13 October 2022
Global Equity Research led by
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Overweight

Price Target:
AU$3.05

Phoenician International: A Proven Outperformer in Private Wealth Management Priced at a Compelling Valuation

Introduction

We initiate coverage on Phoenician International Limited ("Phoenician" or "the Company"), which listed on the National Stock Exchange of Australia ("NSX") on 12 October 2022 with a ticker symbol "PHI".

Phoenician is a global investment company with offices in Hong Kong and Shanghai. It provides wealth management, investment management and investment banking services to a select group of private, corporate and institutional clients, capitalizing on the rising cross-border investment flows globally. The Company especially targets China and ASEAN countries, as the cumulative two-way investment among them surpassed US$340 billion at the end of July 2022.

This report provides our analysis on Phoenician's business segments, recent developments, its financials, and investment recommendation.

Phoenician
富 理 基

Share Price (as of 12 Oct 2022):
AU$1.15
12- to 18-month Target Price:
AU$3.05

Market Cap. (as of 12 Oct 2022):
AU$120.7M
Total Shares Outstanding: 105M
Dividend and Yield: N/A

Investment Thesis and Summary of Recommendation

a) We initiate PHI with an **Overweight** rating and a **12- to 18-month price target of AU$3.05**, representing an **upside potential of about 165%** over its closing price of AU$1.15 on 12 October 2022;

b) The debut of Phoenician's IPO on the NSX is a milestone for the company, as the **AU$5 million capital raised** not only **help fund the expansion of its agency business** but also **enhance its visibility** among international investors;

c) Remarkable improvement in financials reflected in outstanding performance in the 2021 financial year, with **revenue, net investment gain, and operating profit growing 4.5x, 60x and 213x yoy respectively**.

d) **Leveraging favorable regional industry outlook**. Phoenician will profit from growing economic relevance in East Asia, increasing presence of Chinese firms in ASEAN countries, continued success of Belt and Road Initiative, China's strong commitments on ongoing capital market reforms and further opening up its financial sector, alongside Hong Kong's crucial role as gateway to the "Guangdong-Hong Kong-Macao Greater Bay Area," a dynamic megalopolis with 71.2 million people and 2021 GDP reaching US$2 trillion;

e) **Proven track record** of Phoenician's management team stemming from a **combination of international experience especially in Greater China and local knowledge** facilitates the implementation of its unique strategy and allows it to take advantage of numerous high-growth opportunities for the mutual benefits of itself and its clientele; and

f) Based on our fundamental valuation analysis using both the Discounted Cash Flow ("DCF") and Comparable Company Analysis ("CCA") methodologies, **Phoenician's valuation should be AU$320 million, around 2.6x of its market capitalization of about AU$121 million** (in accordance with the Company's shares closing price on 12 October 2022). As PHI shares are attractively priced, they should be particularly appealing to long-term investors.

Note: Unless otherwise noted, an AU$:HK$ exchange rate of 5.50 is used in all calculations.

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I. INTRODUCTION

We initiate our coverage of Phoenician International Limited ("Phoenician" or "the Company") after it embarked on its IPO on the National Stock Exchange of Australia ("NSX") under the ticker symbol "PHI" on 12 October 2022.

With offices strategically located in the financial hubs of Hong Kong and Shanghai, Phoenician is a global investment company, specializing in wealth management, investment management and investment banking services. It offers customized services to a select group of private clients such as high-net-worth individuals and family offices, as well as institutional and corporate clients with the focus of profiting from the increasing cross-border investment flows among China and the ten ASEAN countries[1] as well as other parts of the globe where opportunities abound.

Successful Listing on the NSX

According to its prospectus, Phoenician has issued 5,000,000 common shares, raising AU$5,000,000 at an issue price of AU$1.00 per share ("the Offer").

As of 12 October 2022, PHI closed at AU$1.15 with a market capitalization of close to AU$121,000,000, approximately 15% higher than the indicative market capitalization of AU$105,000,000 (based on the offer price of AU$1.00 and a total number of common shares on issue of 105,000,000 at the completion of the IPO).

The fund raising is mainly intended to finance the expansion of Phoenician's agency business (the part of the business that provides investment advice, investment management, and investment banking services to third-party clients), strengthen its investment capital base together with furnishing the Company with working capital needs.

5,000,000 common shares issued pertaining to the IPO account for only 4.8% of the expanded share count, so share dilution is insignificant and likely outweighed by the anticipated benefits it brings in terms of growth prospects and profitability.

Exhibit I-1: Capital Structure of Phoenician following Completion of the Listing

	Number of Shares	As % of Total
Common shares currently on issue	100,000,000	95.2%
Common shares issued with the IPO	5,000,000	4.8%
Common shares on issue after completion of the IPO	**105,000,000**	**100.0%**

Source: Company's prospectus

[1] Association of Southeast Asian Nations ("ASEAN") member countries include Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam

Benefits of the NSX Listing

Receiving greenlight from the regulator to list on the NSX represents a critical move for Phoenician's overall corporate strategy. In our opinion, the listing on NSX could potentially bring the following benefits to the Company and its shareholders.

- Capital raised will not only strengthen Phoenician's balance sheet but also provide it with financial flexibility to pursue identified growth opportunities and objectives;
- Enhances the liquidity of Phoenician's shares and broadens the shareholder base of the Company;
- Boosts Phoenician's profile and brand awareness among international investors, facilitating its role being the bridge between Asia and global investors;
- Gains access to a greater pool of capital for further growth-oriented fund raising if needed;
- Unleashes shareholder value, as shares are traded based on a fair market value; and
- A publicly-listed company gives investors a sense of confidence because it is generally seen to be more stable, financially viable, and better governed than a private company.

In our view, these benefits will also eventually translate into better valuation for Phoenician.

Overall, we believe that the new listing, coupled with the favorable trends of the wealth management and capital investment segments in the rapidly-growing Asian economies, will sustain the phenomenal growth of Phoenician, accompanied by an enhancement to its long-term value so that our target price can be reached, delivering a significant return on investment for all its shareholders.

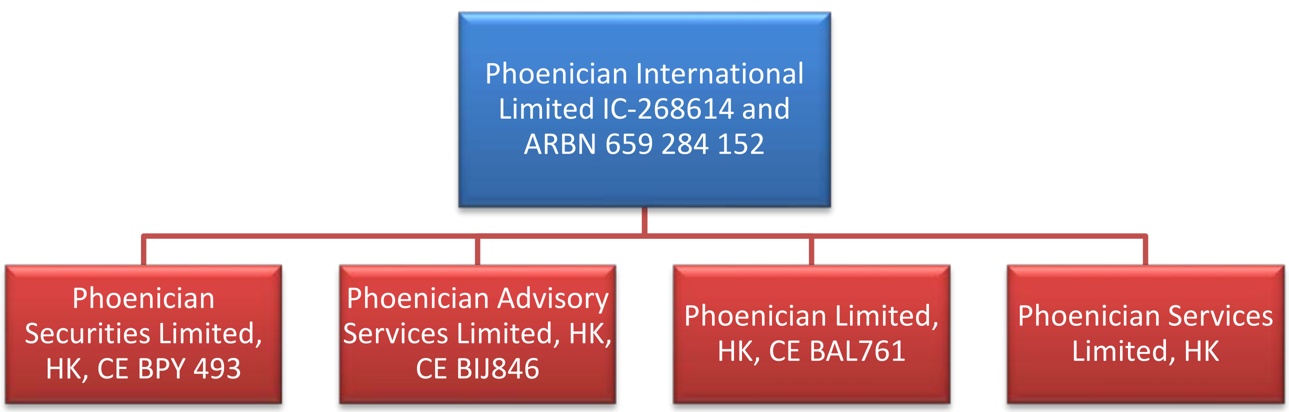
II. BUSINESS REVIEW AND OUTLOOK

Phoenician became operational in 2013 in Hong Kong through its wholly-owned subsidiary, Phoenician Limited. Over the past decade or so, Phoenician has grown progressively its operations in Hong Kong, establishing a number of other wholly-owned subsidiaries in the city. Three of them hold licenses issued by the Securities and Futures Commission of Hong Kong ("SFC"), which enable Phoenician to undertake regulated financial activities.

Effective Corporate Structure

Phoenician's corporate structure involves only two layers, and each of its 100%-owned subsidiaries, except Phoenician Services Limited, is a SFC license holder. The simple corporate structure effectively enables the subsidiaries, namely Phoenician Securities Limited, Phoenician Advisory Services Limited, and Phoenician Limited, to operate as "Licensed Corporations" and engage in distinctive regulated financial activities of wealth management, investment management and investment banking.

Exhibit II-1: Corporate Structure of Phoenician



Note: All subsidiaries in the above exhibit are 100% owned by Phoenician

Source: Company's prospectus

Phoenician Limited started operations in 2013, and it holds the Type 4 (Advising on Securities) and Type 9 (Asset Management) licenses.

Phoenician Advisory Services Limited ("Phoenician Advisory") was incorporated on 7 July 2016, holding Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) licenses

Phoenician Securities Limited ("Phoenician Securities") was incorporated on 13 March 2017, holding Type 1 (Dealing in Securities) license.

Both Phoenician Advisory and Phoenician Securities are wholly-owned, Hong Kong-incorporated subsidiaries and Licensed Corporations accredited by the SFC, rendering investment banking services and operating within the investment banking business unit. Phoenician Advisory offers corporate advisory and fundraising support to corporate clients, while Phoenician Securities offers brokerage and trading services to private clients, such as high-net-worth individuals and family offices in addition to institutional clients.

On 9 December 2021, Phoenician established Phoenician Services Limited ("Phoenician Services"), a wholly-owned, Hong Kong-incorporated subsidiary, to conduct non-SFC-regulated activities in Hong Kong, including dealing with Group employees' payroll obligations and among other things.

Three Distinctive Business Units

Phoenician is comprised of three key business units, and each of them generates revenue from a different source and in a differentiated form, taking advantage of diversification and maximizing revenue generation.

