Corporate Finance Business under DL Securities Before Adjustments in Majority Basis	:	26,581,309
Adjustments: Net Non-operating Assets/Non-operating Liabilities[2]	:	8,340,257
Market Value of Corporate Finance Business under DL Securities	:	34,921,566

1 As advised by the Management, the trailing 12-months net profit of HKD1.9 million does not include the loss from DA Finance.

2 As advised by the Management, the non-operating assets of HKD8.34 million of DL Securities were intercompany receivables which were due from DA Finance.

Details of the intercompany receivables are listed as follows:

- The intercompany receivables were incurred in December 2018;
- The intercompany receivables are due to intra-group account transfer, as DA Finance was the 100% subsidiary of DL Securities; and
- Aging of the intercompany receivables is around 6 months and the receivables are expected to be collected within 2 months. All the receivables are interest free.

The amount is reconciled with the non-operating liability of HKD8.34 million of DA Finance. We have separately considered this amount in the valuation of DL Securities and DA Finance. As disclosed in the 2018 audited reports of the comparable companies, the net of non-operating assets and liabilities are less than 3.1% of the total net assets, while for DL Securities, the net of non-operating assets and liability is about half of the total net asset.

The value of non-operating assets was not reflected in the value derived from P/E multiple as they should have no linkage with the generation of operating revenue and income. However, non-operating assets can be sold to the third party with the realized value (Since the nature of the non-operating asset in DL Securities is amount due from DA Finance, after summing up market values of DL Securities and DA Finance, the non-operating assets and liabilities within the Target Group shall offset each other. The addition of the non-operating assets is to properly reflect the standalone value of the corporate finance business under DL Securities only). Such realized value of the non-operating assets should contribute to an increment of the market value of the corporate finance business under DL Securities as its market value should reflect both the value of business and the value of assets. As a result, the non-operating assets value shall be added back in arriving at the market value of the corporate finance business in DL Securities.

8.4.1.1.1 Control Premium

As we are considering the market value of the corporate finance business under DL Securities from the perspective of controlling interest, while the P/E multiple applied is the publicly listed companies' share price to its per-share earnings, these per share price extracted from stock market shall represent a share price hold by a holder without controlling power over the company. Hence the valuation result of DL Securities calculated based on the P/E multiple shall represent a market value of DL Securities, in which the holder without controlling power towards DL Securities. However, our valuation is conducted based on 100% equity interests of DL Securities, a holder of DL Securities should have controlling power over DL Securities. Hence, a control premium should be considered to the valuation of DL Securities.

In reflecting the value of 100% equity interest in DL Securities which is with controlling interest, the median control premium for international transaction of 28.80% has been adopted to reflect the higher value of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (2nd quarter of 2018) (the "Study") published by FactSet Mergerstat, LLC., an independent information provider for merger and acquisition transaction data.

8.4.1.1.2 Securities Business under DL Securities

In the process of valuing the securities business under DL Securities, we have considered the adoption of the Market-Based Approach in arriving at the market value. Understanding that DL Securities has not commence its operation of securities business, the market value of license type 1,4 can represent the market value of securities business under DL Securities.

There are generally three accepted approaches to obtain the market value of license type 1,4, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. In relation to the valuation of the license type 1,4. Asset approach was not adopted as it cannot reflect the future value of the license. Income Based Approach was not adopted because a lot of assumptions would have to be made and the market value of the license type 1,4 could be largely influenced by any inappropriate assumptions made. Therefore we have considered the adoption of Market Based Approach, in particular the guideline comparable transaction approach.

We have searched for relevant market transactions comparable to the Licenses from November 2015 to December 2018. After reviewing the comparable transactions available, we shortlisted the most relevant transactions (hereinafter referred to as the "Comparable Transactions").

In the process of searching for Comparable Transaction, only two transactions were obtained. However, the result ranging from HKD11,749,672 to HKD74,365,658. With the large variation of the result and the insufficient number of transactions with license type 1,4, a representative conclusion of market value of license type 1,4 could not be drawn.

