

ALTUS CAPITAL LIMITED

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28 February 2025

To the Independent Board Committee

Dafeng Port Heshun Technology Company Limited

Unit 1009, Exchange Tower
33 Wang Chiu Road
Kowloon Bay, Kowloon
Hong Kong

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER
BY HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF
DAFENG PORT (HK) DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
DAFENG PORT HESHUN TECHNOLOGY COMPANY LIMITED
(OTHER THAN THOSE OWNED AND/OR AGREED TO BE ACQUIRED BY
DAFENG PORT (HK) DEVELOPMENT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Share Offer. Our aforesaid appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. Details of the Share Offer are set out in the "Letter from the Board" contained in the Composite Document dated 28 February 2025, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

The Agreement

On 31 December 2024, the Offeror as the purchaser and the Vendors as the vendors entered into the Agreement, pursuant to which (i) Top Bright, Success Pacific and Jiangsu Huahai conditionally agreed to sell 32%, 18% and 10%, respectively, of the total issued share capital of the Target Company as at the date of the Agreement, and (ii) the Offeror conditionally agreed to acquire from Top Bright, Success Pacific and Jiangsu Huahai an aggregate of 60% of the total issued share capital of the Target Company as at the date of the Agreement. Immediately after Completion, the Target Company will be directly owned as to 60% by the Offeror and as to 40% by Dafeng Port Development Group. The Offeror is wholly owned by Dafeng Port Development Group.

Completion is conditional upon the fulfilment of the Conditions, details of which are set out in the section headed “Conditions of the Agreement” in the Joint Announcement.

As at the Latest Practicable Date, Target Company held 740,040,000 Shares, which represented approximately 57.46% of all the issued shares of the Company. As the Offeror and the Offeror Concert Parties has acquired statutory control (as referred to under the Takeovers Code) over the Target Company upon Completion, the Offeror is required to, subject to Completion, make an unconditional mandatory general offer for all the issued shares of the Company (other than those already owned or agreed to be acquired by the Offeror and the Offeror Concert Parties) pursuant to Note 8 to Rule 26.1 of the Takeovers Code and Practice Note 19 to the Takeovers Code. The Offeror is, through Huatai, making the Share Offer for all the Offer Shares pursuant to Note 8 to Rule 26.1 of the Takeovers Code.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Lau Hon Kee, Mr. Yu Xugang and Ms. Hui Alice, being all the non-executive Directors who are not interested in the Share Offer, has been established pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Offer Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to the acceptance of the Share Offer, after taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser with respect to the Share Offer, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the Share Offer is, or is not, fair and reasonable and as to the acceptance of the Share Offer.

We (i) are not in the same group as the financial or other professional advisers to the Offeror or the Company; (ii) are not associated or connected, financial or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (iii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Joint Announcement and including and up to the Latest Practicable Date. Pursuant to Rule 17.96 of the GEM Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Share Offer is at market level and not conditional upon the outcome of

the Share Offer; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the independent financial adviser to the Independent Board Committee in respect of the Share Offer.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Composite Document; (ii) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”); (iii) the interim report for the six months ended 30 June 2024 (the “**2024 Interim Report**”); and (iv) other announcements made by the Company up to the Latest Practicable Date.

We have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us by the Company, the Directors and the management of the Company (collectively the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Offer Shareholders of any material changes to information contained or referred to in the Composite Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Offer Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, throughout the Offer Period.

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

We have not considered the taxation implications on Offer Shareholders arising from acceptance or non-acceptance of the Share Offer, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Offer Shareholders as a result of the Share Offer. In particular, the Offer Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional advisers on tax matters.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE SHARE OFFER

In arriving at our advice for the Share Offer, we have considered the following principal factors and reasons:

1. Business and financial information of the Group

The Group is principally engaged in (i) trading businesses of importing and exporting of electronic products, petrochemical products, medical treatment products and soybean products primarily in the PRC and the (ii) provision of petrochemical products storage business in the PRC.

During FY2022 and FY2023 and 6M JUNE 2024 (as defined below), approximately 98.9%, 98.6% and 98.7% of the Group's total revenue was generated from its trading business. In terms of product nature of its trading business, the Group's focus has gradually shifted towards trading soybeans, with approximately 66.9%, 97.0%, and 99.95% of its revenue from trading business during FY2022, FY2023, and 6M JUNE 2024, respectively, derived from trading of soybean products. In terms of the geographical contribution to its trading business, the majority of the Group's revenue was derived from the PRC, accounting for approximately 83.2%, 97.8%, and 100.0% of the Group's revenue from trading business during FY2022, FY2023, and 6M JUNE 2024 respectively, while the remainder was derived from other regions, primarily including Hong Kong and Taiwan, during the same periods.