Wealth Management

Phoenician's wealth management business unit is specialized in advising a select group of private and institutional clients, including high-net-worth individuals and family offices, to grow or at least preserve their wealth and achieve their financial goals. Through its comprehensive suite of tailor-made portfolio management solutions, Phoenician provides non-discretionary investment advisory services and discretionary portfolio management services. In addition, the wealth management business unit also invests funds dedicated to certain timely investment strategies.

Management fees and net investment gains determine the performance of this business unit. Management fees have been a consistent contributor to this unit's revenue. These fees are paid to the Company quarterly and are normally related to non-discretionary investment advisory mandates. Moreover, they accrue regardless of the performance of the client accounts. Meanwhile, net investment gains are usually generated by the Company's own investment in listed securities.

Investment Management

The investment management business unit manages discretionary accounts on behalf of institutional and private clients under discretionary mandates to seize global investment opportunities across markets worldwide by leveraging the expertise of Phoenician's own investment professionals augmented by best-of-breeds external investment managers.

This unit also deploys Phoenician's proprietary funds to tap into investments with huge upside potential through private equity and public market transactions. Phoenician's multi-national investment team works across multiple industries with a focal point on companies/issuers of securities operating across China and ASEAN nations.

Phoenician generates income for this business unit also from management fees and net investment gains. Management fees are normally related to discretionary mandates and accrue in direct proportion to the performance of the client accounts. On the other hand, net investment gains are usually generated by

Phoenician's own investment in private companies or listed securities. For its own investments, gains are in the form of dividend income and fair value appreciation.

Investment Banking

Phoenician's investment banking unit advises first-tier corporate clients on complex international transactions and global private and public fundraisings apart from providing sales, trading, brokerage and research services to its institutional and private clients.

Specifically, the Phoenician advisory team offers financial advice to corporate clients on acquisitions, divestitures and corporate restructuring and executes capital raising transactions, either through public offerings or private placements.

The Phoenician brokering team executes trades in cash equity and other chosen investment products on behalf of its institutional and private clients by providing access to global financial markets and trade facilitation services through its broker/dealer platform, which is supported by in-depth research coverages and reports on key investment topics.

The broker/dealer platform also has the mandate to invest Phoenician's own funds on selected markets to facilitate clients' trades. Phoenician derives transaction fees, advisory fees and net investment gains from its investment banking unit. Net investment gains are usually generated by its investment in listed securities.

Key Business Drivers

For Phoenician's wealth management and investment management business units, their key business driver is assets under management ("AuM"), which is the aggregate amount of net asset value of securities and investment for which Phoenician has provided discretionary investment management services to its clients, as a financial advisor or an investment manager.

For Phoenician's investment banking business unit, the primary business driver is assets under custody ("AuC"), which denotes the total value of all financial assets held on behalf of its clients in the capacity as a broker/custodian.

Exhibit II-2: Key Performance Metrics and Value of Phoenician's Business Units

Business Unit	Key Performance Metric	For Year Ended 31 December		
		2021	2020	2019
		HK$'000	HK$'000	HK$'000
Wealth Management	AuM	-	-	-
Investment Management	AuM	15,500	15,500	15,500
Investment Banking	AuC	784,000	-	-

Source: Company's prospectus

As at 31 December 2021, Phoenician had approximately HK$784 million of AuC for its investment banking business unit (2020: HK$0, 2019: HK$0) and HK$15.5 million of AuM within its wealth management and investment management business units combined (2020: HK$15.5 million, 2019: HK$15.5 million), excluding the value of financial assets held by its subsidiary, Phoenician Securities, which were not included in the AuM and AuC calculations.

An Experienced and Dedicated Management Team with Proven Track Record

The directors and management team of Phoenician bring relevant industry expertise and business knowledge as well as financial management and corporate governance experience, enabling all its business units to function effectively and successfully.

Exhibit II-3: Profiles of Phoenician's Senior Management Team

Name	Title	Profile
Kwan Chan	Executive Director and Chair of the Board	Mr. Chan has more than 15 years of experience in the financial services industry. He joined Phoenician in 2012 as the Finance Director, and ever since has taken charge of the Group's treasury operations and led all the financial reporting activities. In 2020, Mr. Chan was promoted to the role of Executive Director in charge of implementing Phoenician founder's strategic vision and growth plans, handling relationship with shareholders, and taking overall business leadership across all the business units. Mr. Chan holds a Bachelor degree of Business Administration (Finance) from the City University of Hong Kong and was a Senior Accountant at North China Shipping Holdings, where he was responsible for the group's finance and accounting functions. Mr. Chan started his career at Intertrust HK Ltd. as a consultant in their Corporate Client Services.
Marco Arosti	Managing Director	Mr. Arosti has more than 20 years of international banking experience. He joined Phoenician in 2016, responsible for investment banking advisory and overall oversight of all Hong Kong regulated activities of the Company's subsidiaries. Mr. Arosti holds an MBA from London Business School and a B.A. Economics from the University of Ancona (cum laude). He is a member of the Institute of Chartered Accountant in England and Wales and holds a Responsible Officer license issued by the Securities and Futures Commission of Hong Kong in relation to dealing with securities, alongside advising on securities, corporate finance, and asset management. He was a managing director at Daiwa Capital Markets in Hong Kong, leading the firm in delivering investment banking solutions and executing equity investments across Asia Pacific, with a special focus on metals and mining as well as advanced manufacturing. Mr. Arosti also held senior roles at Morgan Stanley in London and Hong Kong. He once led Morgan Stanley's General Industries franchise. He had also previously held various positions at JP Morgan in London, where he worked on over 20 investment banking transactions across continental Europe and the U.K.

Source: Company's prospectus

Under the leadership of Mr. Chan and Mr. Arosti, we have observed notable development in Phoenician's private equity investment business, substantial revenue/income increase from the investment banking business unit (through transaction fees, advisory fees and net investment gains), and overall profitability of the Phoenician group in the past few years.

Specifically for China, Chinese private, institutional and corporate clients are increasingly demanding an in-depth understanding of both global and regional market development and their characteristics as a prerequisite before making investment decisions. Meanwhile, to foster cross-border capital flows, especially between East Asia[2] and the rest of the world (mostly western developed markets), a thorough understanding of the western financial markets and economies of East Asia (especially for China) is critical, particularly in relation to capital flow constraints imposed by some of the Asian markets, which are uncommon to other markets and not well known by most international market participants.

Therefore, we believe that the unique and valuable experience along with proficient knowledge of Phoenician's board members and the management team are the competitive edge of the Company to enable it to expand its presence in the investment banking, wealth management, and investment management markets in China.

III. INDUSTRY OVERVIEW

As part of Phoenician's strategy, its investment focus and target markets are China and the 10-member ASEAN economic community. In our view, it is a move in the right direction. With expected future global economic growth to be led by countries in East Asian economies especially China, they are going to play an increasingly crucial role in the global economy.

Taking ASEAN as an example, it has been a magnet for foreign direct investment ("FDI"), registering double-digit-percentage increases from 2018 through 2020. Although many countries/regions saw their FDI decline in 2020 due to COVID-19 induced gloomy sentiment, FDI inflows to ASEAN rose as a share of the world's total, growing to 13.7% in that year from 11.9% in 2019 (albeit it decreased about 25% yoy in absolute value).

Investment flows to ASEAN countries are anticipated accelerating following the establishment of the Regional Comprehensive Economic Partnership[3] ("RCEP"), which took effect on 1 January 2022 for the 10 ratifying countries, and then in February 2022 and March 2022 for Korea and Malaysia respectively. The agreement covers about 30% of the world's population and trade, as well as the global GDP. Thus, it is larger than the United States-Mexico-Canada Agreement, the European Economic Area, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP"). RCEP is stipulated to abolish tariffs on more than 90% of goods over the next 10-15 years and formulate rules on investment and intellectual property to promote trade[4]. This free trade agreement should strengthen China's economic leadership in the region and bolster investment flows among China and the ASEAN countries amid the intensified geopolitical tensions and competition between China and the U.S.

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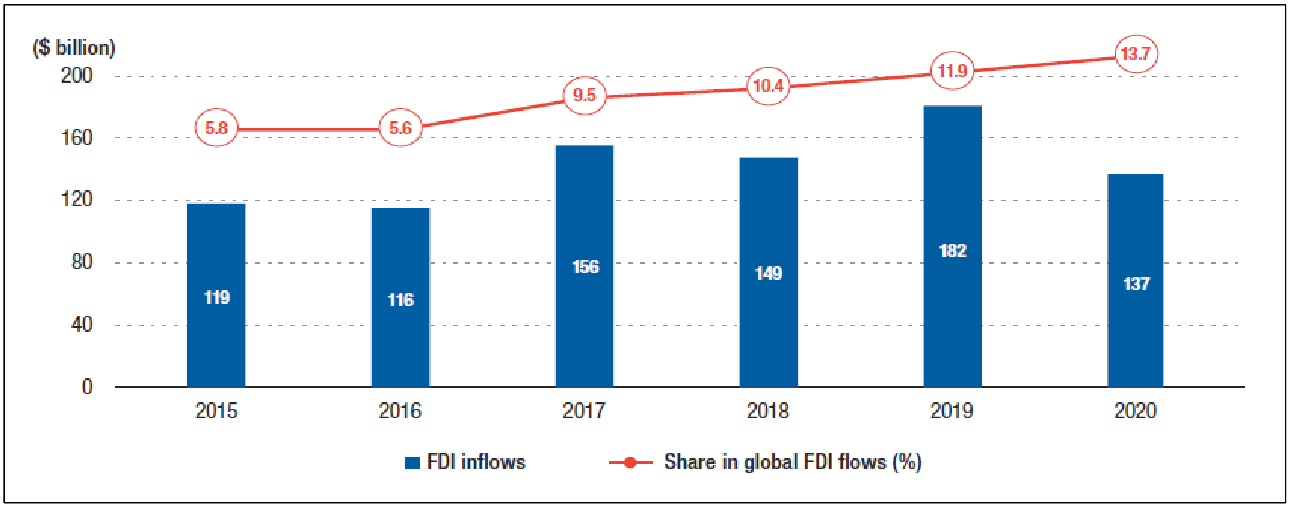
[2] It includes China, Hong Kong, Japan, Macao, Mongolia, North Korea, South Korea, and Taiwan

