

25 October 2024

To: *The Independent Board Committee of Eggriculture Foods Ltd.*

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF
EGGRICULTURE FOODS LTD.
BY BETAGRO FOODS (SINGAPORE) PTE. LTD.
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT;
(2) PROPOSED WITHDRAWAL OF LISTING OF
EGGRICULTURE FOODS LTD.; AND
(3) SPECIAL DEAL RELATING TO
THE OFFEROR COOPERATION ARRANGEMENT**

INTRODUCTION

We refer to our appointment by the Company, with the approval of the Independent Board Committee, to advise the Independent Board Committee in connection with the Proposal (including the Scheme) and the Offeror Cooperation Arrangement. Details of the Proposal, the Scheme and the Offeror Cooperation Arrangement are set out in Part IV — Letter from the Board (the “**Letter from the Board**”) and Part VII — Explanatory Memorandum (the “**Explanatory Memorandum**”) of this composite scheme document dated 25 October 2024 jointly issued by the Company and the Offeror in relation to, among others, the Proposal, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

Reference is made to the Announcement. On 15 August 2024, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act. The Offeror and the Company entered into the Implementation Agreement on 15 August 2024, pursuant to which the parties agreed to use all reasonable endeavours to implement the Proposal and cooperate to obtain all Approvals required in connection with the Proposal. If the Proposal is implemented, this will result in the Company being taken private by the Offeror and the withdrawal of the listing of the Shares from the Hong Kong Stock Exchange, subject to the Conditions being fulfilled or waived, as applicable.

As part of the Proposal, Betagro, Mr. Ma, the Founder Holdco and/or the Offeror have entered into the Offeror Cooperation Arrangement, comprising (i) the Shareholders' Deed; (ii) the Service Deed; and (iii) the Deed of Indemnity. As the Offeror Cooperation Arrangement contains special arrangements not offered to all Shareholders, the Offeror Cooperation Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application for consent from the Executive in relation to the Offeror Cooperation Arrangement. Accordingly, as one of the Conditions, the Proposal and the Scheme are subject to (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Offeror Cooperation Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Offeror Cooperation Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive to the Offeror Cooperation Arrangement.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Sneddon Donald William, Mr. Yuen Ka Lok Ernest and Mr. Lew Chern Yong, has been established by the Board to make a recommendation to the Disinterested Shareholders as to: (i) whether the terms of the Proposal (including the Scheme) and the Offeror Cooperation Arrangement are, or are not, fair and reasonable; and (ii) whether to vote in favour of the Scheme at the Court Meeting and the resolutions in connection with the implementation of the Proposal (including the Scheme) and the Offeror Cooperation Arrangement at the EGM. We have been appointed by the Company, pursuant to Rule 2.1 of the Takeovers Code and with the approval of the Independent Board Committee, to advise the Independent Board Committee with respect to the same.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any connection, financial or otherwise with the Group, the Offeror, the Offeror Concert Parties or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, except the normal independent financial advisory fees paid or payable to us in connection with this appointment regarding the Proposal (including the Scheme) and the Offeror Cooperation Arrangement, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Offeror, the Offeror Concert Parties or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Proposal (including the Scheme) and the Offeror Cooperation Arrangement pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

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

- (i) the Announcement;
- (ii) the Company's annual reports for the two years ended 31 March ("FY") 2023 (the "2023 Annual Report") and 2024 (the "2024 Annual Report");
- (iii) the property valuation report (including the summary of values and the valuation certificates) dated 25 October 2024 (the "Valuation Report") issued by the Independent Property Valuer in relation to its valuation of the properties interests held by the Group as at 31 August 2024, which is set out in Appendix III to the Scheme Document; and
- (iv) other information as set out in the Scheme Document.