1.1 Financial information of the Group

Set out below is a summary of (i) the audited consolidated financial information of the Group for the financial years ended 31 December 2022 ("**FY2022**") and 2023 ("**FY2023**") respectively, which has been extracted from the 2023 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 June 2023 ("**6M JUNE 2023**") and 2024 ("**6M JUNE 2024**") respectively, which has been extracted from the 2024 Interim Report.

Extract of consolidated statement of profit or loss

	For the year ended 31 December		For the six months ended 30 June	
	2022	2023	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	795,967	1,158,042	419,628	690,507
Cost of revenue	(781,147)	(1,148,906)	(419,265)	(689,223)
Gross profit	14,820	9,136	363	1,284
Gross profit margin	1.86%	0.79%	0.09%	0.19%
Gain on disposal of an associate	—	108,909	—	—
Profit (Loss) for the year/period	(64,241)	53,489	(33,973)	(18,094)

Extract of consolidated statement of financial position

	As at 31 December		As at
	2022	2023	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Non-current assets			
— Property, plant and equipment	122,678	114,028	103,523
— Right-of-use assets	38,873	36,467	35,054
Current assets			
— Trade and other receivables	573,585	255,530	436,204
— Bank balances and cash	17,863	158,274	21,838
Current liabilities			
— Trade and other payables	(592,240)	(297,867)	(615,516)
— Bank and other borrowings	(606)	(473,409)	(57,109)
Non-current liabilities			
— Bank and other borrowings	(624,700)	(209,477)	(363,728)
Net liabilities	(501,793)	(446,983)	(469,561)

FY2023 compared to FY2022

The Group recorded a significant increase in revenue by approximately 45.5%, from approximately HK\$796.0 million in FY2022 to HK\$1,158.0 million in FY2023. Both the trading business and petrochemical products storage business experienced increases in revenue, where (i) the trading business' revenue increased from HK\$787.2 million in FY2022 to HK\$1,141.9 million in FY2023 due to the expansion of the trading business and the Group's active exploration of new market channels and customer groups; and (ii) the petrochemical products storage business' revenue increased from approximately HK\$8.8 million in FY2022 to HK\$16.1 million in FY2023; such increase was driven by the higher sales of petrochemical products of the Group's customers who ultimately sold such products in both international and domestic markets due to gradual recovery of the petrochemical markets both domestically and abroad as the adverse impact of the Omicron variant on the logistics has gradually reduced, which in turn resulted in the higher demands for the Group's storage services.

Nevertheless, the Group recorded a decrease in gross profit margin in FY2023 as compared to FY2022, from approximately 1.9% in FY2022 to 0.8% in FY2023. Such decrease was mainly due to the complexity of the global economic environment and the intensification of trade barriers, where the Group offers competitive pricing to attract and retain customers. As a result, despite the substantial increase in revenue as mentioned above, the Group's gross profit decreased from approximately HK\$14.8 million in FY2022 to HK\$9.1 million in FY2023.

Notwithstanding a decreased gross profit in FY2023, the Group recorded a profit for the year of approximately HK\$53.5 million in FY2023 due to the reason that the Group recognised a one-off gain of approximately HK\$108.9 million on disposal of 40% its equity interest in Jiangsu Yancheng Port Hairong Petrochemical Terminal Co. Ltd, an associate engaged in the provision of terminal handling and berthing services.

6M JUNE 2023 compared with 6M JUNE 2024

The Group's revenue increased by approximately 64.55% due to (i) the increase in revenue recorded from the Group's trading business from approximately HK\$412.0 million in 6M JUNE2023 to HK\$681.7 million in 6M JUNE 2024 as a results of the expansion of the trading business and the Group's efforts in exploring new market channels; and (ii) the increase in the Group's petrochemical products storage from approximately HK\$7.6 million in 6M JUNE2023 to HK\$8.8 million in 6M JUNE 2024 mainly due to the Company's increased business volume from expanding customer base and enhancing service levels and competitiveness in storage businesses.

The Group recorded a reduce in loss for the period from approximately HK\$34.0 million during 6M JUNE 2023 to approximately HK\$18.1 million during 6M JUNE 2024 mainly due to the combined effect of (i) an increase in gross profit from HK\$0.4 million during 6M JUNE 2023 to HK\$1.3 million during 6M JUNE 2024 due to the increase in revenue as mentioned above and a slight improvement in the Group's

gross profit margin (6M JUNE 2023: 0.09%; 6M JUNE 2024: 0.19%); (ii) a decrease in administrative expenses from approximately HK\$20.5 million in 6M JUNE 2023 to approximately HK\$9.9 million in 6M JUNE 2024; and (iii) a decrease in finance costs from HK\$13.7 million during 6M JUNE 2023 to HK\$11.3 million during 6M JUNE 2024.