[3] A free trade agreement among the Asia-Pacific nations of Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Vietnam

[4] "RCEP is transforming trade in Asia Pacific and creating advantages for companies," Thomson Reuters 4 April 2022

Exhibit III-1: FDI Inflows to ASEAN and its Share in World's Total for 2015-2020

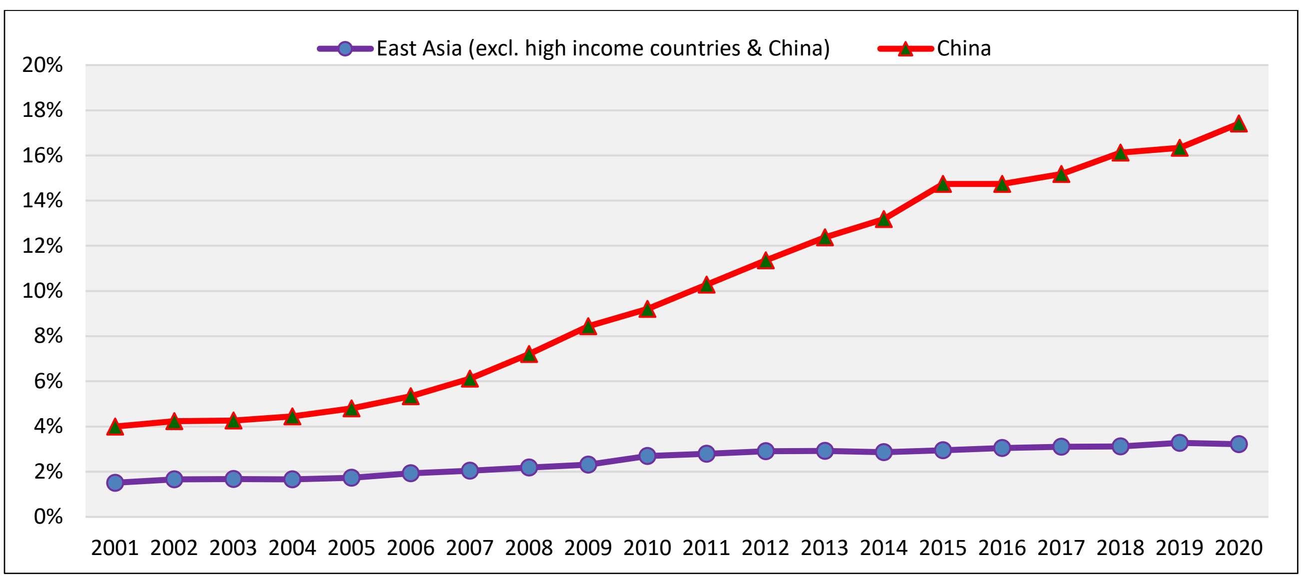


Source: UNCTAD and ASEAN Secretariat

East Asian Economy Expected to Remain Strong

The strong economic growth of the East Asian economy as a whole has been represented disproportionately by China and to a lesser extent Hong Kong over the last four decades or so with the former's GDP averaging close to 9% versus approximately 5% for the latter during that time period. Although China's future growth rates may moderate partly because of a larger base (2021 GDP reached US$17.46 trillion), we believe they will exceed those achieved by most developed economies. Our optimism is based on our expectations that China's exports will remain resilient, as it has the most extensive manufacturing ecosystem worldwide. Moreover, it will continue to invest, ranging from infrastructure to human capital and innovation, in conjunction with continued urbanization, persistent growth of the middle-class population, and most importantly the further opening up of its capital markets.

Exhibit III-2: Size of East Asian Economy as % of World's Economy during 2001-2020



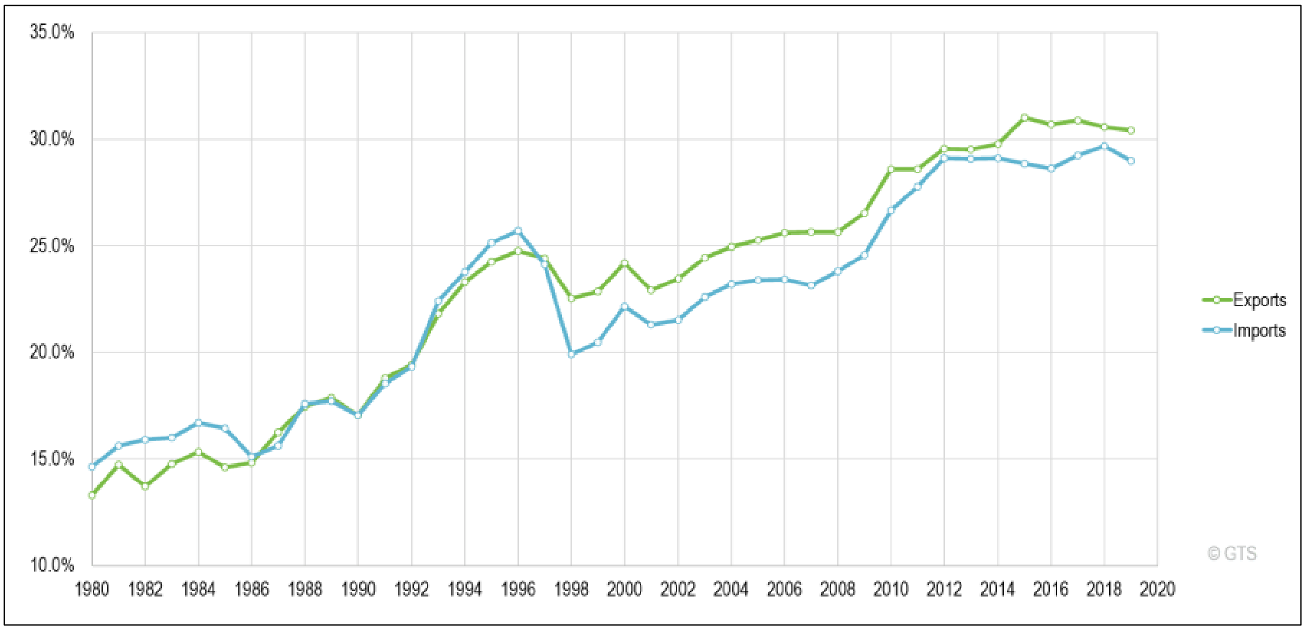
Source: World Bank and Bloomberg

Chart above illustrates the growing importance of the East Asian economy in particular China. Their combined GDP as a percentage of the world's total GDP has been on an upward trajectory over the period from 2001 to 2020.

Separately, as at year-end 2020, GDP of East Asia (excluding high-income countries and China) accounted for over 3.2% of global GDP, doubling its weight of only 1.5% 20 years ago, while China's GDP represented an impressive 17%+ of the global total, more than 4 times of that in 2001.

Besides rapid GDP growth experienced in the period, the region has also enjoyed extraordinary growth in trade. Based on World Trade Organization data, East Asia trade (exports and imports) as a percentage of total trade worldwide has jumped from around 15% in 1980 to the vicinity of 30% in 2019, with exports unsurprisingly accounting for a higher share than imports starting from the late 1990s due to their export-oriented economies. Highly dependent on trade and regional supply chain integration have made East Asia the critical region with respect to global trade.

Exhibit III-3: Share of East Asia in World Trade by Value during 1980-2019



Source: The Geography of Transport Systems and World Trade Organization

China's Increasing Presence in ASEAN

Meanwhile, despite the average GDP growth rate of the ASEAN countries was 5% during the 2000-2020 time frame, we believe their growth prospects would be more impressive given the ongoing buildouts of their infrastructure especially railways constructed by China that facilitate trade, investment, moving people and goods, as well as other business activities like tourism.

For instance, the commissioning of the China-Laos Railway connecting China's Kunming with the Laotian capital city of Vientiane on 2 December 2021 not only carries passengers but also cargoes. Importantly, in the south it meets the existing railway in Thanaleng of Laos, linking it via Nong Khai in Thailand to Bangkok. A high-speed extension to Bangkok is also under construction, and the project is scheduled for completion in

2028. When finished, the China-Laos Railway will be a portion of the Kunming–Singapore Railway. Moreover, the Jakarta-Bandung high-speed railway in Indonesia will cut the travel time between the two largest cities in the nation from over three hours to 40 minutes. The railway is scheduled to enter services in June 2023.