We have also discussed with and reviewed the information provided to us by the Company, the Directors and the management of the Group (collectively, the "Management") regarding the business and outlook of the Group.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in the Scheme Document and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive (i) at the time when they were provided; (ii) at the time they were made; or (iii) as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us and the contents of this letter after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code. Shareholders will also be informed of our opinion in relation to such material changes, if any, as soon as possible.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, and nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Scheme Document (including the relevant information concerning the Group provided by the Management and as set out in our letter, other than that relating to the Offeror and the Founder Holdco) and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than the opinions expressed by the directors of the Offeror in their capacity as the directors of the Offeror and by Mr. Ma in his capacity as the sole director of the Founder Holdco) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

The directors of the Offeror and Betagro have jointly and severally accepted full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Group and the Founder Holdco) and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than opinions expressed by the Directors in their capacity as the Directors and by Mr. Ma in his capacity as the sole director of the Founder Holdco) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

The sole director of the Founder Holdco, Mr. Ma, has accepted full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Group and the Offeror) and confirmed, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Scheme Document (other than opinions expressed by the Directors in their capacity as the Directors and by the directors of the Offeror in their capacity as the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

This letter is issued to the Independent Board Committee solely in connection with and for their consideration of the Proposal (including the Scheme) and the Offeror Cooperation Arrangement and except for its inclusion in the Scheme Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

We have not considered the taxation and regulatory implications on the Disinterested Shareholders of accepting or rejecting the Proposal since these depend on their individual circumstances, therefore we will not accept responsibility for any tax and regulatory effect or liability that may potentially be incurred by the Disinterested Shareholders as a result of the Proposal. In particular, the Disinterested Shareholders who are residents overseas or subject to Hong Kong taxation or overseas taxes on dealings in securities should consider their own tax position and, if in any doubt, to consult their own professional advisers. Their attention is particularly drawn to the section headed "Taxation Advice" in the Explanatory Memorandum.

PRINCIPAL TERMS OF THE PROPOSAL, THE SCHEME AND THE OFFEROR COOPERATION ARRANGEMENT

The terms set out below are summarised from the Explanatory Memorandum. Disinterested Shareholders are encouraged to read the Scheme Document and the appendices in full.

1. Terms of the Proposal

Subject to the Scheme becoming effective, all of the Scheme Shares will be cancelled, among which: (a) 375,000,000 Scheme Shares (representing 75% of the issued Shares as at the Latest Practicable Date), being 169,800,000 Founder Scheme Shares and 205,200,000 Other Scheme Shares, shall be cancelled in consideration for the Cancellation Price of HK\$1.103 per Scheme Share in cash; and (b) 125,000,000 Founder Rollover Scheme Shares (representing 25% of the issued Shares as at the Latest Practicable Date) will be cancelled in consideration of the Cancellation Price of HK\$1.103 per Founder Rollover Scheme Share which shall be satisfied by the Offeror allotting and issuing the Offeror Shares to the Founder Holdco credited as fully paid.

Further, subject to the Scheme becoming effective, the Additional Price of HK\$0.082 per Other Scheme Share is payable to the Other Scheme Shareholders. Such Additional Price is equal to the value of the compensation to the Founder in consideration for his compliance with the non-compete and non-solicit restrictions of S\$4,000,000 (equivalent to approximately HK\$23.97 million) under the Service Deed (details of which are set out in the section headed “5. Arrangements Material to the Proposal — Special Deal relating to the Offeror Cooperation Arrangement — (ii) Service Deed” in Part VII — the Explanatory Memorandum of the Scheme Document), divided by 294,800,000 Scheme Shares held by the Founder Holdco.

Therefore, the total price to be received by each Other Scheme Shareholder, subject to the Scheme becoming effective, would be HK\$1.185 per Scheme Share, comprising the Cancellation Price of HK\$1.103 per Other Scheme Share and the Additional Price of HK\$0.082 per Other Scheme Share.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

In the event that any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Scheme Shares after the Latest Practicable Date, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital subject to compliance with the Takeovers Code.

2. Total consideration

As at the Latest Practicable Date, there were 500,000,000 Shares in issue, among which 294,800,000 Shares were held by the Founder Holdco (representing 58.96% of the issued Shares) and the Disinterested Shareholders were interested in 205,200,000 Shares (representing 41.04% of the issued Shares).