Details of the comparable transactions did not apply (SFC License type 1, 4 only) were listed below:

Acquirer Company	:	SP Financial Group Holdings Limited (subsidiary of Sino Prosper (Group) Holdings Limited (766.HK))
Target Company	:	China Silver Securities Limited
SFC Licenses held by Target Company	:	Type 1, 4
Announcement Date	:	26 August 2016
Completion date	:	22 December 16
Consideration (HKD)	:	18,000,000
Adjusted Consideration (HKD)[1]	:	21,377,672
Net Profit/(Loss) of the Target Company (HKD)	:	(6,672,000)
Net Asset Value of Target Company (HKD)	:	9,628,000
Adjusted Premium above NAV (HKD) (100% basis)	:	11,749,672
Acquirer Company	:	Keen Capital International Limited (subsidiary of China Automotive Interior Decoration Holdings Limited (0048.HK))
Target Company	:	GEO Securities Limited

SFC Licenses held by Target Company	: Type 1, 4
Announcement Date	: 28 June 2016
Completion date	: 5 April 2017
Consideration (HKD)	: 30,000,000
Adjusted Consideration (HKD)[1]	: 45,890,736
Net Profit/(Loss) of the Target Company (HKD)	: (5,620,000)
Net Asset Value of Target Company (HKD)	: 34,898,000
Adjusted Premium above NAV (HKD) (100% basis)	: 74,365,658

The adjusted premium above NAV for GEO Securities Limited is about 6.33 times of the one for China Silver Securities Limited. With such variance of their premium above NAV, a representative conclusion could not be drawn.

Moreover, for the transaction of China Silver Securities Limited, reference is made to the disclosable transaction announced by the parent company (Sino Prosper (Group) Holdings Limited (766.HK)) of the acquirer company (SP Financial Group Holdings Limited) on 26 August 2016. At the section "Purchase Price", apart from the purchase price of HK$18.0 million, an additional HK$5.0 million shall be applied to China Silver Securities Limited as the new shareholder loan. No further disclosure on the terms and conditions of the new shareholder loan could be found. Hence, we could not determine whether the premium over net assets value is solely representing the license value.

For the transaction of GEO Securities Limited, reference is made to the disclosable transaction announced by the parent company (China Automotive Interior Decoration Holdings Limited (0048.HK)) of the acquirer company (Keen Capital International Limited) on 28 June 2016. At the section "Information Of The Target Company", the revenue for the year ended 31 March 2016 is over HK$10 million. it is shown that GEO Securities Limited has an established infrastructure while security business of DL Securities had not yet commenced. Therefore, this transaction is not adopted.

Hence, in arriving at the market value of license type 1,4, we first obtain the respective market value of license type 1, 4, and 9 and license type 9 from Comparable Transaction. The difference between the market value of license type 1,4,9 and license type 9 represent the market value of SFC license type 1,4 and Securities Business under DL Securities.

The Comparable Transactions were selected mainly with reference to the following selection criteria:

- The target company was primarily engaged in carrying out type 1, type 4 and type 9 and solely type 9 regulated activities under the SFO;
- The target company was loss making as at the announcement of the transaction, it was assumed that consideration paid above the net asset value of the loss-making target company was mainly for purchasing the SFC license, which was more comparable to the current situation of the Securities Business under DL Securities;
- The transaction was completed within three years before the Date of Valuation; and
- The financial information of the transaction was available to the public.

The Comparable Transactions in the followings represented a full and exhaustive list. Details of the Comparable Transactions were listed as below:

Target company carrying out type 1, 4 and 9 regulated activities:

Acquirer Company	:	Gold Castle Group Limited (subsidiary of China Environmental Energy Investment Limited (986.HK))
Target Company	:	STI Securities & Wealth Management Limited
SFC Licenses held by Target Company	:	Type 1, 4, 9
Announcement Date	:	16 November 2015
Completion Date	:	9 August 2016
Consideration (HKD)	:	16,914,035 for 100% Equity Interest