However, as a result of the introduction of new regulatory policies issued by the State-owned Assets Supervision and Administration Commission in October 2023 requiring state-owned enterprises to conduct trading activities only according to their core businesses, the Group's revenue for the second half of 2024 decreased significantly. For details, please refer to the section headed "1.3 Outlook" of this letter.

31 December 2022 compared with 31 December 2023

The Group's non-current assets mainly comprise property, plant and equipment and right-of-use assets. Of the Group's property, plant and equipment balance as at 31 December 2022 and 2023, approximately 87.6% and 86.1% is attributable to the Group's storage facilities. Right-of-use assets represent prepaid lease payments in relation to a piece of land for warehouse usage in the PRC. The Group's current assets comprise mainly trade and other receivables and bank balances and cash. The significant increase in bank balances and cash from approximately HK\$17.9 million as at 31 December 2022 to HK\$158.3 million as at 31 December 2023 was primarily due to the cash received for the disposal of its equity interest in Jiangsu Yancheng Port Hairong Petrochemical Terminal Co. Ltd during FY2023 as aforementioned.

The Group's liabilities comprise of mainly trade and other payables and bank and other borrowings. Traded and other payables amounted to approximately HK\$592.2 million and HK\$297.9 million as at 31 December 2022 and 2023 respectively, while bank and other borrowings totalled to approximately HK\$625.3 million and HK\$682.9 million as at the respective dates.

As a result of the above, the Group recorded net liabilities of HK\$501.8 million and HK\$447.0 million as at 31 December 2022 and 2023 respectively.

30 June 2024 compared with 31 December 2023

As a results of the net effect of (i) the decrease in bank balances and cash primarily due to repayment of borrowings as well as increase in trade and other receivables, resulting in an increase in current asset; (ii) decrease in overall bank and other borrowings; and (iii) the substantial increase in trade and other payables at a percentage higher than the increase in trade and other receivables primarily due to (a) the increase in trade payables from trading business from approximately HK\$194.3 million as at 31 December 2023 to approximately HK\$365.2 million as at 30 June 2024 as result of the timing of recognition of trade payables in June 2024 amounting to approximately RMB144.3 million, which has yet been settled as of 30 June 2024;

as well as (b) the increase in the amount due to connected companies for the financing of the Group's operations, the Group's net liabilities position increased from approximately HK\$447.0 million as at 31 December 2023 to HK\$469.6 million as at 30 June 2024.

Going concern

The Group incurred loss of approximately HK\$64.2 million for FY2022 and, as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately HK\$34.6 million and HK\$501.8 million respectively. As at 31 December 2023, the Group had net current liabilities and net liabilities of approximately HK\$390.7 million and HK\$447.0 million respectively.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors, having considered the measures being taken by the Group as disclosed in note 2 to the consolidated financial statements of the 2023 Annual Report, including (i) issuing credit enhanced guarantee bonds; and (ii) obtaining a loan from a connected party, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis. Save for such material uncertainty, the auditor's reports issued by Mazars CPA Limited (name changed to Forvis Mazars CPA Limited with effect from 10 July 2024), in respect of the audited consolidated financial statements of the Group for the years ended 31 December 2022 and 2023, did not contain any modified opinion and emphasis of matter.

Dividend distribution

We note that the Company has not declared and distributed any dividend in the last five financial years. The Company confirmed that as at the date of the Latest Practicable Date, (i) it has not declared any dividend or other distributions which have not yet paid; and (ii) it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the date of closing of the Share Offer.

1.3 Outlook

The Group's principal activities primarily included (i) trading businesses; and (ii) provision of petrochemical product storage services. The Group's main source of revenue is from trading of soybeans, with approximately 99.95% of its revenue from trading business derived from trading of soybean products during 6M JUNE 2024. As such, the prospect of the Group is largely dependent on the demand from its customers, as well as market demand within the end markets where the Group's customers eventually distribute the products. While the Group primarily generated revenue from customers based in the PRC, these customers ultimately sold their products to international and/or domestic markets. Therefore, the sales of the Group is subject to the recovery of the global economy.

The global economic recovery has been sluggish due to factors such as pressures from persistent global inflation, regional conflicts (e.g., the Russia-Ukraine War, the Israeli-Hamas War), and intensified geopolitical volatility between the PRC and the United States. According to the reports of the World Economic Outlook issued by the International Monetary Fund, global GDP growth is expected to remain stable yet underwhelming, with forecasted growth at 3.3% in 2025, which is still well below the historical average of 3.7% from 2000 to 2019; meanwhile, global headline inflation is expected to decrease from an annual average of 6.7% in 2023 to 4.2% in 2025.