Exhibit III-4: GDP Growth Rate of ASEAN by Country

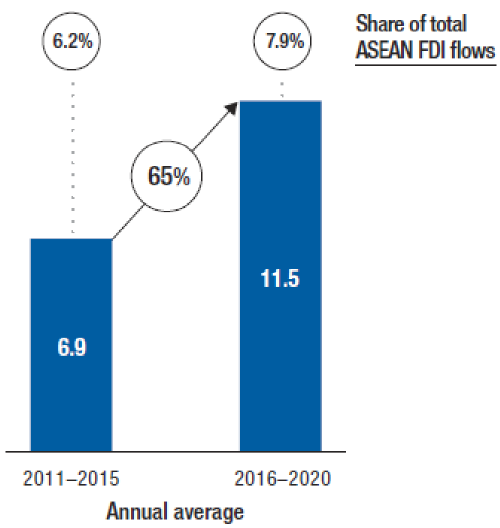
	GDP Growth Rate (%)						Annual Average
	2000	**2005**	**2010**	**2015**	**2019**	**2020**	**2000-2020**
Brunei Darussalam	2.9	0.4	2.6	-0.4	3.9	1.1	1.0
Cambodia	8.4	13.6	6.0	7.0	7.1	-3.1	7.2
Indonesia	5.4	5.7	6.2	4.9	5.0	-2.1	5.0
Laos	5.8	7.3	8.1	7.3	5.5	3.3	6.8
Malaysia	8.9	5.3	7.4	5.0	4.4	-5.6	4.6
Myanmar	13.7	13.6	9.6	7.0	6.2	3.2	9.3
Philippines	4.4	4.9	7.3	6.3	6.1	-9.6	4.8
Singapore	8.9	7.5	15.2	2.2	1.3	-5.4	4.6
Thailand	4.5	4.2	7.5	3.1	2.3	-6.1	3.5
Vietnam	6.8	7.5	6.4	6.7	7.0	2.9	6.4
ASEAN	**6.0**	**5.8**	**7.5**	**4.9**	**4.7**	**-3.3**	**5.0**

Source: ASEAN Key Figures 2021, ASEAN Secretariat, ASEANstats database

Indeed, China's direct investment in ASEAN has been on the rise not only in infrastructure but also extended to other industries, including manufacturing, real estate, and services such as finance, wholesale, retail trade, and e-commerce.

Specifically, annual average investment flows from China to ASEAN during 2011-2015 were only US$6.9 billion, but they surged 65% to US$11.5 billion on average annually in the next five-year period from 2016 to 2020. In terms of all foreign direct investment ("FDI") to ASEAN, China's share rose to 7.9% (2016-2020) from 6.2% (2011-2015). ASEAN has become a strategically-important investment destination for China, as the region accounted for 9% of the country's outward foreign direct investment in 2018-2019, up from 5.5% in 2009-2010.

Exhibit III-5: China's FDI Flows (US$, Billion) to ASEAN



Source: ASEAN Investment Report 2020-2021

Asian Financial Markets

We have seen tremendous growth in Asia's equity, bond and foreign exchange markets over the past decades, particularly in East Asia. The region has learnt valuable lessons from the Asian Financial Crisis ("AFC") in late 1990s, leading to generally more credible monetary and fiscal policies, improved regulation and supervision on the financial sector, a shift from heavily intervened to more market-oriented foreign exchange markets, strengthened balance sheets in private and public sectors, increased national savings, and build-up of sizable foreign exchange reserve buffers by some countries against external shocks.

East Asian equity markets have become more developed after the AFC and the 2008 Global Financial Crisis ("GFC"), attracting more overseas capital for equity investment, especially after MSCI Inc. included China in its emerging market indices.

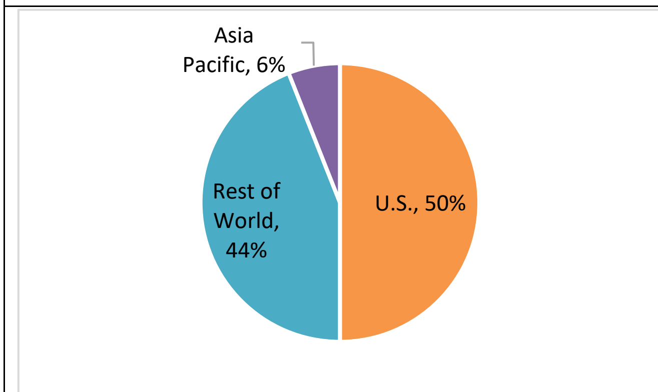
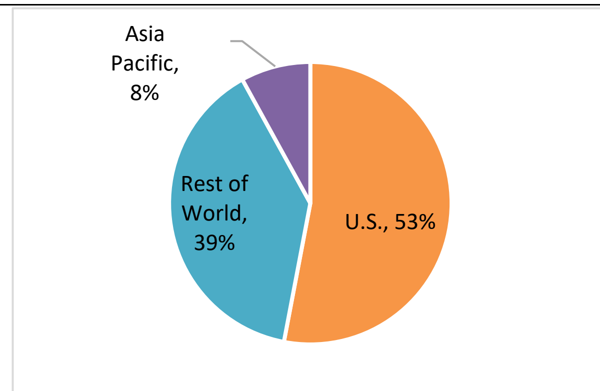
According to a report compiled by United Nations Conference on Trade and Development ("UNCTD"), global FDI overall collapsed in 2020 due to the outbreak of the COVID-19 pandemic, falling about 42% yoy to an estimated US$859 billion from US$1.5 trillion in 2019. Developing Asia accounted for 55% of global FDI in 2020, while FDI flows to developed countries slid by 69%[5]. China was the largest recipient of FDI in 2020, bringing in US$163 billion in inflows, as it was the first country to resume production and other business activities after lockdowns in some parts of the country when the pandemic was spreading across the world[6].

According to Refinitiv and Reuters, global exchange traded funds ("ETFs") and exchange traded products ("ETPs") received a record US$1.22 trillion in inflows in 2021, a 71% surge yoy[7]. Moreover, capital flows to

[5] The author has not provided their consent for this statement nor any other statements in the Company's Prospectus attributed to the UNCTD Report, to be included in the Prospectus
[6] UNCTD Report
[7] Gaurav Dogra, 'Global ETFs Saw Record Inflows in 2021', Reuters, 21 January 2022 (Reuters Report). The author has not provided their consent for this statement nor any other statements in the Company's Prospectus attributed to the Reuters Report, to be included in the Prospectus

Asian equity ETFs reached US$88 billion in 2021, a continuation of the strong momentum seen in years. However, we believe there is still considerable room for future growth because they still account for a relatively small proportion of global ETF inflows. Based on IHS Markit data, Asia-Pacific ETF inflows made up a mere 6-8% range of the global total in 2020 and 2021.

Exhibit III-6: Global Funds Inflows into Asia-Pacific ETFs

2021	2020
	

Source: IHS Markit

Competitive Landscape in Wealth and Investment Management

Wealth management and investment management markets are relatively fragmented in China and ASEAN. Those markets in China are huge in size and characterized by growing diversification of product offerings, with wealth management products playing an increasingly prominent role. The publication prepared by the Deloitte Centre for Financial Services and titled *China's Investment Management Opportunity: Reforms could create a multitrillion-dollar market for foreign firms*, states that China's total addressable retail financial wealth market is expected to reach US$30.2 trillion (RMB196.3 trillion) by 2023[8].

On the other hand, according to the China Investment Banking Review (First Half 2021) Report issued by Refinitiv in 2021 ("Refinitiv Report"), Chinese investment banks have been dominating the domestic debt capital market for the last several years in addition to being the leaders in equity capital markets as well as merger and acquisition transactions[9].

All investment banking activities in China generated a total of US$10.5 billion in fees during 1H 2021, up 19.5% from 1H 2020 and reached the highest level in the first half year period since 2000, according to the Refinitiv Report.

[8] Doug Dannemiller at the Deloitte Centre for Financial Services, 'China's Investment Management Opportunity: Reforms could create a multitrillion-dollar market for foreign firms,' 12 November 2019

[9] The author has not provided their consent for this statement nor any other statements in the Company's Prospectus attributed to the Refinitiv Report, to be included in the Prospectus.

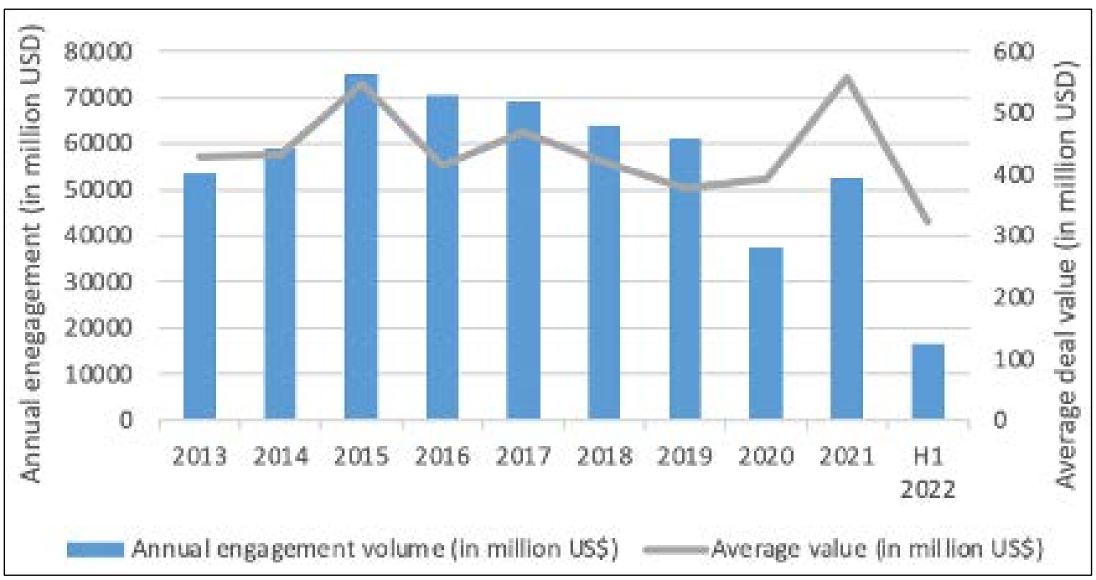
China-led Capital Flows Present Opportunities for Overseas Players

China is acting on three fronts to substantially increase capital flows out of and into China.

(a) The Belt and Road Initiative ("BRI). The BRI is a visionary infrastructure development strategy with the objective of improving regional co-operation through better connectivity among countries located along the ancient Silk Road and beyond. Established by China in 2013, the BRI is critical for China to export its infrastructure capabilities and help its products expand into more markets geographically, accompanied by an acquisition spree by Chinese companies in BRI countries. Since 2013, the cumulative BRI engagement amounts to US$932 billion, with construction contracts and non-financial investment representing around 60% and 40% respectively[10].

