

1 August 2025

*To: The Independent Board Committee and the Independent Shareholders of CCID Consulting Company Limited*

Dear Sir/Madam,

## **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 40.625% EQUITY INTERESTS IN CCID DATA**

### **INTRODUCTION**

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the discloseable and connected transaction, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 1 August 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Alpha Financial Group Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendations as to whether the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned; (ii) give our recommendations as to whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the EGM.

On 9 June 2025, the Company (as purchaser) entered into the Agreement with CCID Group Co (as vendor), pursuant to which, in accordance with the terms and subject to the conditions therein, the Company agreed to acquire and CCID Group Co agreed to sell 40.625% equity interests in CCID Data at a consideration of RMB75,070,000.

**Head office 總辦事處:**

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As at the Latest Practicable Date, CCID Data is held as to 59.375% equity interests by the Company and therefore currently a non-wholly owned subsidiary of the Company. After the completion of the Acquisition, CCID Data will become a wholly owned subsidiary of the Company and the Company will wholly own the Target Group.

#### **LISTING RULE IMPLICATION**

As at the Latest Practicable Date, CCID Group Co in aggregate holds 491,000,000 Domestic Shares (directly holds 392,610,000 Domestic Shares and indirectly, through CCID Riyue, holds 98,390,000 Domestic Shares) of the Company, representing approximately 70.14% of the entire issued shares of the Company and is a controlling shareholder (as defined under Rule 1.01 of the Listing Rules) and a connected person of the Company (as defined under Rule 14A.07 of the Listing Rules). As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Mr. Fu Changwen, an executive Director, has abstained from voting on the relevant Board resolutions to approve the Agreement and the Acquisition due to his respective directorships or senior management roles in Beijing CCID Tiandi Investment Management Co., Ltd.\* (北京賽迪天地投資管理有限公司) and Beijing CCID Kechuang Technology Co., Ltd.\* (北京賽迪科創科技有限公司), both being wholly owned subsidiaries of CCID Group Co. Save as disclosed in this Circular, no Director is required to abstain from voting on the relevant Board resolutions approving the Agreement and the Acquisition.

#### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Hu Bin, Mr. Zhang Tao and Mr. Fang Hongbin, has been established to advise the Independent Shareholders on the Agreement and the Acquisition in relation thereto. We, Alpha Financial Group Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.



## OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, there have been no engagements between the Company and Alpha Financial Group Limited. As at the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, there were no relationship or interests between (a) Alpha Financial Group Limited; and (b) the Company or any other parties that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition as detailed in this Circular. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

## BASIS OF ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, among other things:

- (i) the Agreement;
- (ii) the announcement of the Company dated 9 June 2025 in relation to the Acquisition (the “**Announcement**”);
- (iii) the Company’s annual reports for the years ended 31 December 2023 and 2024 (the “**Annual Reports**”);
- (iv) the Valuation Report;
- (v) the independent assurance report from SHINEWING HK and the letter from the Board in relation to the Profit Forecast as set out in Appendices I and II to the Circular, respectively, for the purpose of Rule 14.60A of the Listing Rules;
- (vi) summary of CCID Exhibition Valuation Report and summary of Guangdong CCID Valuation Report, as set out in the Appendices IIIA and IIIB to the Circular, respectively (the “**Valuation Summary of CCID Exhibition and Guangdong CCID**”);
- (vii) the valuation working papers and supporting documents as provided by the Valuer; and
- (viii) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular which have been

provided by the Company, the Directors and the Management, and for which they are solely and wholly responsible, were true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group, the counter party(ies) to the Agreement and the transaction contemplated thereunder or their respective subsidiaries or associates. We have also relied on the valuation conducted by the Valuer commissioned by the Company.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter. Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration in respect of the Acquisition, and 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 purpose without our prior written consent.



## PRINCIPAL FACTORS CONSIDERED

In arriving at our advice in relation to the Acquisition, we have taken into consideration the following factors:

### 1. Information of the parties to the Acquisition

#### *Information of the Group*

The Company was established in the People's Republic of China as a joint stock company whose H shares are currently listed on the main board of the Stock Exchange. The Group is principally engaged in (i) decision-making consulting services; (ii) data platform services; and (iii) science and technology innovation platform services.