On the basis of (a) the Cancellation Price of HK\$1.103 per Scheme Share in respect of 500,000,000 Scheme Shares; and (b) the Additional Price of HK\$0.082 per Other Scheme Share with respect to 205,200,000 Other Scheme Shares, the aggregate consideration payable for the Scheme Shares is HK\$568,326,400.

Taking into account that 125,000,000 Founder Rollover Scheme Shares (representing 25% of the issued Shares) held by the Founder Holdco will be cancelled in consideration for the Cancellation Price, which shall be satisfied by the Offeror allotting and issuing Offeror Shares to the Founder Holdco credited as fully paid, the remaining 375,000,000 Scheme Shares (comprising 169,800,000 Founder Scheme Shares and 205,200,000 Other Scheme Shares) (representing in aggregate 75% of the issued Shares) shall be cancelled in consideration for the Cancellation Price in cash. In addition, the Other Scheme Shareholders will receive the Additional Price. Accordingly, assuming that no new Shares are issued on or before the Scheme Record Date, the total amount of cash required to implement the Proposal in full will be HK\$430,451,400.

3. Conditions of the Proposal and the Scheme

The Proposal and the Scheme will become effective and binding on the Company and all of the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions set out in the section headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum, on or before the Long Stop Date (i.e. 14 August 2025, or such later date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive), being the last date the Conditions can be fulfilled or waived (as applicable), failing which the Proposal and the Scheme will lapse.

Some of the key Conditions include:

- (i) the approval of the Scheme (by way of poll) at the Court Meeting by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders entitled to vote at the Court Meeting, present and voting either in person or by proxy at the Court Meeting;
- (ii) (a) the approval of the Scheme (by way of a poll) by not less than 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders entitled to vote at the Court Meeting, present and voting either in person or by proxy at the Court Meeting; and (b) the number of votes cast (by way of a poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at

the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by the Disinterested Shareholders;

- (iii) (a) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Offeror Cooperation Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned;
- (b) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Offeror Cooperation Arrangement; and
- (c) the grant of consent under Rule 25 of the Takeovers Code from the Executive to the Offeror Cooperation Arrangement.

For further details of the Conditions, please refer to the section headed "Conditions of the Proposal and the Scheme" in the Explanatory Memorandum. As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived (as applicable).

4. Arrangements Material to the Proposal

As part of the Proposal, Betagro, Mr. Ma, the Founder Holdco and/or the Offeror have entered into the Offeror Cooperation Arrangement, comprising (i) the Shareholders' Deed; (ii) the Service Deed; and (iii) the Deed of Indemnity. Further details of the Offeror Cooperation Arrangement are set out in the section headed "Arrangements Material to the Proposal" in the Explanatory Memorandum.

As the Offeror Cooperation Arrangement contains special arrangements not offered to all Shareholders, the Offeror Cooperation Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror has made an application for consent from the Executive in relation to the Offeror Cooperation Arrangement conditional on the Independent Financial Adviser confirming to the Independent Board Committee that the Offeror Cooperation Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned and the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Offeror Cooperation Arrangement. Accordingly, as set out in one of the Conditions, the Proposal and the Scheme are subject to (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Offeror Cooperation Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the EGM to approve the Offeror Cooperation Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive to the Offeror Cooperation Arrangement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regards to the Proposal, the Scheme and the Offeror Cooperation Arrangement, we have taken into account the following principal factors and reasons:

1. Business information, financial performance and prospects of the Group

A. *Business of the Group*

The Company is an exempted company with limited liability incorporated in the Cayman Islands, the Shares of which have been listed on GEM since 7 September 2018. The Group is principally engaged in the production and sale of egg products, primarily in Singapore. The Company stands out as one of the only three layer farms licensed by the Singapore Food Agency (“SFA”) to produce fresh chicken eggs in Singapore. Spanning 116,037.4 square metres of agricultural land in Singapore, this site houses twelve layer houses and sheds, three pullet houses and various related egg production and storage facilities, boasting a substantial operation with approximately one million hens, yielding a daily production average of 800,000 to 900,000 fresh chicken eggs. It also operates the only quail egg farm in Singapore.