Though the pace of growth of BRI engagement has moderated in recent years more obviously in terms of aggregate investment total due to several reasons, including the slowing down of global GDP growth rate triggered by the COVID-19 pandemic and the revival of trade protectionism by the levy of tariffs on imports by some countries. With the Russia and Ukraine military conflicts being an added contributing factor, Chinese engagement through both investment and construction contracts for 1H 2022 was about US$28.4 billion, flat from 1H 2021. The bright spot is that BRI engagement with the technology sector soared 300% in 1H 2022 versus the corresponding period in 2021, indicating BRI has diversified its exposure[11].

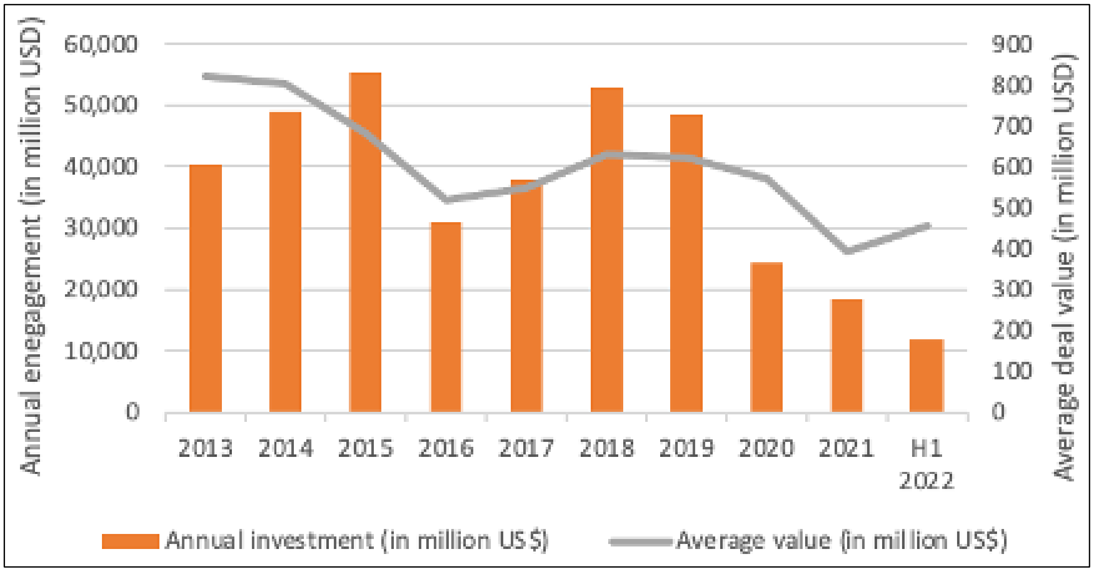
Exhibit III-7: Chinese Construction Engagement along Belt and Road Countries



Source: Green Finance & Development Center, FISF Fudan University, based on AEI data

10 China Belt and Road Initiative Investment Report H1 2022, Green Finance & Development Center
11 China Belt and Road Initiative Investment Report H1 2022, Green Finance & Development Center

Exhibit III-8: Chinese Investment along Belt and Road Countries



Source: Green Finance & Development Center, FISF Fudan University, based on AEI data

Regarding the BRI, it is expected that a significant amount of capital flows will continue to take place, expediting the growth of developing countries in particular. This trend allows financial institutions focusing on China and BRI countries to benefit from these activities, including cross-border transactions between China, the rest of Asia and other parts of the globe.

According to the Organization for Economic Co-operation and Development ("OECD"), a stocktaking of global infrastructure needs conducted by various methods points to a growing global infrastructure investment deficit in sectors important to the BRI, such as transportation, energy, water, and telecommunications. Asia alone will require US$26 trillion in infrastructure investment to 2030[12]

By sector, largest investment needs for road transport and energy supply infrastructure are especially acute, and they are expected to make up around 60% of total investment needs worldwide. They are followed by rail transport, water infrastructure, and telecommunications. It is predicted that the highest rates of underinvestment would be on road and energy infrastructure, with global investments in road infrastructure in the coming decades to fall short by almost US$400 billion annually, along with an annual investment deficit in energy infrastructure of around US$150 billion[13]. BRI related investment basically follows the same trend.

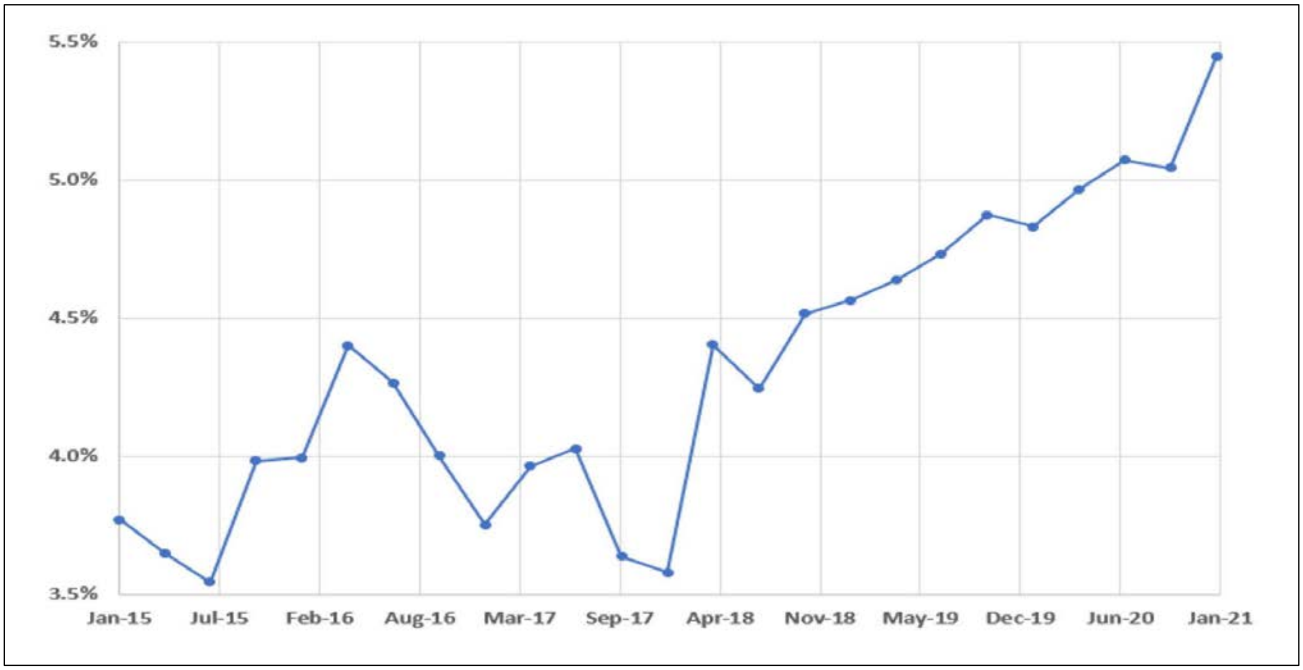
(b) China's financial sector is opening up further. In recent years, China has taken several impactful steps to allow deeper participation by foreign players in the country's financial markets. According to a report issued by Conventus Law on 17 November 2020 titled *China Integrates and Further Liberalises QFII/RQFII Schemes* ("Conventus Law Report"), China's Qualified Foreign Institutional Investors ("QFII") program was launched in 2006[14]. This was followed by the launch of the Shanghai-Hong Kong Stock Connect program between the exchanges in China and Hong Kong in 2014, and then the inclusion of China A-Shares in the MSCI World

[12] China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape, OECD
[13] GI Hub (2017)
[14] The author has not provided their consent for this statement nor any other statements in the Company's Prospectus attributed to the Conventus Law Report, to be included in the Prospectus

Index in 2018. These measures have resulted in much easier access to the China A-Shares market by overseas investors, creating higher levels of participation by and enormous business opportunities for foreign wealth management and investment management companies.

Higher participation is evident, as foreign institutional ownership of CSI 100[15] constituents over the six-year period through January 2021 shot up 47.3% and accounted for 5.4% of the total from 3.7% in January 2015.

Exhibit III-9: Foreign Institutional Shares to Total Institutional Shares Ratio for CSI 100 Constituents



Source: S&P Global Market Intelligence

In 2021, the Chinese government eased the restrictions on ownership of brokerage firms engaging in securities and futures so that foreign ownership can reach a maximum of 51%, up from 49% previously. On 7 August 2021, the China Securities Regulatory Commission ("CSRC") approved the registration of J.P. Morgan International Finance Limited, which has 100% ownership of J.P. Morgan Securities (China) Company Limited. Hence, the latter has become the first brokerage in China wholly-owned by a foreign firm. The relax of foreign ownership was also applicable to the mutual fund market where BlackRock Fund Management Co., Ltd. was the first licensed foreign wholly-owned mutual fund unit in China, while Citigroup Inc. received final approval for running a fund custodian business in the country.

More recently, Swap Connect Hong Kong was announced on 4 July 2022, with interest rate swaps being the first product introduced for the purposes of promoting the financial derivatives markets and further integrating the Chinese markets with their overseas counterparts. On the same day, the ETF Connect was launched with which over 80 ETFs listed in Shenzhen and Shanghai can be traded by Hong Kong investors. Meanwhile, four Hong Kong-listed ETFs are available for trading by Chinese investors through the Stock Connect Shanghai program.

[15] A capitalization-weighted, free float adjusted stock market index designed to replicate the performance of top-100 stocks traded in the Shanghai and Shenzhen stock exchanges

As foreign firms are permitted to take full control of their Chinese subsidiaries and compete in a level playing field in the domestic Chinese market, more international capital flows (both inbound and outbound) facilitated by these foreign-owned entities are expected to take place.

(c) Hong Kong's role as the super intermediary. Since Hong Kong launched the first offshore Renminbi ("RMB") platform in 2004, the city has become the global hub for offshore RMB trading in addition to being the world's largest RMB liquidity pool and offering a diverse portfolio of offshore RMB investment products.