Furthermore, recent adjustments in domestic policies have also significantly impacted the Company's operations. The State-owned Assets Supervision and Administration Commission introduced new regulatory policies in October 2023, requiring state-owned enterprises to conduct trading activities only according to their core businesses (the "**2023 New Regulatory Policies**"). Due to the introduction of these policies, some of the Group's state-owned enterprise customers, who accounted for approximately 34.5% and 92.0% of the Group's total revenue in FY2023 and 6M JUNE 2024 respectively, decreased their demands for the Group's soybean products. Although the 2023 New Regulatory Policies were introduced in the last quarter of 2023, state-owned enterprise customers needed time to interpret and respond to the policy requirements. Consequently, during the second half of 2024, these state-owned enterprises began reducing their trading activities with the Company, leading to a significant decrease in the Group's revenue for the year ended 31 December 2024.

Such uncertainties both within international and domestic economic environments, alongside changes in domestic policies and geopolitical conflicts, negatively affect customer demand for the Group's trading of soybean products and petrochemical product storage services.

All in all, the Group expects that the economy will show a slow and steady growth in anticipation of the continuously easing global inflation. The Company will operate the existing businesses of the Group in a prudent manner, and actively seize the opportunities from the integrated development of Yancheng, Jiangsu Province. As the outlook and prospects of the Group remain uncertain, hence going forward, the Group will rationally reorganise and optimise the resources of the Company, simplify and restructure resources and prudently identify investment opportunities such as introducing businesses to the Group, and streamlining business lines. However, the Group does not have concrete plans in relation to the above as at the Latest Practicable Date.

Having considered the above factors, we concur with the view of the Company that the economic recovery of global remains uncertain, leading to uncertainties in the Group's outlook and prospects.

2. Background information of the Offeror

2.1 *The Offeror*

The Offeror is an investment holding company incorporated in Hong Kong with limited liability, which is wholly owned by Dafeng Port Development Group as at the Latest Practicable Date. The principal activity of the Offeror is investment holding. Dafeng Port Development Group is wholly owned by Jiangsu Yancheng, which is in turn owned as to approximately 40.8% by 鹽城市人民政府 (the People's Government of Yancheng City*), approximately 29.7% by 鹽城市大豐區人民政府 (the People's Government of Dafeng District of Yancheng City*), approximately 9.9% by 鹽城市射陽縣人民政府 (the People's Government of Sheyang County of Yancheng City*), approximately 9.9% by 鹽城市響水縣人民政府 (the People's Government of Xiangshui County of Yancheng City*) and approximately 9.7% by 鹽城市濱海縣人民政府 (the People's Government of Binhai County of Yancheng City*).

The principal activity of Dafeng Port Development Group is port development and construction, terminal and other port facility operations, aquaculture, sales of agricultural products (except for non-packaged seeds) and self-operated and import and export agency business of various commodities. The principal activity of Jiangsu Yancheng is port operation, engineering construction, agricultural technology and sales of commodity.

2.2 *The Offeror's intention in relation to the Company and composition of the Board*

Following the close of the Share Offer, the Offeror intends to continue the existing principal businesses of the Group.

The Offeror will conduct a review of the existing principal businesses and the financial position of the Group following the close of the Share Offer for the purpose of formulating business plans and strategies for the future development and expansion of the Group's principal business. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporation actions materialize, further announcement(s) will be made in accordance with the GEM Listing Rules and Takeovers Code (if applicable).

Save for the Offeror's intention regarding the Group as set out above, as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group, and the Offeror has no intention to discontinue the employment of the employees or to redeploy any fixed assets of the Group (other than in the ordinary and usual course of business of the Group) as at the Latest Practicable Date.

It is intended that Mr. Ji Longtao and Mr. Yang Yuexia will resign from the Board at the earliest time permitted under the Takeovers Code. The Company confirms that the resignation of Mr. Ji Longtao and Mr. Yang Yuexia will not have adverse material impacts on the business operations of the Group, considering that (i) both Mr. Ji Longtao and Mr. Yang Yuexia are non executive Directors who were not extensively involved in the daily operations of the Group; and (ii) the Offeror intends to nominate new Directors to the Board.

The Offeror intends to nominate new Directors to the Board in accordance with relevant requirements of the Takeovers Code, the GEM Listing Rules or other applicable regulations. Any changes to the Board composition will be made in compliance with the Takeovers Code and the GEM Listing Rules. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who as well as how many individual(s) will be nominated as new Directors. Further announcement(s)/disclosure(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

2.3 Listing status of the Company and public float

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares. Mr. Yang Meng, the sole director of the Offeror, has undertaken and the new Directors to be appointed (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer.

Based on the above, we note that the Company's listing status will be maintained and Offer Shareholders who do not accept the Share Offer will continue to be able to trade their Shares through the market after the close of the Share Offer.