#### *Historical financial performance of the Group*

Set out below are the highlights of the audited financial information of the Group for each of the three years ended 31 December 2022, 2023 and 2024 as extracted from the Annual Reports:

	For the year ended 31 December		
	2022	2023	2024
	<i>Approximate</i>	<i>Approximate</i>	<i>Approximate</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	203,836	278,325	301,937
Gross profit	94,854	128,081	158,159
Profit for the year attributable to owners of the Company	30,098	63,073	77,643

	As at 31 December		
	2022	2023	2024
	<i>Approximate</i>	<i>Approximate</i>	<i>Approximate</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	278,874	340,664	405,671
Non-current assets	30,717	33,778	31,950
Total assets	309,591	374,442	437,621
Current liabilities	143,098	184,225	221,724
Non-current liabilities	—	4,321	3,106
Total liabilities	143,098	188,546	224,830
Net current asset	135,776	156,439	183,947
Net asset	166,493	185,896	212,791
Equity attributable to owners of the Company	140,605	159,337	183,460

The Group's revenue for the year ended 31 December 2023 amounted to approximately RMB278.3 million, representing an increase of approximately 37% as compared with that of approximately RMB203.8 million for the year ended 31 December 2022. Subsequently, for the year ended 31 December 2024, the Group's turnover further grew to approximately RMB301.9 million, representing an increase of approximately 8.5% as compared to that of the year ended 31 December 2023. The Group recorded revenue of approximately RMB171.3 million for the year ended 31 December 2024 from the decision-making consulting services, accounting for approximately 57% of the Group's turnover and representing an increase of approximately 6% as compared to that of the year ended 31 December 2023. The Group had also realized revenue of approximately RMB92.2 million for the year ended 31 December 2024 from the science and technology innovation platform services, accounting for approximately 30% of the Group's turnover and representing an increase of approximately 9% as compared to that of the year ended 31 December 2023. The turnover of the data platform services of the Group was approximately RMB38.4 million, accounting for approximately 13% of the Group's turnover and representing an increase of approximate 22% as compared to the year ended 31 December 2023.

The Group recorded gross margins of approximately 46.5%, 46.0% and 52.4% for the three years ended 31 December 2024, respectively, whereas the net margins were approximately 14.8%, 22.7% and 25.7%, respectively, for the same periods concerned. The Group's gradual growth in profit margins was mainly due to the proactive response to market demand, accelerated business innovation, stabilized its research base, expanded its consulting base, initiated new dynamics in implementation, and kicked off its Business 3.0 strategy to promote "research + consulting + implementation" innovative integrated services and digital empowerment services, which resulted growth in decision-making consulting services, data platform services and science and technology innovation platform services offered by the Group over the said years.

The Group was operating in a net cash inflow position for the years ended 31 December 2023 and 2024, in which net cash generate from operating activities amounted to approximately RMB95.2 million and RMB112.2 million, respectively. As at 31 December 2024, the Group maintained cash and cash equivalents of approximately RMB358.7 million.

#### ***Information of CCID Group Co***

CCID Group Co is a company established in the PRC and in aggregate holds 491,000,000 Domestic Shares (directly holds 392,610,000 Domestic Shares and through CCID Riyue indirectly holds 98,390,000 Domestic Shares) of the Company, representing 70.14% of the issued shares of the Company, and is a controlling shareholder (as defined under Rule 1.01 of the Listing Rules) and a connected person of the Company (as defined under Rule 14A.07 of the Listing Rules). CCID Group Co (through its controlled enterprises) is committed to providing customers with full-cycle



industrial ecological operation services such as industrial consultancy, industrial energy gathering, industrial investment attraction, industrial incubation, industrial public services and industrial finance.

As at the Latest Practicable Date, CCID Group Co is owned by CCID and Research Centre as to 50% and 50% respectively while Research Centre is controlled and supervised by CCID. CCID is a public institution (事業單位) established under the laws of the PRC and is under the supervision and control of Ministry of Industry and Information Technology of the People's Republic of China.