The Group’s product offerings are diverse and its egg products include: (i) fresh chicken eggs; (ii) fresh quail eggs; and (iii) processed egg products. Fresh chicken eggs are marketed under the brand name “安安N&N” while pasteurised shell eggs are sold under the brand “Egg Story - Pasteurised to kill Salmonella and Bird Flu Virus” with a “P” letter stamped or imprinted on each pasteurised shell egg, emphasizing safety by highlighting the pasteurisation process designed to eliminate pathogens such as salmonella and the bird flu virus. Processed egg products offered by the Group mainly comprise (a) pasteurised shell eggs; (b) pasteurised liquid eggs; (c) pasteurised soft yolk eggs; (d) pasteurised hard boiled and peeled eggs; and (e) century eggs and salted eggs. All processed egg products are made from the eggs produced from the Company’s farms, except for century eggs and salted eggs which are imported into Singapore.

The Group has notably achieved an “A” grade (Excellent) license from the SFA for its food establishment operations related to egg processing and shell egg pasteurisation. This accreditation underscores the Group’s commitment to providing safe and reliable egg products to its customers. In addition, the Group has secured ISO 22000:2005 certifications for various aspects of its operations, including poultry layer farming and the processing of a range of egg products, enhancing the Company’s credibility and reinforcing its dedication to quality and safety standards. As stated in the 2024 Annual Report, the Group will be expanding its existing egg sorting, packing and processing facilities to cope with the increased egg production, following the completion of the expanded chicken egg laying capacity in 2024.

B. Financial information of the Group

Set forth below is (i) a summary of the audited consolidated financial information of the Group for FY2022, FY2023 and FY2024; and (ii) net effect of biological assets and agricultural produce fair value adjustments on the profit and loss account, as extracted from the 2024 Annual Report and the 2023 Annual Report. Further details of the financial information of the Group are set out in Appendix I to the Scheme Document.

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

	FY2022 <i>(Audited)</i> S\$'000	FY2023 <i>(Audited)</i> S\$'000	FY2024 <i>(Audited)</i> S\$'000
Revenue	67,058	95,766	108,417
Cost of sales ("COS")			
(i) COS before fair value adjustments to agricultural produce	(53,996)	(75,511)	(79,678)
(ii) Fair value adjustments to COS for agricultural produce ("BA COS")	(10,898)	(16,844)	(26,458)
Total COS	(64,894)	(92,355)	(106,136)
Gross Profit	2,164	3,411	2,281
Gross Profit (before BA COS)	13,062	20,255	28,739
<i>Gross Profit margin (before BA COS) (%)</i>	<i>19.5%</i>	<i>21.2%</i>	<i>26.5%</i>
Other income	1,609	1,047	506
Other gain/(losses) (net)	5	(158)	(192)
Selling and distribution expenses	(6,264)	(6,980)	(6,913)
Administrative expenses	(5,066)	(6,813)	(7,122)
Finance costs	(475)	(607)	(1,238)
Write-off of biological assets	(864)	–	–
Gain arising from initial recognition of agricultural produce at fair value less estimated costs to sell at point of harvest	10,931	16,880	27,053
Gain arising from changes in fair value of biological assets less estimated costs to sell	1,746	3,593	8,842
Profit before taxation	3,786	10,373	23,217
Income tax expense	(253)	(1,698)	(3,993)
Profit after taxation	3,533	8,675	19,224

Sources: 2024 Annual Report and 2023 Annual Report

Table 2: Net effect of biological assets and agricultural produce fair value adjustments on the profit and loss account

	FY2022 <i>(Audited)</i> S\$'000	FY2023 <i>(Audited)</i> S\$'000	FY2024 <i>(Audited)</i> S\$'000
Fair value adjustments to cost of sales for agricultural produce	(10,898)	(16,844)	(26,458)
Gain arising from initial recognition of agricultural produce at fair value less estimated costs to sell at point of harvest	<u>10,931</u>	<u>16,880</u>	<u>27,053</u>
Net effect of fair value adjustments to agricultural produce	33	36	595
Write-off of biological assets	(864)	–	–
Gain arising from changes in fair value of biological assets less estimated costs to sell	1,746	3,593	8,842
Net effect on profit and loss account	915	3,629	9,437