Also, except for the proposed changes in composition of the Board, as well as the potential formulation of business plans and strategies for the future development and expansion of the Group's principal business after the Offeror conducts a review of the Group as mentioned above, no material changes in terms of the Group's business strategy and directions as well as operations are expected after the close of the Share Offer. Based on the communication with the Company, the Group's trading business will achieve comprehensive synergies with the Offeror through supply chain integration, shared customer resources, and expansion of sales and supply channels after completion of the Share Offer. There appears no material concern of the Offeror introducing radical changes

to the Group which may materially alter the prevailing status and situations of the Group. We are of the view that this allows the Offer Shareholders to conduct their own assessments of whether to continue investing in the Shares based on development of the Group that they are already informed of.

3. The Offer Price

The Offer Price is HK\$0.48 for each Offer Share. The Offeror will not increase the Offer Price.

To assess the fairness and reasonableness of the Offer Price, we have considered the following factors.

3.1 The Offer Price comparison

The Offer Price of HK\$0.4800 per Offer Share represents:

- (i) a premium of approximately 2.13% to the closing price of HK\$0.4700 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 11.63% to the closing price of HK\$0.4300 per Share as quoted on the Stock Exchange on 30 December 2024, being the Last Trading Day;
- (iii) a premium of approximately 10.85% to the average closing price of approximately HK\$0.4330 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 16.22% to the average closing price of approximately HK\$0.4130 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day; and
- (v) a premium of approximately 26.42% to the average closing price of approximately HK\$0.3797 per Share based on the daily closing prices as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day.

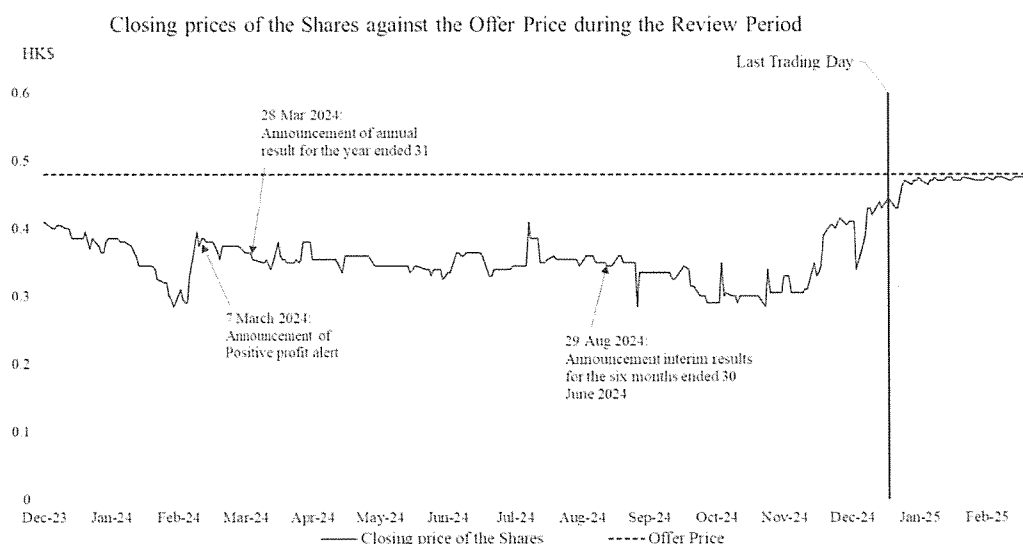
As at 30 June 2024, the value of the Group's unaudited consolidated net liabilities attributable to equity holders of the Company was approximately HK\$487 million and based on a total of 1,288,000,000 Shares in issue as at the Last Trading Day, the value of the unaudited net liabilities per Share was approximately HK\$0.3782.

From the above, the Offer Price represents premium ranging from approximately 2.13% to 26.42% to recent market trading price as mentioned above as well as the Group's

net liabilities position of approximately HK\$501.8 million, HK\$447.0 million, and HK\$469.6 million as at 31 December 2022 and 2023 and 30 June 2024 respectively, based on the 2023 Annual Report and the 2024 Interim Report. We have conducted further analysis on the fairness and reasonableness of the Offer Price as presented below.

3.2 Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares against the Offer Price from 31 December 2023, being one year prior to the Last Trading Day, to 30 December 2024, being the Last Trading Day (“**Pre-Announcement Period**”), and up to the Latest Practicable Date (the “**Post-Announcement Period**”) (collectively, the “**Review Period**”). We are of the view that the price performance of the Shares during the Pre-Announcement Period can sufficiently and fairly reflect the market perception on the Company’s performance, outlook and effects of certain specific events without the possible effect from the announcement of the Offer, which may be relevant to our analysis. The Share price movement during the Post Announcement Period is also presented for the Offer Shareholders’ information.