### ***Information of the Target Group***

CCID Data is a company established in the PRC. As at the Latest Practicable Date, it is owned by the Company and CCID Group Co as to 59.375% and 40.625%, therefore a non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, CCID Data holds 100% equity interests of CCID Exhibition, 100% equity interests of Guangdong CCID, 20% equity interests of CCID Capital and 20% equity interests of CCID Brain.

CCID Data is engaged in provision of decision-making consulting services and data platform services. CCID Capital is engaged in provision of decision-making consulting services and owned as to 80% and 20% equity interests by the Company and CCID Data, respectively. CCID Brain is engaged in provision of data platform services and owned as to 80% and 20% equity interests by the Company and CCID Data, respectively. Guangdong CCID is engaged in provision of decision-making consulting services and wholly owned by CCID Data. CCID Exhibition is engaged in provision of science and technology innovation platform services and is wholly owned by CCID Data.

In relation to the financial information of the Target Group, please refer to the section headed "4. Financial Information of the Target Group" of this letter. For further information in relation to the Target Group, please refer to the paragraphs headed "Information of the Target Group" in the Letter from the Board.

## **2. The Agreement**

The principal terms of the Agreement are set out as follows:

Date	:	9 June 2025
Parties	:	CCID Group Co (as vendor) the Company (as purchaser)
Subject matter	:	The Parties agreed that on and subject to the terms and conditions of the Agreement, CCID Group Co shall sell and the Company shall acquire 40.625% equity interests in CCID Data.

Conditions precedent : Completion of the Agreement shall be conditional upon the fulfillment of the following conditions:

- (1) the Agreement and the Acquisition having been approved by the board of directors and shareholders' meeting (including Independent Shareholders of the Company) of the Parties (as required under the respective articles of association and internal management system of the relevant Parties);
- (2) the Valuation Report has completed the filing procedure in accordance with the relevant requirements of the state-owned assets valuation management; and
- (3) the Parties having obtained all the necessary approvals, consents and/or waivers in respect of the Agreement and the Acquisition from the governmental, regulatory authorities (including the Stock Exchange), and/or other relevant third parties and such approvals, consents and/or waivers have not been withdrawn.

The Parties shall use their respective best endeavours to ensure that all the conditions above shall be fulfilled as soon as possible after the execution of the Agreement. None of the conditions above can be waived by any of the Parties. As at the Latest Practicable Date, the Valuation Report has completed the filing procedure in accordance with the relevant requirements of the state-owned assets valuation management.

Consideration : RMB75,070,000

The Company shall, within ten (10) working days from completion of the relevant commercial and industrial registration in respect of the Acquisition, make a one-off payment of the Consideration to the bank account designated by CCID Group Co.

Basis of consideration : The consideration was determined after arm's length negotiations between the parties to the Agreement with reference to the appraised value of the entire equity interests in CCID Data (the "**Valuation**").



In accordance with the independent valuation performed by the Valuer, the appraised value of 100% equity interests in CCID Data as at the Valuation Benchmark Date (i.e. 31 December 2024) was approximately RMB184,778,900. Accordingly, the appraised value of 40.625% equity interests in CCID Data amounted to approximately RMB75,066,000.

The Valuation was, in principle, assessed by adopting the asset-based approach, whereby based on the statement of financial position of CCID Data as at the Valuation Benchmark Date, the identifiable assets and liabilities of CCID Data, including but not limited to non-current assets (long-term equity investment, fixed assets and intangible assets), current assets, were valued. However, having considering the historical operating conditions and on-going business prospects of CCID Exhibition and Guangdong CCID, being two wholly-owned subsidiaries of CCID Data, the Valuer adopted the income approach to assess the equity interests of CCID Exhibition and Guangdong CCID in order to fully reflect the future profitability of these two companies and was of the view that the evaluation results of income approach were more reliable as compared with the asset-based method in such situation.