Sources: 2024 Annual Report and 2023 Annual Report

The biological assets of the Group comprise laying hens, breeders quail, broilers quail and laying quail. Their fair values at each financial year end are assessed by an independent valuer and the difference between the fair values at the two (2) financial years are recognised as “gain or loss arising from changes in fair value of biological assets less estimated costs to sell”.

Agricultural produce refers to fresh eggs harvested from the Group’s biological assets (eggs laying flocks). The fair values less estimated costs to sell of these agricultural produce are initially recognised upon harvest. The fair values of the agricultural produce are expensed when the agricultural produce are sold, which usually occur within a short time period after harvest.

FY2022 vs FY2023

In FY2023, the Group’s revenue increased significantly to approximately S\$95.8 million, representing a rise of approximately 42.8%, compared to FY2022 which recorded revenue of approximately S\$67.1 million. The higher sales in FY2023 was mainly attributable to more eggs sold to a larger customer base and higher egg prices as the Group consolidated its leading market position in Singapore. Egg prices have stabilised as the Singapore economy emerged from the coronavirus pandemic (“Covid”). Business activities and foreigners visiting Singapore have

recovered, leading to an almost full resumption of business operations for most of the Group's customers, resulting in the Group selling more eggs. The Group's diversified customer base comprise supermarkets and minimarts, food and beverage outlets and restaurants, wholesalers, retailers and online sales platforms. The Group's enlarged customer base arising from the acquisition of eggs distributors which dealt largely with fresh eggs also helped to drive sales increase.

Total cost of sales rose in tandem with the revenue increase by approximately 42.4%, from S\$64.9 million to S\$92.4 million. Such increment was primarily due to the increase in the costs of sourced eggs. The Group had to increase the purchases of sourced eggs to fulfil the sales to its customers.

Gross profit margin, before considering agricultural produce fair value adjustments, improved from approximately 19.5% to 21.2% largely due to improvements in selling prices of eggs. Gross profit recorded an enhancement of approximately 54.5%, from approximately S\$2.2 million to S\$3.4 million in FY2023.

A major portion of other income consisted of government grants from various incentive schemes awarded to the Group totalling approximately S\$0.7 million, almost doubling the amount of S\$0.4 million received in FY2022. The absence of an insurance claim relating to Newcastle Disease that only affects poultry of approximately S\$0.9 million in FY2022 resulted in a moderate drop of approximately 34.9% to approximately S\$1.0 million for FY2023.

Profit before taxation surged significantly by nearly two-fold to approximately S\$10.4 million for FY2023 as compared to S\$3.8 million for FY2022. This increase was mainly attributable to: (i) strong revenue growth; (ii) an approximate 54.4% increase in gain arising from initial recognition of agricultural produce at fair value less estimated costs to sell at point of harvest; and (iii) an improvement of approximately 105.8% in gain arising from changes in fair value of biological assets less estimated costs to sell, mitigated by the rise in selling and distribution expense, administrative expense and finance costs in FY2023.

The gain arising from changes in fair value of biological assets was notably higher in FY2023 as there were two new layer houses in operation in FY2023, resulting in a higher flock size compared to FY2022. The higher gain recorded from initial recognition of agricultural produce in FY2023 was due to price increase of agricultural produce at the point of harvest.

FY2023 vs FY2024

The Group's revenue continued to grow in FY2024, reaching approximately S\$108.4 million with an approximate 13.2% increase, from S\$95.8 million for FY2023. The revenue increase was primarily driven by (i) an enlargement in the customer base arising from the acquisitions of eggs distributors which dealt largely with fresh eggs; and (ii) an increase in sales of pasteurised liquid eggs and pasteurised hard-boiled and peeled eggs. The completion of quail farm has also strengthened the Group's revenue stream in the quail space.