Adjusted Consideration (HKD)[1]	:	20,087,928 for 100% Equity Interest
Net Profit/(Loss) of the Target Company for the Financial Year Ended 31 December 2014 (HKD)	:	(148,464)
Net Asset Value of Target Company as at 30 September 2015 (HKD)	:	3,914,035
Adjusted Premium above NAV (HKD) (100% basis)	:	16,173,893
Acquirer Company	:	China Bio Cassava Holdings Limited (8129.HK)
Target Company	:	Master Ace Group Corporation
SFC Licenses held by Target Company	:	Type 1, 4, 9
Announcement Date	:	11 April 2017
Completion Date	:	26 April 2017
Consideration (HKD)	:	7,500,000 for 30% Equity Interest
Adjusted Consideration (HKD)[1,2]	:	11,472,684 for 30% Equity Interest
Net Profit/(Loss) of the Target Company for the Two Months Ended 28 February 2017 (HKD) (Net Profit/(Loss) for the Whole Year is not Available)	:	(472,000)
Net Asset Value of Target Company (HKD)	:	5,726,000
Adjusted Premium above NAV (HKD) (100% basis)	:	32,516,280

Source: Announcements

Notes:

1 The target companies in both comparable transactions were private companies and the considerations were determined in respect of non-marketable nature. The considerations were then divided by (1 — marketability discount) to reverse the marketability discount. The marketability discount aforementioned refers to a discount of 15.80%, with references to the Stout Restricted Stock Study published by Stout Risius Ross, LLC. in December 2018.

2 As we are considering the value of the Target Company from the perspective of controlling interest, the median control premium for the overall transaction of 28.80% has been applied to the consideration of the transactions that the buyer acquired non-controlling interest in the target company to reflect the higher marketability of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (2nd Quarter 2018) (the "Study") published by FactSet Mergerstat, LLC., an independent information provider for merger and acquisition transaction data.

3 We have further reviewed the marketability discount in 2016–2018, which were 15.90%, 15.80% and 15.80% respectively. We noted that the difference in market value of SFC License in applying the marketability discount in corresponding years and the marketability discount of 2018 was insignificant, hence we have adopted the marketability discount of 2018 as at the Date of Valuation in adjusting the consideration.

With the information of the Comparable Transactions, we have adopted the average of the adjusted premiums in arriving at the market value of the license type 1, 4 and 9 of HKD24,345,086 (100% basis) as at the Date of Valuation.

Target company carrying out only type 9 regulated activities:

Acquirer Company	:	Universal Technologies Capital Holdings Limited (1026.HK)
Target Company	:	Hooray Asset Management Limited
SFC Licenses held by Target Company	:	Type 9
Announcement Date	:	20 September 2016
Completion Date	:	14 June 2017
Consideration (HKD)	:	9,000,000 for 100% Equity Interest
Adjusted Consideration (HKD)[1]	:	10,688,836 for 100% Equity Interest
Net Profit/(Loss) of the Target Company for the Financial Year Ended 31 December 2015 (HKD)	:	(449,000)

Net Asset Value of Target Company (HKD)	:	703,000
Adjusted Premium above NAV (HKD) (100% basis)	:	9,985,836
Acquirer Company	:	Future Data Limited (subsidiary of ETS Group Limited (8031.HK))
Target Company	:	Gear Asset Management Limited
SFC Licenses held by Target Company	:	Type 9
Announcement Date	:	13 October 2017
Completion Date	:	14 May 2018
Consideration (HKD)	:	6,000,000 for 100% Equity Interest
Adjusted Consideration (HKD)[1]	:	7,125,891 for 100% Equity Interest
Net Profit/(Loss) of the Target Company for the Financial Year Ended 31 December 2016 (HKD)	:	(44,677)
Net Asset Value of Target Company (HKD)	:	1,922,000
Adjusted Premium above NAV (HKD) (100% basis)	:	5,203,891

Notes:

1 The target companies in both comparable transactions were private companies and the considerations were determined in respect of non-marketable nature. The considerations were then divided by (1 — marketability discount) to reverse the marketability discount. The marketability discount aforementioned refers to a discount of 15.80%, with references to the Stout Restricted Stock Study published by Stout Risius Ross, LLC. in December 2018.

With the information of the Comparable Transactions, we have adopted the average of the premiums in arriving at the market value of the license type 9 of HKD7,597,863 (100% basis) as at the Date of Valuation.