According to the statistics of the Society for Worldwide Interbank Financial Telecommunications ("SWIFT"), , Hong Kong handled over 70% of the world's offshore RMB transactions and its RMB Real Time Gross Settlement system recorded a turnover of RMB900 billion per day on average during 2004-2021. In addition, the Shenzhen-Hong Kong Stock Connect together with the Shanghai-Hong Kong Stock Connect improved access to equities listed in China by Hong Kong-based brokers and vice versa. Thus, Hong Kong acts as an intermediary on behalf of international investors keen on investing in publicly-listed Chinese companies.

On the debt market front, northbound trading under Bond Connect Co., Ltd. commenced in July 2017, offering access to China Interbank Bond Market to a broader group of eligible overseas investors through the connection between Hong Kong and China's financial institutions. Similarly, southbound trading enabling eligible institutional investors in China to invest in offshore bonds through the Hong Kong Exchange platform began in September 2021.

In July 2017, Hong Kong's Renminbi Qualified Foreign Institutional Investor ("RQFII") quota was raised to RMB500 billion, the largest amount in the world, and strengthens Hong Kong's role as the gateway to take part in China's financial markets for foreign investors.

Hong Kong's role as an intermediary was further enhanced in 2019 following the establishment of China's "Greater Bay Area" Initiative. The Guangdong-Hong Kong-Macao Greater Bay Area is a megalopolis, encompassing nine major cities[16] in the Guangdong province, including the capital of the province Guangzhou and the technology hub Shenzhen, along with two special administrative regions (Hong Kong and Macao). The region has more than 70 million of people and contributes to over 10% of the country's GDP. It is envisioned as an integrated economic area. As a result, preferential policies have been rolled out by local governments in four areas, namely financial interconnection, infrastructure interoperability, science, and innovation.

Based on per capita GDP as of 2021, US$26,918 for Shenzhen was only 15% behind Europe's US$31,022. However, both Shenzhen and Zhuhai (at US$24,392) were all ranked higher than, for example, Bahrain's US$23,710 and Kuwait's US$23,138 respectively[17]. With the expectations of persistent wealth accumulation over time fueled by accelerated economic growth among residents in the Guangdong-Hong Kong-Macao Greater Bay Area, more noticeably for those in Guangdong province, many of them will have increasing amounts of spare cash and growing desire to invest rather than just putting their money in bank accounts to earn interest.

[16] Apart from Guangzhou and Shenzhen, the other seven cities are Dongguan, Foshan, Huizhou, Jiangmen, Zhaoqing, Zhongshan, and Zhuhai

[17] GDP per Capita Worldwide (https://www.visualcapitalist.com/mapped-gdp-per-capita-worldwide/)

Exhibit III-10: Major Economic Indicators of the Guangdong-Hong Kong-Macao Greater Bay Area for 2021

City	Population (mn)	GDP[a] (US$ bn)[b]	Per-capita GDP (US$)[b]	GDP share of tertiary industry (%)	Export (US$ bn)[b]	Utilized FDI (US$ bn)[b]
Guangdong-Hong Kong-Macao Greater Bay Area	**86.7**	**1,958.14**	**22,585**	**64.8**	**1,385.77**	**153.74**
Hong Kong	7.4	369.14	49,375	93.4[3]	638.11	134.42[c]
Macao	0.68	29.9	43,773	91.3[3]	1.62	-7.18[c,d]
Guangzhou	18.81	437.6	23,307	71.6	97.84	8.42
Shenzhen	17.68	475.31	26,918	62.9	298.59	10.97
Foshan	9.61	188.43	19,602	42.3	77.62	0.52
Dongguan	10.54	168.26	16,009	41.5	148.18	1.48
Huizhou	6.07	77.15	12,728	42.0	33.05	1.15
Zhongshan	4.47	55.28	12,425	48.1	34.59	0.58
Jiangmen	4.84	55.82	11,582	46.2	22.72	0.36
Zhuhai	2.47	60.17	24,392	56.7	29.23	2.90
Zhaoqing	4.13	41.08	9,962	41.1	4.22	0.13

Notes: [a]At current market prices; [b]Converted with the yearly average exchange rates; [c]2020 figures; [d]Utilized FDI of Macao in 2020 being negative indicates that investment outflows exceed inflows in that year

Source: Census and Statistics Department of Hong Kong, Statistics and Census Service of Macao, the statistics bureau of the relevant Chinese cities, Hong Kong Trade Development Council

In September 2021, Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area was officially launched to enable eligible Chinese, Hong Kong and Macao residents in the region to carry out cross-boundary investment in wealth management products distributed by banks in each other's market through a closed loop funds flow channel established between their respective banking systems.

With synergies coming into play among member cities of the Guangdong-Hong Kong-Macao Greater Bay Area, we believe their pace of economic growth and wealth accumulation of their residents will be notably lifted, creating abundant business opportunities eventually for Hong Kong-based wealth management and capital investment companies. We believe Phoenician will be among the major beneficiaries of this development in view of its distinguished track record.

IV. EXTRAORDINARY FINANCIAL PERFORMANCE

Historical Financials Review

Revenue and Net Investment Gain

On a consolidated basis, Phoenician achieved remarkable growth in terms of both revenue and investment gain in the past three years. Total revenue skyrocketed nearly 30 folds from just HK$87,000 in 2019 to HK$2.661 million in 2020 and then another almost 5.5 times surge to HK14.536 million in 2021.

Phoenician's exceptionally strong revenue performance can be attributed predominately to its investment banking business unit, which contributed total revenue of HK$14.449 million in 2021, up about 4.6 times from just HK$2.574 million in the immediately preceding year versus zero in 2019. The unit's phenomenal growth was primarily due to the following factors:

(i) Increase in advisory fees from providing equity market advisory and capital raising services;
(ii) Advisory fees from private placement, and
(iii) Commission fees received from stock trading.

Exhibit IV-1: Revenue of Phoenician's Business Units

Business Unit	Year Ended 31 December		
	2021 HK$'000	2020 HK$'000	2019 HK$'000
Wealth Management	40	40	40
Investment Management	47	47	47
Investment Banking	14,449	2,574	–
Total Revenue	**14,536**	**2,661**	**87**

Source: Company's prospectus

Apart from revenue, Phoenician's net investment gains have followed a similar notable growth pattern.

The **wealth management business unit** performed well in 2021 with net investment gains of approximately HK$30.577 million, rising from HK$6.724 million in 2020 and HK$0.146 million in 2019. It was mainly owing to the increase in fair value gains in accordance with financial test on financial assets in the investment portfolio classified as held-for-trading.

At the same time, the **investment management business unit** also concluded 2021 with substantial growth in net investment gains of HK$393.068 million against zero in both 2020 and 2019. The outstanding performance stemmed from a gain on disposal of a private equity investment, partially offset by the fair value loss based on financial test of financial assets classified as held-for-trading. Net investment gains from this unit mainly represents the investment income from its own proprietary funds.

However, based on financial test, the **investment banking business unit** recorded a net investment loss of HK$14.814 million for 2021 (2020: HK$0.00, 2019: HK$0.00) due to the fair value losses on financial assets classified as held-for-trading.

Exhibit IV-2: Net Investment Gain/Loss of Phoenician's Business Units

Business Unit	Year Ended 31 December		
	2021 HK$'000	2020 HK$'000	2019 HK$'000
Wealth Management	30,577	6,724	146
Investment Management	393,068	–	–
Investment Banking	(14,814)	–	–
Total Net Investment Gain	**408,831**	**6,724**	**146**

Source: Company's prospectus

Operating Expenses

Operating expenses for the **wealth management business unit** rose from HK$2.393 million in 2020 to HK$2.862 million in 2021, representing a year-over-year increase of 20%, as a result of higher interest expenses. For 2019, operating expenses for the unit were HK$3.322 million largely on personnel costs.

The **investment management business unit** registered a relatively lower year-over-year growth in operating expenses of 4% from HK$2.390 million in 2020 to HK$2.493 million in 2021 owing to larger administrative expenses. In 2019, operating expenses totaled HK$2.830 million on higher administrative costs.

In 2021, operating expenses for the **investment banking business unit** more than tripled from HK$2.694 million in 2020 to HK$9.380 million in 2021, roughly in line with the corresponding sizable 4.6 times year-over-year increase in the unit's revenue in 2021 as a result of organic business growth.

Exhibit IV-3: Operating Expenses of Phoenician's Business Units

Business Unit	Year Ended 31 December		
	2021 HK$'000	2020 HK$'000	2019 HK$'000
Wealth Management	(2,862)	(2,393)	(3,322)
Investment Management	(2,493)	(2,390)	(2,830)
Investment Banking	(9,380)	(2,694)	–
Total Operating Expenses	**(14,735)**	**(7,477)**	**(6,152)**

Source: Company's prospectus

Operating Profit

The **wealth management business unit** registered operating profit of HK$27.755 million in 2021, up by almost 6 times from HK$4.371 million the year before versus an operating loss of HK$3.136 million in 2019.

There was an even more amazing improvement in the **investment management business unit** in 2021, when it made HK$390.622 million in operating profit, reversing the operating loss of HK$2.343 million in 2020. 2019 operating loss amounted to HK$2.783 million.

Due to investment losses, the **investment banking business unit** incurred a much larger operating loss of HK$9.745 million in 2021 from HK$0.12 million in 2020.

Exhibit IV-4: Operating Profit of Phoenician's Business Units

Business Unit	Year Ended 31 December		
	2021 HK$'000	2020 HK$'000	2019 HK$'000
Wealth Management	27,755	4,371	(3,136)
Investment Management	390,622	(2,343)	(2,783)
Investment Banking	(9,745)	(120)	–
Total Operating Profit	**408,632**	**1,908**	**(5,919)**

Source: Company's prospectus

Overall, Phoenician made great strides in 2021 in a few vital performance metrics, including revenue, net investment gains, and operating profit. Even though we cannot rely on past performance, these metrics serve as a proven track record about the company's ability to attract business and its execution.