CCID Data was jointly established by CCID Group Co and the Company, and was not acquired from a third party. Therefore, there is no original acquisition cost paid by CCID Group Co for the 40.625% equity interests of CCID Data. CCID Group Co has contributed RMB32,500,000 as registered capital contribution for its 40.625% equity interest of CCID Data.

Completion : Completion of the Acquisition shall take place upon completion of relevant industry and commerce registration in respect of the Acquisition.

For details on the terms of the Agreement and the Acquisition, please refer to the paragraphs headed "The Acquisition" in the Letter from the Board.

### **3. Reasons for entering into the Agreement and benefits of the Acquisition**

As set out in the Letter from the Board, the Acquisition will help optimize the equity structure of the Company's subsidiaries, effectively reduce potential related-party transactions of the Group, and facilitate a more efficient and centralised corporate governance of the Company, which will be beneficial to the Company's long-term compliance and high-quality development.

Upon completion of the Acquisition, CCID Data will become a wholly-owned subsidiary of the Company and will continue to be consolidated in the Group's consolidated financial statements. The Company also believes that since the profits of the Target Group will be 100% consolidated into the Group's financial statements, the Acquisition will increase the annual profits of the Company's owners. The Acquisition also represents the Company's determination to expand and strengthen its subsidiaries, and its confidence in the prospects of the data platform services, science and technology innovation platform services and other businesses that the Target Group is mainly engaged in, and is expected to create long-term returns for the Shareholders.

In accordance with the Company's strategic goal of continuously enhancing its technological attributes, the Target Group is the Company's core subsidiaries for implementing digital implementation services. The Board (other than the independent non-executive Directors who will form their view in the Letter from the Independent Board Committee) believes that, although the Acquisition is not in the ordinary and usual course of business of the Company, the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are in the interests of the Company and its shareholders as a whole.

As the Target Group will become an indirect wholly-owned subsidiary of the Company, the Group will be able to consolidate its ownership to 100% and the Group will gain full control over the Target Group and enjoy greater flexibility with the full control that can simplify the decision-making procedure and facilitate a more direct process without getting consent from other stakeholders in the Target Group. Therefore, the Group can enhance its control and management over the Target Company for smoother management and quicker decision-making on the Target Group from a corporate governance standpoint. The Acquisition, without any expected adverse impact on the operation of the Target Group, will allow the Group to enjoy the entire profits and cash flow streams from the Target Group and is expected to improve the results attributable to the owners of the Company and the overall Shareholders' return.

Taking into consideration the abovementioned, we concur with the Board's view that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.



#### 4. Financial Information of the Target Group

CCID Data is a company established in the PRC. As at the Latest Practicable Date, it is owned by the Company and CCID Group Co as to 59.375% and 40.625%, therefore a non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, CCID Data holds 100% equity interests of CCID Exhibition, 100% equity interests of Guangdong CCID, 20% equity interests of CCID Capital and 20% equity interests of CCID Brain.

CCID Data is engaged in provision of decision-making consulting services and data platform services. CCID Capital is engaged in provision of decision-making consulting services and owned as to 80% and 20% equity interests by the Company and CCID Data, respectively. CCID Brain is engaged in provision of data platform services and owned as to 80% and 20% equity interests by the Company and CCID Data, respectively. Guangdong CCID is engaged in provision of decision-making consulting services. CCID Exhibition is engaged in provision of science and technology innovation platform services.

Set out below is the audited consolidated financial information of CCID Data for the two years ended 31 December 2023 and 2024, respectively, which were prepared in accordance with the China Accounting Standard for Business Enterprises:

	<b>For the year ended 31 December 2023 RMB'000</b>	<b>For the year ended 31 December 2024 RMB'000</b>
Revenue	80,778	64,653
Profit before taxation	16,537	10,826
Profit after taxation	11,188	7,292

As at 31 December 2023 and 2024, the audited net asset value of CCID Data was approximately RMB34.44 million and RMB41.74 million, respectively.

Pursuant to the Valuation Report prepared by the Valuer, the appraised value of entire equity interests in CCID Data as at the Valuation Benchmark Date (i.e. 31 December 2024) was approximately RMB184,778,900. Accordingly, 40.625% equity interests in CCID Data amounted to approximately RMB75,066,000.