After obtaining the respective market value of license type 1,4,9 and license type 9, we have adopted the difference between the two license value in arriving at the market value of the securities business under DL Securities. Calculation details are listed as follows:

	HKD
Market Value of License Type 1, 4, 9	24,345,086
Less: Market Value of License Type 9	7,594,863
Difference between Market Value of License Type 1, 4, 9 and License Type 9	16,750,223
Market Value of Securities Business under DL Securities	**16,750,223**

With the above calculation, we have arrived the market value of the licenses type 1,4 of HKD16,750,223 (100% basis) held by DL Securities as at the Date of Valuation.

8.4.1.2.1 *Marketability Discount*

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the result of the restricted stock study published in ''Stout Restricted Stock Study 2018'' by Stout Risius Ross, LLC, a discount for lack of marketability of 15.80% was adopted in arriving at the market value of the Target Group as at the Date of Valuation.

8.4.1.3 *Summary of Business Valuation for DL Securities*

Calculation details of the market value of DL Securities as listed as follows:

	HKD
Market Value of Corporate Finance Business under DL Securities	34,921,566
Add: Market Value Securities Business under DL Securities	16,750,223
Market Value of DL Securities	51,671,789
Marketability Discount	(1–15.80%)
Market Value of DL Securities (Rounded)	**43,500,000**

8.4.2 Business Valuation of DA Finance

8.4.2.1 Money Lenders License under DA Finance

In the process of valuing Money Lenders License, we have taken into account of the operation and financial information of Money Lenders License and conducted discussions with the Management to understand the status and prospect of the Money Lenders License and the industry it is participating. Also, we have considered the accessibility to available data in choosing among the valuation approaches.

The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of Money Lenders License and therefore it could not reflect the market value of Money Lenders License. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of Money Lenders License.

In arriving at the market value of Money Lenders License, we have considered the market value of the Money Lenders License under DA Finance.

Under the Market-Based Approach, we have searched for relevant market transactions comparable to the License. After reviewing the comparable transactions available, we shortlisted the most relevant transactions (hereinafter referred to as the "Comparable Transactions of Money Lenders License").

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

- The target company was primarily holding a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong);

- The transaction was completed within three years before the Date of Valuation. The information may not be representative for the transactions completed over 3 years prior to the Date of Valuation, while the number of transactions may not be sufficient to arrive at a conclusive valuation multiple for transactions completed in less than 3 years prior to the Date of Valuation. Hence, we have adopted the selection criteria of transactions completed within 3 years; and

- The financial information of the transaction was available to the public.

Based on the above selection criteria, the comparable transactions list is exhaustive and representative based on our best effort.

Details of the Comparable Transactions of Money Lenders License were listed as below:

Transaction 1:

Acquirer Company	:	Asia Investment Finance Group Limited (33.HK)
Target Company	:	AIF Finance Limited
Completion Date	:	16 March 2016
Consideration (HKD)	:	500,000 for 100% Equity Interest
Net Asset Value ("NAV") of Target Company (HKD)	:	0
Remarks	:	Acquisition of Money Lenders License only.

Transaction 2:

Acquirer Company	:	Jumbo Riches Limited (subsidiary of Huarong Investment Stock Corporation Limited (2277.HK))
Target Company	:	Goldyard Finance Limited
Completion Date	:	30 June 2016
Consideration (HKD)	:	1,700,000 for 100% Equity Interest
NAV of Target Company (HKD)	:	(140,000)
Premium above NAV (HKD) (100% basis)	:	1,840,000
Remarks	:	The net assets of the target company mainly consisted of the money lenders license. The target company was inactive and did not constitute a business prior to the acquisition by the acquirer.

Transaction 3:

Acquirer Company	:	Gigantic Ocean Investments Limited (subsidiary of Imperium Group Global Holdings Limited (776.HK))

Target Company	:	Best Gold Corporation Limited
Completion Date	:	8 July 2016
Consideration (HKD)	:	500,000 for 100% Equity Interest
NAV of Target Company (HKD)	:	1
Premium above NAV (HKD) (100% basis)	:	499,999
Remarks	:	The target company only held a money lenders license and had no operation at the completion date of the acquisition

Source: Announcements

With the information of the Comparable Transactions of Money Lenders License, we have adopted the median of the premiums in arriving at the market value of the Money Lenders License of HKD500,000 held by the Target Company as at the Date of Valuation.