Cost of sales also escalated to approximately S\$106.1 million, representing a hike of approximately 14.9% from approximately S\$92.4 million for FY2023. This rise in costs was contributed by the increase in the costs of sourced and produced eggs to meet the increased sales of the Group. Despite the decline in gross profit of approximately 33.1% experienced by the Group due to volatility of egg prices during FY2024, the Group nonetheless recorded an improvement in gross profit margin, before considering agricultural produce fair value adjustments, from 21.2% to 26.5%. The achievement was made possible by the increase in the Group's own egg production following the expanded chicken egg farm that was operational in FY2024. This has enabled the Group to reduce its reliance on sourced (purchased) eggs, thereby enhancing its control over the costs and quality of eggs, where the reliability of supplies led to improvement in gross profit margins.

A further drop in other income by almost half to S\$0.5 million compared to FY2023 was noted as the government grants were reduced significantly from S\$0.7 million to S\$0.2 million in FY2024, representing a drastic decline of approximately 71.4%. The Management explained that it was due to fewer grants offered by the government after the Covid pandemic.

Profit before taxation continued to see a remarkable upsurge, rising to approximately S\$23.2 million in FY2024 with an increase of approximately 123.1% from S\$10.4 million attained in FY2023. The growth can be attributed to: (i) stable revenue growth; (ii) approximately 60.3% increase in gain arising from initial recognition of agricultural produce at fair value less estimated costs to sell at point of harvest; and (iii) approximately rise of 146.1% in gain arising from changes in fair value of biological assets less estimated costs to sell, in FY2024, offset by finance cost which doubled due to higher borrowings to finance its increase in capital expenditure and a slight rise in selling and distribution expense, and administrative expense.

The Group continued to book strong gain arising from changes in fair value of biological assets in FY2024 by approximately 146.1% to S\$8.8 million. Apart from the higher flock size due to the operations of two new layer houses, the quail farm also started its operation in FY2024. Price increase of agricultural produce at the point of harvest also continued to dominate the higher gain recorded from initial recognition of agricultural produce, registering a rise of approximately 59.8% to S\$27.0 million from S\$16.9 million in FY2023.

Table 3: Consolidated financial position of the Group

	As at 31 March	
	2023	2024
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>S\$'000</i>	<i>S\$'000</i>
Non-current assets		
Biological assets	7,829	12,257
Property, plant and equipment	46,318	50,096
Intangible assets	1,794	2,161
Investments in insurance contracts	2,277	2,396
Other receivables	418	–
Total non-current assets	58,636	66,910
Current assets		
Biological assets	3,755	8,233
Inventories	3,781	3,765
Trade and other receivables	16,526	17,470
Cash and cash equivalents	8,739	12,121
Total current assets	32,801	41,589
Non-current liabilities		
Lease liabilities	656	399
Bank borrowings	11,908	16,096
Deferred income tax liabilities	1,447	1,815
Total non-current liabilities	14,011	18,310
Current liabilities		
Trade and other payables	14,413	11,369
Deferred grant income	909	–
Current income tax liabilities	1,460	4,365
Lease liabilities	523	343
Bank borrowings	13,463	8,230
Total current liabilities	30,768	24,307
Net asset value	46,658	65,882
Capital and reserves		
Share capital	890	890
Share premium	8,544	8,544
Other reserve	9,767	9,767
Retained earnings	27,215	46,530
Equity attributable to owners of the Company	46,416	65,731
Non-controlling interests	242	151
Total equity	46,658	65,882

Source: 2024 Annual Report

As set out in the table above, total assets surged from approximately S\$91.4 million as at 31 March 2023 to approximately S\$108.5 million as at 31 March 2024, reflecting an increase of approximately 18.7%. This upward trend was primarily driven by substantial growth of approximately 76.7% in current and non-current biological assets, which rose from approximately S\$11.6 million to approximately S\$20.5 million. This was attributable to the higher flock size due to operations of two new layer houses and the newly completed and operational quail farm during FY2024. There was also a notable 39.1% increase in cash and cash equivalents, which climbed to approximately S\$12.1 million from S\$8.7 million.