Business Drivers

Each of Phoenician's three business units has its own unique characteristics and faces different risks, as well as having distinctive business drivers.

For both the wealth management and investment management business units, their key business driver is AuM, which is the aggregate amount of net asset value of securities and other investment products for which Phoenician offers discretionary investment management services to its clients as a financial advisor or an investment manager.

For the Company's investment banking business unit, the dominant business driver is AuC, which is the total value of all financial assets for which Phoenician holds on behalf of its clients as a broker/a custodian.

Exhibit IV-5: Audited Historical Consolidated Statement of Comprehensive Income of Phoenician

	Year Ended 31 December		
	2021 HK$	2020 HK$	2019 HK$
Revenue	14,535,825	2,660,800	86,800
Other income	37	109	8,512
Other net gains	408,831,562	6,723,565	137,200
Corporate and administrative expenses	(10,874,363)	(5,140,392)	(4,642,526)
Finance costs	(3,860,825)	(2,336,528)	(1,508,722)
Profit/(Loss) before income tax	**408,632,236**	**1,907,554**	**(5,918,736)**
Income tax	-	-	-
Other comprehensive income, net of income tax	-	-	-
Profit/(Loss) and total comprehensive income/(loss) attributable to the Company	**408,632,236**	**1,907,554**	**(5,918,736)**

Source: Company's prospectus

Financial Assets

Taking a closer look at the balance sheet as of 31 December 2021, Phoenician's held-for-trading investments under its wealth management, investment management and investment banking business units as measured at their fair value totaled HK$458.908 million in aggregate, which increased substantially as compared to HK$36.613 million and HK$0.536 million for 2020 and 2019 respectively.

Exhibit IV-6: Analysis of Phoenician's Held-for-Trading Investments

Held-for-Trading Investments	Year Ended 31 December		
	2021 HK$'000	2020 HK$'000	2019 HK$'000
Wealth Management	80,642	36,613	536
Investment Management	268,387	-	-
Investment Banking	109,879	-	-
Total	**458,908**	**36,613**	**536**

Source: Company's prospectus

Phoenician is exposed to equity price risk primarily through its investment in securities mostly listed on the London Stock Exchange ("LSE"), NSX and the Australian Securities Exchange ("ASX"). A sensitivity analysis reveals that if equity prices had been 10% higher/lower in 2021 (2020: 10% higher/lower, 2019: 10% higher/lower), the Company's profit after tax for the year would have increased/decreased by about HK$45,891,000 (2020: up/down by HK$3,661,000, 2019: rose/declined by HK$54,000) due to the changes in fair value of held-for-trading investments, as Phoenician's return is mainly through fair value gains.

The following financial statements of Phoenician have been audited by RSM Corporate Australia Pty Ltd. ("Auditor") for the purpose of the Company's listing.

Exhibit IV-7: Audited Historical Consolidated Statement of Financial Position of Phoenician

	Year Ended 31 December		
	2021	**2020**	**2019**
	HK$	**HK$**	**HK$**
CURRENT ASSETS			
Cash and cash equivalents	15,224,733	4,305,761	4,697,503
Trade and other receivables	9,048,919	259,098	–
Financial Assets	458,907,707	36,613,350	536,200
TOTAL CURRENT ASSETS	**483,181,359**	**41,178,209**	**5,233,703**
NON-CURRENT ASSETS			
TOTAL NON-CURRENT ASSETS	**–**	**–**	**–**
TOTAL ASSETS	**483,181,359**	**41,178,209**	**5,233,703**
CURRENT LIABILITIES			
Trade and other payables	10,303,762	971,416	359,366
TOTAL CURRENT LIABILITIES	**10,303,762**	**971,416**	**359,366**
NON-CURRENT LIABILITIES			
Borrowings	93,538,865	69,500,297	36,075,395
TOTAL NON-CURRENT LIABILITIES	**93,538,865**	**69,500,297**	**36,075,395**
TOTAL LIABILITIES	**103,842,627**	**70,471,713**	**36,434,761**
NET ASSETS/(LIABILITIES)	**379,338,732**	**(29,293,504)**	**(31,201,058)**
EQUITY			
Issued capital	78	78	78
Reserves	–	–	–
Retained profits/(Accumulated losses)	379,338,654	(29,293,582)	(31,201,136)
TOTAL EQUITY	**379,338,732**	**(29,293,504)**	**(31,201,058)**

Source: Company's prospectus

Note: Pro-forma financial information has been included separately in the Company's prospectus to reflect the financial positions of Phoenician on the assumption that the Offer had occurred as at 31 December 2021 for additional information purposes.

Historical Financial Data and Forecasts

Exhibit IV-8: AuM and AuC (HK$ million)

	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Business Segment and Performance Metric						
Wealth Management (AuM)	-	-	-			
Investment Management (AuM)	15.5	15.5	15.5			
Investment Banking (AuC)	-	-	784			
Total AuM and AuC	**15.5**	**15.5**	**800**	**1,040**	**1,352**	**1,758**

Source: Company's prospectus and Cedrus' estimates

Exhibit IV-9: Balance Sheet (HK$ million)

	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Cash	5	4	15	28	12	0
Financial Assets	1	37	459	551	661	793
Other Assets	-	(0.3)	9	11	13	16
Other Liabilities	(0.4)	(1)	(10)	(12)	(15)	(18)
Unsecured Loan	(36)	(70)	(94)	(94)	(94)	(94)
Total Equity	**(31)**	**(29)**	**379**	**483**	**577**	**697**

Source: Company's prospectus and Cedrus' estimates

Exhibit IV-10: Income Statement (HK$ million)

	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Revenue	0.1	3	15	5	12	27
Revenue Growth (yoy)		2,695%	446%	(67%)	140%	125%
Net Investment Gain	0.1	7	409	92	110	132
Net Investment Gain Growth (yoy)		4,801%	5,981%	(78%)	20%	20%
EBIT	(4)	4	412	79	95	122
Net Income	**(6)**	**2**	**409**	**72**	**89**	**116**

Source: Company's prospectus and Cedrus' estimates

V. HIGHLY ATTRACTIVE VALUATION

Valuation Assumptions and Methodologies

Discounted cash flow ("DCF") and comparable company analysis ("CCA") methodologies are employed to derive Phoenician's valuation

To establish the valuation of Phoenician, we have made the following key assumptions as well:

- Cash flows of Phoenician are assumed to come from two distinctive sources: i) agency business (in the form of investment gain and investment management revenue) and ii) proprietary investment;
- Operating expenses of Phoenician between 2022 and 2026 are forecasted and then they are assumed to be 75% of investment management fees onwards;
- It is also assumed that repayment of the current outstanding unsecured loan could be extended beyond 31 December 2024;
- We have used the capital asset pricing model ("CAPM") to come up with the discount rate of 12% for the valuation.

Discounted Cash Flow

Our DCF model is constructed based on the scenario that Phoenician is simultaneously conducting agency business along with making proprietary investments. In preparing the DCF analysis, we used the following assumptions to forecast the Company's cash flow:

1) Company's entire portfolio (worth HK$800 million at year-end 2021) is assumed to be fully invested to calculate the average rate of growth;
2) The presumed annual 30% growth rate for all its assets (both AuM and AuC) between 2022 and 2026 is used to derive substantial net investment gains in each year, which will be reinvested in following financial years to continue generating investment gains at the same 30% annual rate through 2026;
3) AuM and AuC growth rates are assumed to be reduced from 30% to 10% starting from 2027;
4) In addition to investment gains, investment management fees for all AuM and AuC are estimated, and they are projected to be increased gradually and will reach 2% from 2024 and through the remaining part of the projected period;
5) Operating expenses are assumed to be 75% of investment management fees starting from 2027;
6) All the financial assets of Phoenician (valued HK$459 million at year-end 2021) are supposed to be fully invested to calculate the average rate of growth;
7) Growth rate of its proprietary investment is presumed to be 20% on a sustainable basis, and the whole amount will be reinvested in the following financial year to continue generate investment returns at the same rate;
8) Proprietary investment growth rate is supposed to be 15% during the 2025-2027 period and 10% beginning 2028; and

9) Net corporate income tax rate is projected to be 16.5% on par companies operating in Hong Kong.

Accordingly, the net present value ("NPV") of Phoenician using the DCF method is around HK$1.8 billion (AU$350 million).

Comparable Company Analysis

We have identified comparable companies in the global marketplace that have all or part of the same lines of business as Phoenician's, namely investment banking, investment management, and wealth management for comparison purposes based on several benchmarks.

While firms focusing on investment banking services and those primarily engage in investment/wealth management businesses are showing distinct characteristics, profitability is still the main value driver as indicated by the direct correlation between the Return on Equity ("RoE") and price to book ("P/B") in general as shown in the exhibit below.