8.4.2.2 *Summary of Business Valuation of DA Finance*

Calculation details of the market value of DA Finance as listed as follows:

	HKD
Net Asset Value of DA Finance	(17,745)
Add: Market Value of Money Lenders License	500,000
Market Value of DA Finance (before marketability Discount)	482,255
Marketability Discount	(1–15.80%)
Market Value of DA Finance (Rounded)	**410,000**

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in this valuation and they are:

- The management accounts of the Target Group as at 31 December 2018 can reasonably represent its financial position as at the Date of Valuation as an audited financial statement of the Target Group as at the Date of Valuation was not available;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate has or would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and

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

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Target Group. The factors considered included, but not limited to, the followings:

- Management accounts of the Target Group as at 31 December 2018;

- Relevant licenses of the Target Group;

- General descriptions in relation to the Target Group;

- Industry outlook in securities and corporate finance industry in Hong Kong; and

- Economic outlook in Hong Kong.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of the Target Group provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be 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; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. The information has not been audited or compiled by 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 responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Target Group was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the Target Group.

We have not investigated the title to or any legal liabilities of the Target Group, and have assumed no responsibility for the title to the Target Group appraised.

Our conclusion of the market value was 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. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

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

We hereby confirm that we have neither present nor prospective interests in the Target Group, the Company, their associated companies or the values reported herein.

13. OPINION OF VALUE

Based on the investigation stated above, the valuation method employed and key assumptions appended above, the market value of the 100% equity interest in the Target Group as at the Date of Valuation, in our opinion, was reasonably stated as follows:

	HKD
DL Securities	43,500,000
DA Finance	410,000
Aggregate Value of the Target Group	**43,910,000**

Yours faithfully,
For and on behalf of

Roma Appraisals Limited

SEASON PACIFIC HOLDINGS LIMITED
雲裳衣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1709)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Season Pacific Holdings Limited ("Company") will be held at 5/F, AIA Financial Centre, 112 King Fuk Street, San Po Kong, Kowloon, Hong Kong on Monday, 9 September 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

"**THAT**:

(a) the Agreement (as defined in the announcement of the Company dated 6 March 2019, copy of which to be produced to the EGM marked "A" and signed by the chairman of the meeting for the purpose of identification), the Supplemental Agreement (as defined in the announcement of the Company dated 7 August 2019, copy of which is to be produced to the EGM marked "B" and signed by the chairman of the meeting for the purposes of identification), all the transactions contemplated thereunder and the implementation thereof be and are hereby ratified, confirmed and approved; and

(b) any one of the directors of the Company (the "Directors") be and is hereby authorised to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the Agreement and the Supplemental Agreement and to sign and execute any other documents or to do any other matters incidental thereto and/or contemplated thereunder."

By order of the Board
Season Pacific Holdings Limited
Cheung Lui
Chairman, Chief Executive Officer & Executive Director

Hong Kong, 16 August 2019

Notes:

(1) A form of proxy for the meeting is enclosed.

(2) The resolution at the meeting will be taken by poll (except where the chairman of the meeting decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the articles of association of the Company. The results of the poll will be published on the website of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

* *For identification purposes only*

(3) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint more than one proxy to attend, and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy

On a show of hands every shareholder who is present in person or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a shareholder which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. If a shareholder (other than a clearing house (or its nominees)) appoints more than one proxy, only one of the proxies so appointed and specified in the form of proxy is entitled to vote on the resolution on a show of hands. In the case of a poll, every shareholder present in person or by proxy(ies) shall be entitled to one vote for each share held by him.

(4) In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be), should he/she so wishes and in such event, the form of proxy shall be deemed to be revoked.

(5) For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from Wednesday, 4 September 2019 to Monday, 9 September 2019, both days inclusive, during which period no transfer of Shares will be registered. The record date for the purpose of determining eligibility of the members of the Company to attend and vote at the EGM is Monday, 9 September 2019. In order to qualify for attending the Meeting, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch registrar at the address stated in note 4 above not later than 4:30 p.m. on Tuesday, 3 September 2019 for registration.

(6) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(7) In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

(8) Reference to time and dates in this notice are to Hong Kong time and dates.