Total liabilities showed a slight reduction of approximately 4.9% from S\$44.8 million to S\$42.6 million as at 31 March 2024. The decline was largely due to (i) a decrease in trade and other payables of approximately 21.1% to S\$11.4 million as at 31 March 2024 due to fewer capex creditors as most of the capex expenditure had been settled during the financial year; and (ii) the repayment of bank borrowings that resulted in a 4.3% drop from approximately S\$25.4 million to approximately S\$24.3 million.

In view of the factors mentioned above, the net asset value ("NAV") as at 31 March 2024 rose significantly from approximately S\$46.7 million to approximately S\$65.9 million, marking an increase of approximately 41.1%.

C. Dividend History

We noted that no dividends were declared by the Company for the past five (5) financial years from FY2020 to FY2024. Given the Company did not pay any dividends for the past five (5) consecutive years, Disinterested Shareholders who favour dividend-paying listed issuers that can offer dividend yield and/or dividend growth may consider switching their investments to other listed issuers that offer dividend yields. Accordingly, the dividend payment history of the Company can be considered as a factor to support the Proposal.

D. Property Valuation

The valuation of the Group's property interests (the "**Properties**") as at 31 August 2024 (the "**Valuation Date**") have been conducted by the Independent Property Valuer. The Valuation Report is enclosed in Appendix III to the Scheme Document. According to the Valuation Report, the total market value in existing states of the Properties attributable to the Group was S\$35.7 million (equivalent to approximately HK\$213.2 million) as at the Valuation Date (the "**Valuation**"). The Valuation is made up of (i) a farm and production development in Singapore for hen layer egg farming purpose with the market value of S\$27.3 million (equivalent to approximately HK\$163.0 million); and (ii) a farm and production development in Singapore for quail egg farming purpose with the market value of S\$8.4 million (equivalent to approximately HK\$50.2 million).

In compliance with the requirements under Note (1)(d) to Rule 17.92 of the GEM Listing Rules, we have also assessed the qualifications and experience of the responsible person of the Independent Property Valuer for its engagement as the independent valuer for the Valuation. We note that Mr. Alex Ma, the responsible person in charge of the Valuation, is, among others, a member of Hong Kong Institute of Surveyors, a member and registered valuer of the Royal Institution of Chartered Surveyors, and a registered professional surveyor (general practice) under the Surveyors Registration Ordinance (Cap. 417) who has over 10 years of property valuation experience in the People's Republic of China, Hong Kong and various overseas countries in the regions of Asia-Pacific, Europe and America. We have confirmed with the Independent Property Valuer that it has no other relationship with the Company which may cause concerns with respect to its independence, so we are satisfied that the Independent Property Valuer is independent from the Company.

We have also reviewed the Independent Property Valuer's terms of engagement and noted that the scope of work is appropriate for arriving at the opinion in the Valuation. Nothing has come to our attention that the Company has made any formal or informal representation to the Independent Property Valuer that contravenes our understanding of the Valuation. As noted in the Valuation Report, the Valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors, the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council and are in compliance with the GEM Listing Rules and the Takeovers Code.

We have reviewed the Valuation Report, interviewed the Independent Property Valuer and discussed with them the rationale of adopting the valuation methodology, bases and assumptions in valuing the Properties. We have also reviewed the working papers relating to the Valuation Report. We noted that the Independent Property Valuer has adopted the depreciated replacement cost ("**DRC**") method, being one of the cost approaches in valuing the Properties.

After our discussion with the Independent Property Valuer and our review of the Valuation Report, we understand that, in valuing the Properties held by the Group for owner-occupation purpose in Singapore (i.e. two farms and production development situated at Singapore), the Independent Property Valuer has assumed that (i) the owner sells the Properties in the open market as at the Valuation Date in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the market values of the Properties; and (ii) for the leasehold property, the owner has free and uninterrupted rights to occupy and use such leasehold property during the whole of the remaining land lease term.