#### 5. Our analysis on the Valuation Report

As set out in the Letter from the Board, the consideration for the Acquisition, and as advised by the Management, were determined after arm's length negotiations among the parties to the Agreement with reference to the appraised value of the entire equity interests in CCID Data as at the Valuation Benchmark Date (i.e. 31 December 2024) was approximately RMB184,778,900.

In assessing the fairness and reasonableness of the Valuation, we have considered the followings:

***(a) Experience of the Valuer and its engagement***

In assessing the considerations, we have reviewed and discussed with the Valuer, Beijing Huaya Zhengxin Assets Appraisal Co., Ltd\* (北京華亞正信資產評估有限公司), the independent valuer for the Group for the Valuation of CCID Data, the methodology of and basis and assumptions adopted for the valuation of the entire equity interests in CCID Data.

We have discussed with the Valuer as to its expertise, valuation experience and its scope of work and valuation procedures conducted in relation to the fair value of CCID Data. We also confirmed the relevant licenses of the Valuer, reviewed the registration certificates, qualifications and experiences of the personnel-in-charge of the Valuation Report as registered under China Appraisal Society (中國資產評估協會). We noted that the Valuer has been registered under China Appraisal Society since 2001 and with over 40 certified asset appraisers and that the personnel in charge are Full Practicing Members\* (正式執業會員) of China Appraisal Society.

In addition, we have also reviewed the terms of engagement of the Valuer and the Valuer has confirmed that its scope of work in connection with the Valuation Report is appropriate to the opinion required to be given under the relevant Listing Rules. Further, the Valuer confirmed that there were no limitations on its scope of work which may adversely impact on the degree of assurance given by the Valuation Report. Based on the work conducted by us, we concur with the Directors that the Valuation prepared by the Valuer has been made after due and careful enquiries. However, Shareholders should note that since the Valuation involve various bases and assumptions, it may or may not accurately reflect the true market value of CCID Data.

The Valuer has confirmed its independence from the Group and its core connected persons and the Target Group as at the Latest Practicable Date. In addition, we also noted that the Valuer has reviewed the following documents including but not limited to the audited statements of financial position of CCID Data as at 31 December 2024, prepared in accordance with the China Accounting Standard for Business Enterprises. Based on the above, we are satisfied that the Valuer is qualified for giving its opinion as set out in the Valuation Report taken into account its relevant experience and expertise, its independence, and its scope of work and valuation procedures conducted.

***(b) Valuation assumption and methodology***

As stated in the Valuation Report, the Valuer was given instruction by the Company to conduct valuation of CCID Data at the Valuation Benchmark Date (i.e. 31 December 2024) complying with the laws, regulations and valuation standards of the PRC related to asset valuation, and followed working principles of independence, objectiveness and fairness.



*(i) Valuation methodology*

According to our discussion with the Valuer, in performing the valuation, the Valuer has considered three generally accepted valuation approaches, namely, the asset-based approach, the market approach and the income approach. We understand from the Valuer that it has also considered market approach to be not appropriate as there are insufficient comparable companies in the market.

We also understand from the Valuer that the Valuation was, in principle, assessed by adopting the asset-based approach, whereby based on the statement of financial position of CCID Data as at the Valuation Benchmark Date, the identifiable assets and liabilities of CCID Data, including but not limited to non-current assets (long-term equity investment, fixed assets and intangible assets), current assets, were valued.

We also understand that the Valuer, having considering the historical operating conditions and on-going business prospects of CCID Exhibition and Guangdong CCID, being two wholly-owned subsidiaries of CCID Data, adopted the income approach to assess the equity interests of CCID Exhibition and Guangdong CCID in order to fully reflect the future profitability of these two companies and was of the view that the evaluation results of income approach were more reliable as compared with the asset-based method in such situation. For further details in relation to the valuation of CCID Exhibition and Guangdong CCID, please refer to the Valuation Summary of CCID Exhibition and Guangdong CCID as set out in the Appendices IIIA and IIIB to the Circular, respectively.