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

Over the Pre-Announcement Period, the highest and lowest closing price of the Shares were HK\$0.4450 per Share recorded on 27 December 2024 and HK\$0.2850 per Share recorded on 23 February 2024, 10 September 2024 and 4 November 2024 respectively. The Offer Price, being HK\$0.4800 per Offer Share, is above the aforesaid range of the closing price of the Shares. The average daily closing price per Share was approximately HK\$0.3514 per Share, and the Offer Price represents a premium of approximately 36.60% over it.

Over the Post-Announcement Period, the highest and lowest closing price of the Shares were HK\$0.4750 per Share recorded on 9 January, 16 January, 21 to 23 January, 28 January, 7 February, 11 to 14 February, 19 to 21 February and 24 February of 2025 and HK\$0.4300 per Share recorded on 31 December 2024 respectively. The Offer Price, being HK\$0.4800 per Offer Share, is above the aforesaid range of the closing price of the Shares. The average daily closing price per Share was approximately HK\$0.4705 per Share, and the Offer Price represents a premium of approximately 2.01% over it.

As illustrated in the graph above, the closing price of the Shares was below the Offer Price throughout the Pre-Announcement Period. Between 31 December 2023 and 1 March 2024, the closing price of Shares trended downwards. We did not identify any public announcement of the Company that may explain such decline. Between 4 March 2024 and 8 March 2024, the closing price of Shares increased sharply during the week. This may be attributable to the positive profit alert announcement published on 7 March 2024. Subsequent to 8 March 2024 and up to the Last Trading Day, the closing price of Shares had been relatively stable.

During the one-year period prior to the date of the Joint Announcement, being a period without the possible effect from the announcement of the Share Offer, the closing price of the Share had consistently traded at a discount to the Offer Price with an average of approximately HK\$0.3514 per Share, representing a discount of approximately 26.79% to the Offer Price. Therefore, from the perspective of the historical market trading price performance of the Shares, we are of the view that the Offer Price is fair and reasonable.

During the Post-Announcement Period, the Share price closed at HK\$0.4300 on the Date of the Joint Announcement, and the closing price increased to HK\$0.4650 on 2 January 2025 and maintained relatively stable up to the Latest Practicable Date. The closing price of the Share had consistently traded below the Offer Price with an average of approximately HK\$0.4705 per Share, representing a discount of approximately 1.97% to the Offer Price.

Shareholders should note that the information set out above is not an indication of the future performance of the Shares and that the price of the Shares may increase or decrease during the period between the Latest Practicable Date and the close of the Share Offer.

3.3 Comparable Analysis

The Group is principally engaged in trading business and the provision of petrochemical products storage business in the PRC. The Group's main source of revenue is from trading of soybean products, with approximately 66.9%, 97.0%, and 99.95% of its revenue from trading business during FY2022, FY2023, and 6M JUNE 2024, respectively, derived from trading of soybean products. Given the above, in evaluating the fairness and reasonableness of the Offer Price, we conducted an analysis comparing the Group's implied valuation at the Offer Price with the current market valuation of other companies listed on the Stock Exchange (a) which are engaged in trading of agricultural products in China

which are comparable to the trading business of the Group; (b) with a market capitalisation of under HK\$1.0 billion, which are comparable in size to the Company and (c) with shares of which are trading as at the Latest Practicable Date. Based on these criteria, we have identified six companies (“Comparable Companies”).

In selecting the appropriate trading multiples, we consider price-to-book ratio is not applicable due to the Company’s net liabilities position as at 31 December 2023 and 30 June 2024. Additionally, we consider price-to-earnings ratio not applicable as the profit attributable to the owners of the Company for the year ended 31 December 2023 was driven by a one-off gain on disposal of an associate, without which the Company would have been loss-making over the past three financial years. As a result, we had applied the price-to-sales ratio, being a commonly used trading multiple, as a benchmark for comparison against the Comparable Companies.

Whilst no companies have an identical business model, scale of operation, trading prospect, target markets, product mix and capital structure as the Company, and we have not conducted an in-depth investigation into the business and operations of the Comparable Companies beyond the aforesaid criteria, we believe the selected Comparable Companies are appropriate as a benchmark reference for our analysis. Based on the research, the Comparable Companies are exhaustive within the criteria set out above and we are of the view that it would serve as a fair and representative sample for drawing a meaningful comparison to the Offer Price. Our findings are summarised in the table below:

Stock code	Company name	Principal activities	Revenue (HK\$000) (Note 1)	Market capitalisation (HK\$000) (Note 2)	Price-to-sales ratio (times) (Note 3)
682	Chaoda Modern Agriculture (Holdings) Limited	Principally engaged in the distribution of crops, fruits and vegetables, as well as breeding and sale livestock. Its agricultural products include melon, tangerine, cherry tomato, sweet pepper, broccoli, cabbage, cauliflower, pumpkins, among others.	79,680	37,899	0.48
841	Asia Cassava Resources Holdings Limited	Principally engaged in the sales of dried cassava chips. The company operates through three segments. The Procurement and Sale of Dried Cassava Chips segment is engaged in the procurement and sales of dried cassava chips. The Property Investment segment is engaged in the investment in office and industrial properties for its potential rental income. The Hotel Operations segment is engaged in hotel operation in China. It is also involved in the provision of shipping agency services through its subsidiaries.	1,193,032	64,320	0.05
875	Congyu Intelligent Agricultural Holdings Ltd	Principally engaged in agriculture and meat products business. The company is mainly engaged in agricultural products cultivation, meat products, seafood and prepared foods processing, buying and selling business. The company is also engaged in the trading, supply and logistic of agricultural and meat products, poultry, seafood and prepared food to supermarkets and online platforms. In addition, the company is engaged in the sale of tea leaves business.	1,439,402	273,065	0.19

Stock code	Company name	Principal activities	Revenue (HK\$000) (Note 1)	Market capitalisation (HK\$000) (Note 2)	Price-to-sales ratio (times) (Note 3)
1298	Yunnan Energy International Limited	Principally engaged in supply chain business. The company operates its business through two segments. The Supply Chain segment is engaged in the trading of diversified industrial and consumer products, mainly including construction materials, agricultural commodities and medical devices. The Distribution Business segment is engaged in the distribution of life science and general laboratory instruments such as chromatographs, spectrometers and electron microscopes. The Segment is also engaged in the provision of customized hardware and software and related after-sales services.	341,863	217,595	0.64
8250	Silk Road Energy Services Group Limited	Principally engaged in the trading of fresh products. The company operates through four segments. Trading of Fresh Produce Products segment engaged in the provision of trading of fruit and raw meat products. Coal Mining Services segment is engaged in the provision of the construction engineering of coal mine, the installation of mechanical equipment and coal production and technical services. Money Lending segment engaged in the provision of money lending services in Hong Kong and China. Heating Supply Services segment engaged in the provision of heating supply.	5,847,757	59,799	0.01
8269	Wealth Glory Holdings Limited	Principally engaged in the design, manufacture and sale of trendy fashion merchandises. The company operates its business through four segments. The Branding, Trendy Fashion Merchandise and Other Consumers Products segment engages in the design, manufacture and sale of trendy fashion merchandises. The Natural Resources and Commodities segment engages in the trading of natural resources and commodities including iron ore concentrate, coal and crude palm oil. The Money Lending segment engages in the money lending business. The Securities Investment segment engages in the securities investment business.	32,265	46,318	1.44
				High end:	1.44
				Low end:	0.01
				Median:	0.33
Based on the Offer Price					
8310	The Company	The Group is principally engaged in trading business and the provision of petrochemical products storage business in the PRC.	1,158,042	618,240	0.53

Notes

1. Revenue is extracted from the most recent full-year audited financial statements of the company that were available as at the Latest Practicable Date, with necessary adjustments made for relevant exchange rates.
2. Market capitalisation is calculated based on the closing share price and the number of shares in issue as at the Latest Practicable Date based on information from the website of the Stock Exchange. In the case of the Company, it is calculated based on the Offer Price.
3. Price-to-sales ratio is calculated by dividing market capitalisation by revenue.

As shown in the table above, the price-to-sales ratios of the Comparable Companies ranged from approximately 0.01 to 1.44 times with a median of approximately 0.33 times. The implied price-to-sales ratio of the Company based on the Offer Price is approximately 0.53 times, which is within the range and is higher than the median of approximately 0.33. On this basis, we are of the view that from a comparable analysis perspective, the Offer Price is fair and reasonable and is in the interests of the Offer Shareholders as a whole.

4. Trading liquidity of the Shares

The Share Offer represents an opportunity for Offer Shareholders to dispose of their holding in the Shares at a fixed price. In order to compare this to the ability of Offer Shareholders to do the same in the open market, we have conducted analysis on the historical trading liquidity of the Shares.

The table below sets out the average daily number of Shares traded in each month, and the respective percentages of the Shares' daily trading volume during the Review Period as compared to (i) the total number of issued Shares held in public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date.