Exhibit V-1: Comparison of Key Valuation Metrics between Phoenician and its Comparable Companies

Company Name	Exchange	Headquarters	Business Unit			Cur. RoE	3-Yr Avg. RoE	P/B	P/E
			IB	IM	WM				
China Renaissance (1911.HK)	HKEx	Beijing	√	√	√	4%	17%	0.5	11.7
Noah Holdings (NOAH)	NYSE	Shanghai		√	√	15%	7%	0.7	5.8
Huatai Securities (601688 CH, 6886.HK)	SSE/HKEx	Nanjing	√	√	√	8%	9%	0.5	6.6
GF Securities (000776 CH, 1776.HK)	SSE/HKEx	Guangzhou	√	√	√	9%	10%	0.5	6.3
Haitong Securities (600837 CH, 6837.HK)	SSE/HKEx	Shanghai	√	√	√	-9%	5%	0.7	12.1
Moelis (MC)	NYSE	New York	√			76%	50%	6.1	8.2
Evercore (EVR)	NYSE	New York	√			57%	46%	2.6	5.4
PJT Partners (PJT)	NYSE	New York	√			77%	102%	14.6	18.0
Lazard (LAZ)	NYSE	New York	√	√		68%	49%	4.6	7.0
Carlyle (CG)	NYSE	Washington		√		39%	51%	1.7	4.9
Apollo Global Mgmt. (APO)	NYSE	New York		√		-90%	55%	8.1	N/A
Tonghai Int'l Financial (952.HK)	HKEx	Hong Kong	√	√	√	-55%	-23%	0.3	N/A
Julius Baer (BAER.SW)	SIX	Zürich		√	√	14%	12%	1.6	10.5
Average						**18%**	**30%**	**3.3**	**8.8**
Phoenician (PHI)	NSX	Hong Kong	√	√	√	108%	40%	1.3	7.3

Notes: IB = Investment Banking; IM = Investment Management; WM = Wealth Management; Cur. = Current; HKEx = Stock Exchange of Hong Kong; NYSE = New York Stock Exchange; SSE = Shanghai Stock Exchange; SIX = SIX Swiss Exchange

Source: Bloomberg, annual reports and announcements of companies, and Cedrus' analysis

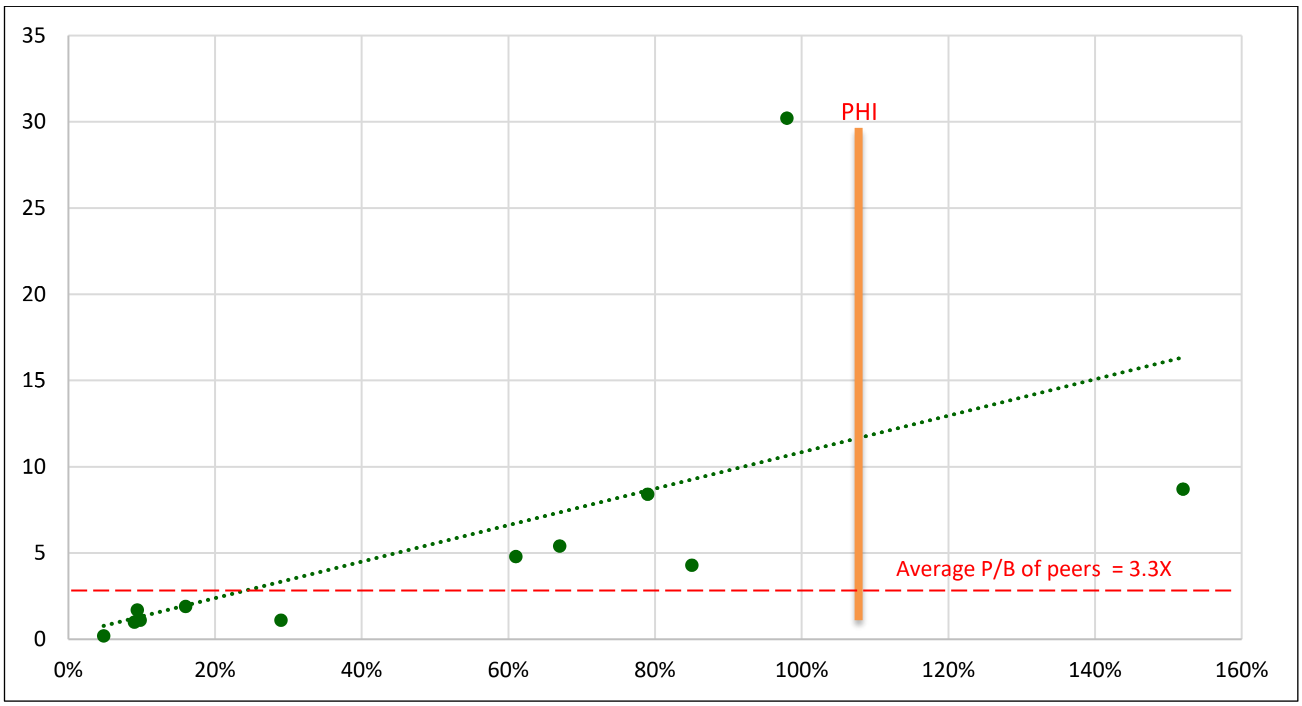
Therefore, considering the nature and mix of Phoenician's business units as well as that of its peers, the average P/B ratio of the comparable companies is 3.3x.

In addition, it is clear that there is a positive correlation between the profitability of an investment management firm as measured by RoE and the size of its assets (AuM and AuC) as measured by P/B ratio.

Based on Phoenician's RoE, our analysis suggested the Company should be traded at a P/B ratio of around 10.

To be conservative, we only apply the P/B ratio of 3.3 (average of its peers instead of 10 in accordance with our analysis) in valuing Phoenician. Based on latest published book value of all its financial assets of HK$459 million, the equity value of Phoenician should be approximately HK$1.5 billion (or AU$290 million).

Exhibit V-2: Valuation Metrics (P/B vs. RoE)



Notes: x-axis = RoE; y-axis = P/B

Source: Bloomberg and Cedrus' analysis

Valuation Conclusion

Using the discounted cash flow and the comparable company analysis methodologies, we have obtained Phoenician's valuation of AU$350 million in terms of NPV for the former methodology and AU$290 million regarding P/B ratio for the latter. We believe the average of these two figures of AU$320 million should be the fair valuation for Phoenician, as the dispersion is just around 9%.

Exhibit V-3: Phoenician's Valuation Analysis

Valuation Methodology	Result
Discounted Cash Flow (NPV, equity value)	AU$350 million
Comparable Company Analysis (P/B, equity value)	AU$290 million
Conclusive valuation	**AU$320 million**

Source: Cedrus' analysis

Hence, equity value of AU$320 million is our near-term (12- to 18-month) valuation target for Phoenician, corresponding to a share price of AU$3.05 and representing an approximately 165% upside potential based on its closing price of AU$1.15 as of 12 October 2022.

Since the estimated equity value of AU$320 million is roughly 2.6x of its market capitalization of about AU$121 million (based on Phoenician's closing price on 12 October 2022), PHI shares are significantly undervalued; therefore, they should be particularly attractive to long-term investors.

Exhibit V-4: Key Valuation Metrics

Valuation Metrics	
Market Capitalization (as of 12 October 2022)	AU$121 million
Total Outstanding Shares before the Listing	100 million
Number of Shares under the IPO Offer	5 million
Total Outstanding Shares after the Listing	**105 million**
Projected Equity Value	AU$320 million
PHI Share Price (as of 12 October 2022)	AU$1.15
12- to 18-month Target Price	AU$3.05
Upside Potential	165%

Source: Company reports, Bloomberg, and Cedrus' estimates

VI. CONCLUSION

We initiate our coverage of Phoenician, which was just listed on the NSX on 12 October 2022, with an Overweight rating and a 12- to 18-month price target of AU$3.05, representing an upside potential of about 165% over its closing price of AU$1.15 on 12 October 2022.

Phoenician accomplished extraordinary growth in 2021, with revenue, net investment gain, and operating profit increasing 4.5x, 60x and 213x yoy respectively as a result of sound business strategy, outstanding execution of the proficient management team, plus favorable industry trends in the geographical areas the Company has been focusing on. The astonishing financial performance is likely to give prospective clients a boost with respect to their confidence in Phoenician, potentially leading to more assets for management and opportunities for other businesses like investment banking to sustain rapid growth.

We believe that with the successful launch of the IPO on the NSX and raising AU$5 million in capital, Phoenician will be able to fund the expansion of its agency business coupled with enhancing its visibility among international investors, boding well for diversifying its customer base and tapping into a large capital pool for further expansion of its business if needed.

In our view, Phoenician has made a smart strategic move by focusing its business on the rapidly-developing ASEAN economy in addition to the East Asia market, which is dominated by China. It is widely anticipated that Asia would be the hot spot in terms of investment destination and epicenter of economic growth that could last for decades because these countries are an integral part of the global supply chains for semiconductors, electric vehicles, among many others. Due to geopolitical and trade reasons, ties between China and ASEAN would be even stronger going forward. Continued entrenchment of the BRI in the region is another driving force.

On the other hand, China is committed to further opening up its financial industry and domestic market overall to lure more foreign direct investment to support economic growth. The “Greater Bay Area” Initiative integrating financial center Hong Kong, tourist city Macao and nine cities in the Guangdong province in China, including the southern technology hub Shenzhen, should create a synergistic economic ecosystem. This initiative ought to offer investment management and capital investing companies with promising business prospects. When individuals and businesses in the region prosper, there will be a boost to their needs for financial services.

Meanwhile, regardless private, institutional or corporate clients, they are increasingly interested in having a better understanding of both global and regional markets besides product features and company specifics before making their investment choices. Capital flow constraints, which are not well known by many investors, are one of the favorite topics. Therefore, we believe the in-depth country-level knowledge that Phoenician’s board members and the management team have will satisfy clients’ needs in this regard and win their business. Furthermore, we expect Phoenician is well positioned to take advantage of the booming Asian economy because of the extensive networks in both the public and private sectors it has established.

Another reason we are positive on the outlook of Phoenician is that its shares are immensely undervalued using both the discounted cash flow and comparable company analysis methodologies. We have concluded that Phoenician’s valuation should be AU$320 million versus its market capitalization of only AU$105 million at IPO.

In conclusion, in our view, Phoenician offers investors not only the opportunities to capitalize on the expected explosive growth of cross-border investment flows within the developing Asian markets but also the exposure to companies/start-ups with the potential of becoming the next-generation of unicorns especially at a time when the Company's shares are priced at a very compelling valuation.

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Dr. Thomas Kenny hereby certifies that the views expressed in this research report accurately reflect his personal views about the subject companies and their securities. He also certifies that he has not been, and will not be, receiving direct or indirect compensation in exchange for expressing the recommendations in this report.

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