*(ii) Valuation assumptions*

The details of the principal assumptions upon which the valuation was based are as follows:

I. General assumptions:

1. Transaction assumption: the transaction assumption assumes that all assets to be valued have been already in the process of being traded, and the appraisers value them based on simulated markets such as the trading conditions of the assets to be valued;
2. Public market assumption: it refers to the fact that the assets can be freely bought and sold in a fully competitive market, and their prices depend on the independent judgment of the value of the assets by the buyers and sellers under a certain market supply and demand condition. The public market refers to a fully competitive market with many buyers and sellers. In this market, the positions of buyers and sellers are equal, and they both have the opportunity and time to obtain sufficient market information. The trading

behavior of the buyers and sellers is carried out voluntarily and rationally, rather than under compulsion or unconstrained conditions;

3. there are no major changes in the current relevant laws, regulations and policies of the PRC and the national macroeconomic situation, there are no major changes in the political, economic and social environment of the regions where the parties to this transaction are located;
4. based on the actual status of the assets on the Valuation Benchmark Date, the business of CCID Data is a going concern;
5. there will be no significant changes in the assessment criteria related to CCID Data, such as the tax basis and tax rate;
6. the management of CCID Data after the Valuation Benchmark Date is responsible, stable and capable of performing its duties;
7. CCID Data is in full compliance with all relevant laws and regulations unless otherwise specified;
8. there are no force majeure and unforeseen factors that will have a material adverse impact on CCID Data after the Valuation Benchmark Date.

## II. Specific assumptions:

1. the accounting policies adopted by CCID Data after the Valuation Benchmark Date are materially consistent with the accounting policies adopted in the preparation of the Valuation Report;
2. after the Valuation Benchmark Date, the business scope and mode of CCID Data will be consistent with the current management method and management level on the basis of the existing management method and management level;
3. CCID Data will receive an even net cash flow in each year after the Valuation Benchmark Date;
4. all the information provided by CCID Data related to this assessment are true, complete, legal and valid;
5. the financial reports and transaction data of the comparative companies on which the appraisal personnel rely are true and reliable.



We have discussed with the Valuer regarding the aforesaid assumptions and noted that they are normal assumptions. References are also made to the paragraphs headed “Profit Forecast under the Valuation Report” in the Letter from the Board and the paragraphs headed “Assumptions in Income Forecasts” in the Valuation Summary of CCID Exhibition and Guangdong CCID, where the principal assumptions adopted in the Profit Forecast were also disclosed. We also understand that the Directors have reviewed the bases and assumptions for the Profit Forecast which the Valuation were based upon and opined that the Valuation prepared by the Valuer has been made after due and careful enquiries.

*(c) Our work performed*

We have reviewed the Valuation Report and discussed with the Valuer the methodology adopted as well as the Valuer’s experience in conducting such valuation. As mentioned above, the Valuation was, in principle, assessed by adopting the asset-based approach, where the income approach was also applied to appraise the values of 100% equity interests in CCID Exhibition and Guangdong CCID as part of the Valuation. The Valuer has also confirmed that it is independent from the Group and its core connected persons and the Target Group as at the Latest Practicable Date.

We have reviewed calculation of the appraised value of CCID Data based on asset-based approach and compared the differences between the value of the asset and liabilities items from the financial information of CCID Data, which were prepared in accordance with the China Accounting Standard for Business Enterprises, and the assessed value adopted in the Valuation Report. We noted that, save for adjustments made in the valuation on CCID Exhibition and Guangdong CCID, where income approach was adopted in order to fully reflect the future profitability of these two companies and that the evaluation results of income approach were more reliable as compared with the asset-based method in such situation as mentioned above, no material adjustments were made in arriving at the appraised value of CCID Data at the Valuation Benchmark Date.

Based on the previously mentioned analysis, we concur with the Valuer that income approach is the most appropriate method in valuing CCID Exhibition and Guangdong CCID. Accordingly, we concur with the methodologies adopted in the Valuation Report for CCID Data.