	Average daily trading volume <i>(Number of Shares)</i>	Approximate % of average daily trading volume to total issued Shares	Approximately % of average daily trading volume to the total number of Shares held in public
Pre-Announcement Period			
2023			
December (31 December 2023)	N/A	N/A	N/A
2024			
January	797,045	0.06%	0.15%
February	203,684	0.02%	0.04%
March	687,000	0.05%	0.13%
April	349,500	0.03%	0.06%
May	432,857	0.03%	0.08%
June	118,421	0.01%	0.02%
July	157,273	0.01%	0.03%
August	131,364	0.01%	0.02%
September	40,000	0.003%	0.01%
October	180,000	0.01%	0.03%
November	349,048	0.03%	0.06%
December (up to Last Trading Day)	850,500	0.07%	0.16%
Average	360,673	0.03%	0.07%

	Average daily trading volume (Number of Shares)	Approximate % of average daily trading volume to total issued Shares	Approximately % of average daily trading volume to the total number of Shares held in public
Post-Announcement Period			
2024			
December (31 December 2024)	340,000	0.03%	0.06%
2025			
January	5,094,211	0.40%	0.93%
February (up to the Latest Practicable Date)	972,941	0.08%	0.18%
Average	3,072,162	0.24%	0.56%

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

Notes:

1. Based on the total number of issued Shares as at each month end.
2. Based on the total number of issued Shares held by the public Shareholders of the Company as at each month end.
3. 31 December 2023 was not a trading day, and thus the trading volume analysis of December 2023 is not applicable.

Pre-Announcement Period

As illustrated in the above table, during the Pre-Announcement Period, the percentage of the average daily trading volume to the total number of issued Shares ranged from approximately 0.003% to 0.07%. When compared to the total number of Shares held by public Shareholders, the percentage ranged from approximately 0.01% to 0.16% over the Pre-Announcement Period. The average daily trading volume of Shares during the Pre-Announcement Period was approximately 360,673 Shares, representing approximately 0.03% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.07% of the total number of Shares held by public Shareholders on the Latest Practicable Date.

Overall, the trading volume of the Shares was thin during the Pre-Announcement Period, with average daily trading volume to the total number of Shares held by public Shareholders of approximately 0.07%.

Post-Announcement Period

We note that the trading volume of Shares increased after the publication of the Joint Announcement. Trading volume increased substantially on the day when trading in Shares resumed after publication of the Announcement where 14,430,000 Shares were traded. The average daily trading volume of Shares during the Post-Announcement Period amounted to approximately 3,072,162 Shares, representing approximately 0.24% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.56% of the total number of Shares held by public Shareholders on the Latest Practicable Date. It can be concluded that the publication of the Joint Announcement has spurred trading activities.

Given that the average trading volume during the Pre-Announcement Period represents less than 0.1% of the total number of issued Shares and the average trading volume during the Post-Announcement Period represents less than 0.5% of the total number of issued Shares, we are of the view that the trading volume of Shares was generally low, and in normal circumstances, if Shareholders are to dispose of Shares in the market, it may exert downward pressure on the market price of Shares.

Given that the Offer Price is above the prevailing market price of Shares as at the Latest Practicable Date, we are of the view that the Share Offer represent an opportunity for Shareholders to dispose of Shares at a Offer Price.

RECOMMENDATIONS

In summary, in relation to the Share Offer, we have considered the below factors and reasons in reaching our conclusion and recommendations:

- (i) As detailed in section “**1.2 Financial information of the Group**”, the operating performance of the Group in the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 had not been satisfactory and that the Company has not declared and distributed any dividend in the last five financial years;
- (ii) As detailed in section “**1.3 Outlook**” above, the recovery of global and domestic economies remains uncertain, resulting in uncertainties regarding the Group’s outlook and prospects. Although the Group intends to introduce new businesses as well as streamline business lines, the Group does not have concrete plans on such as at the Latest Practicable Date;
- (iii) As detailed in section “**2.2 The Offeror’s intention in relation to the Company and composition of the Board**”, the Offeror intends to continue the existing principal businesses of the Group while also planning to formulate business plans and strategies for the future development and expansion of the Group’s principal business after the Offeror conducts a review of the Group, but such business plans have yet materialised;
- (iv) As detailed in sections “**3.1 The Offer Price comparison**” and “**3.2 Historical price performance of the Shares**” above, the Offer Price is substantially above the closing prices and the average closing prices per Share during the Review Period as well as the Group’s net liabilities position based on the 2023 Annual Report and the 2024 Interim Report;

- (v) As detailed in section “**3.3 Comparable Analysis**” above, the implied price-to-sales ratio of the Company based on the Offer Price is approximately 0.53 times, which is within the range and is higher than the median of the Comparable Companies;
- (vi) As detailed in section “**4. Trading liquidity of the Shares**” above, the trading volume of Shares was generally low, and in normal circumstances, if Shareholders are to dispose of Shares in the market, it may exert downward pressure on the market price of Shares.

In light of the above, we consider that the Share Offer is fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders to accept the Share Offer.

As different Offer Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Offer Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and behalf of
Altus Capital Limited



Leo Tam
Responsible Officer

Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over ten years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.