*(d) Profit forecast*

According to the Valuation Report, the Valuer applied the income approach to appraise the values of 100% equity interests in CCID Exhibition and Guangdong CCID as part of the Valuation, which constitutes a profit forecast under Rule 14.61 of the Listing Rules (the “**Profit Forecast**”). In accordance with Rule 14.60A of the Listing Rules, SHINEWING HK has confirmed that they had reviewed the calculations for the Profit Forecast and the Directors have confirmed that they reviewed the bases and assumptions for the Profit Forecast which the Valuation was based upon and opined that the Valuation prepared by the Valuer has been made after

due and careful enquiries. The independent assurance report from SHINEWING HK and the letter from the Board in relation to the Profit Forecast as set out in Appendices I and II to the Circular, respectively.

Reference is made to the Valuation Summary of CCID Exhibition and Guangdong CCID, where the Profit Forecast was adopted as part of the Valuation Report. In respect of the Profit Forecast, we also understood from the Valuer that the discount rate applied to the projected income of CCID Exhibition and Guangdong CCID is also a key factor which affects the determination of the appraised value. We noted that the Valuer has used the weighted average cost of capital (the “WACC”) of comparable companies which would be similar to CCID Exhibition and Guangdong CCID. In deriving the WACC, the Valuer has taken into account a number of factors including (i) weight of equity in total capital; (ii) weight of debt in total capital; (iii) cost of equity; (iv) cost of debt; and (v) tax rate.

We further noted that the Valuer has used the Modified Capital Assets Pricing Model to calculate the cost of equity. We understand that the Capital Assets Pricing Model technique is widely accepted in the investment and financial analysis communities for the purpose of calculating a company’s cost of equity, which the Valuer has considered a number of factors including (i) risk-free return rate; (ii) beta; (iii) equity risk premium; and (iv) specific company adjustment.

In determining the risk-free return rate, we noted that the Valuer has adopted the average of the China 10 Years Government Bond rate as the risk-free return rate based on the information available from the financial data platform 10JQKA.com.cn.

In determining the beta and cost of equity, we understand that the Valuer has selected comparable companies engaged in similar businesses or businesses exposed to similar extent of macro-economic risks as CCID Exhibition and Guangdong CCID. We further understand from the Valuer that (i) beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole; and (ii) the difference in business among individual comparable companies is in fact not a material factor to consider in the determination of the cost of equity, as long as such comparable companies have significant operation in the same business sector in the PRC whereby they will be subject to the similar policy risks and related macroeconomic factors, and the stock price movements of these comparable companies will reflect the market view of such policy risks and related macroeconomic factors on the same business sector in the PRC. As such, we concur with the Valuer’s adoption of the beta and cost of equity derived from the comparable companies.

Given that CCID Exhibition and Guangdong CCID are operating and located in the PRC, we consider that it is fair and reasonable to adopt the equity risk premium of the PRC market as the equity risk premium of CCID Exhibition and Guangdong CCID. We understand that the Valuer has adopted the average 10 year yield of CSI 300 Index as the equity risk premium based on the information available from the financial data platform 10JQKA.com.cn. As for the cost of debt, we understand that the loan



prime rate as published by the People's Bank of China (中國人民銀行) has been adopted. As such, we concur with the Valuer's adoption of the said rates as parameters.

In addition, we have obtained and reviewed the calculation spreadsheets of the financial projections underlying the Profit Forecast, in particular the revenue and cost projections for CCID Exhibition and Guangdong CCID, which we understand were prudent projections based on factors taking into account of the historical track record of CCID Exhibition and Guangdong CCID, the industry growth rate, and revenue already recognised or contracts and MOU signed with revenue to be recognised during forecast period.

During our discussions with the Valuer and based on our work done as set out above, we did not identify any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in arriving at the Valuation. In the same regard, we concur with the Director's opinion after conducting our independent review of the aforesaid matter.

In light of (i) the Valuation has taken into consideration the information as set out in the Valuation Report; (ii) our work and analysis on the Valuation as set out above; (iii) the Valuation were compiled in accordance with the relevant standards accepted in the PRC as per the Valuation Report; (iv) SHINEWING HK has confirmed that they had reviewed the calculations for the Profit Forecast which the Valuation was calculated based on; (v) the Directors confirmed that they had reviewed the bases and assumptions for the Profit Forecast which the Valuation was calculated based on; and (vi) the considerations to the Agreement was determined with reference to the appraised value of the entire equity interests in CCID Data prepared by the Valuer, we consider the consideration of the Acquisition to be fair and reasonable so far as the Independent Shareholders are concerned.

## **6. Financial effects of the Acquisition**

As set out in the Letter from the Board, after completion of the Acquisition, the Company's equity interests in CCID Data will increase from 59.375% to 100%. CCID Data will become a wholly owned subsidiary of the Company. Accordingly, 100% of the profits of the Target Group will be fully consolidated into the Group's financial statements and will thereby contribute additional annual profit attributable to the Shareholders as a whole.

Based on our review of the Annual Reports, we noted that total equity attributable to owners of the Company and profits attributable to owners of the Company have been reduced from the total amount due to the non-controlling interests. With profitable track record and positive net asset of CCID Data, as CCID Data will become an indirect wholly-owned subsidiary of the Company upon Completion, there will not be any non-controlling interests in CCID Data and accordingly, the profit and net assets attributable to owners of the Company is expected to increase. Taking into account the historical profitable track record of CCID Data, it is expected that the Acquisition would potentially have a positive effect on the earnings of the Group.

Taking into consideration (i) that the entire profit and net assets of CCID Data would be attributable to the owners of the Company upon completion of the Acquisition; and (ii) the profitable track record of CCID Data, we are of the view that the overall financial effect to the Group as a result of the Acquisition is generally positive, and is in the interests of the Company and the Independent Shareholders as a whole.

## **DISCUSSION**

The Group is principally engaged in (i) decision-making consulting services; (ii) data platform services; and (iii) science and technology innovation platform services. CCID Data is engaged in provision of decision-making consulting services and data platform services.

Based on the information as set out in the paragraphs headed “Reasons for and Benefits of the Transfer” in the Letter from the Board, the Acquisition will help optimize the equity structure of the Company’s subsidiaries, effectively reduce potential related-party transactions of the Group, and facilitate a more efficient and centralised corporate governance of the Company, which will be beneficial to the Company’s long-term compliance and high-quality development.

Upon completion of the Acquisition, CCID Data will become a wholly owned subsidiary of the Company. Taking into consideration (i) that the entire profit and net assets of CCID Data would be attributable to the owners of the Company upon completion of the Acquisition; and (ii) the profitable track record of CCID Data, we are of the view that the overall financial effect to the Group as a result of the Acquisition is generally positive, and is in the interests of the Company and the Independent Shareholders as a whole.

As the consideration of RMB75,070,000 is approximately the same as the appraised value of 40.625% equity interests in CCID Data of approximately RMB75,066,000, taking into account of the above and our review on the Valuation Report, we also share the view of the Board (other than the independent non-executive Directors who will form their view in the Letter from the Independent Board Committee) that although the Acquisition is not in the ordinary and usual course of business of the Company, the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are in the interests of the Company and its shareholders as a whole.



## RECOMMENDATION


Having taken into consideration the principal factors and reasons discussed above, we are of the opinion that although the Acquisition is not in the ordinary and usual course of business of the Company, the terms of the Agreement and the Acquisition are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the Agreement and the Acquisition in relation thereto.

Yours faithfully,  
For and on behalf of  
**Alpha Financial Group Limited**



**Cheng Chi Ming, Andrew**  
*Managing Director*

Yours faithfully,  
For and on behalf of  
**Alpha Financial Group Limited**



**Irene Ho**  
*Vice President*

*Mr. Cheng Chi Ming, Andrew is the Managing Director of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheng has over 22 years of experience in the corporate finance industry in Hong Kong.*

*Ms. Irene Ho is the Vice President of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Ms. Ho has over 11 years of experience in the corporate finance industry in Hong Kong.*

\* *For identification purposes only*