In valuing the Properties, with the consideration of: (i) the buildings and structures of the Properties are specifically designed and built for the purpose of egg farming and production-related use by the Group only; and (ii) the Properties are not rental income generating, therefore sufficient market data is absent to determine the market values of the Properties by means of market or income-based evidence. Accordingly, the Independent Property Valuer has adopted the DRC method, one of the cost approaches, to assess the market values of the Properties, making reference to an estimate of the market value of the land in its existing use, which is assessed by making reference to relevant market transaction evidence, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimization.

In view of the above, the valuation methodology adopted by the Independent Property Valuer is, in our opinion, an appropriate approach in establishing the market value of the Properties given the purpose-built nature of the Properties.

E. Unaudited Adjusted NAV

In evaluating the Proposal, we have taken into account the Group's unaudited adjusted NAV (the "**Unaudited Adjusted NAV**"), which is provided by the Company and calculated based on the audited NAV attributable to owners of the Company as at 31 March 2024, adjusted with reference to the Valuation as at the Valuation Date (i.e. 31 August 2024). Details of the adjustments are set out in the table below.

Table 4: Calculation of the Unaudited Adjusted NAV

	<i>S\$ million</i>
Audited NAV of the Group attributable to owners of the Company as at 31 March 2024	65.731
<i>Adjusted for:</i>	
<i>Add: Revaluation surplus arising from the Valuation as at 31 August 2024^{Note 1}</i>	<u>4.804</u>
Unaudited Adjusted NAV	70.535
Unaudited Adjusted NAV per Share:	
in S\$^{Note 2}	S\$0.141
in HK\$^{Note 3}	<u>HK\$0.845</u>
Cancellation Price	HK\$1.103
Premium of the Cancellation Price to the Unaudited Adjusted NAV per Share	30.5%

Notes:

1. *This represents the revaluation surplus calculated by comparing the market value of the Properties held by the Group as set out in Appendix III to the Scheme Document (i.e. S\$35.7 million), with their corresponding book values as at 31 March 2024 of approximately S\$30.9 million, representing the net book value of leasehold buildings and improvements and the leasehold land as at 31 March 2024 as disclosed in the 2024 Annual Report.*
2. *It is calculated based on 500,000,000 Shares in issue as at the Latest Practicable Date.*
3. *An exchange rate of S\$1.00 to HK\$5.99 was used for illustration only.*

As the Cancellation Price represents a premium to the Unaudited Adjusted NAV per Share, we are of the view that the Cancellation Price is favourable as far as the Disinterested Shareholders are concerned. For further analysis of the Cancellation Price, please refer to the section headed “2. Analysis on the terms of the Proposal and the Scheme” below.

F. Prospects of the Group

The growth of the egg industry in Singapore is marked by a steady increase in per capita consumption and a consistent rise in local production. Pursuant to the publication published by the SFA on 23 February 2023, the average person in Singapore consumed about 390 eggs in 2021. In addition, Singapore government “30 by 30” vision which aims to improve food security, including a target to produce 30% of the country’s nutritional needs locally by 2030 have further spurred growth in the sector. In response to this demand, according to the “2023 Singapore Food Statistics Report” published by the SFA, local egg production in 2023 has also seen an increase by approximately 12% from 2022, as a few farms in Singapore, including the Company, had improved their capacity and capability to produce more eggs following their respective upgrading plans.

As referred to the 2024 Annual Report, the Group’s future prospects are anchored in a multifaceted strategy aimed at enhancing its market position, operational efficiency and product offerings. With the completion of the expansion of its egg-laying facilities at the existing farm site, the Group is positioned to significantly increase its production capacity. This expansion will not only allow the Group to meet the demand for fresh eggs in Singapore but also improve its overall operational efficiency. By reorganising and upgrading sorting, packaging, processing and storage facilities, the Group is setting the foundation for a streamlined supply chain that can respond more swiftly to market fluctuations. To this end, the Group is expected to invest more in order to achieve the required savings to sustain its profitability.

As advised by the Management, the Group’s past growth has been propelled by a number of acquisitions of existing egg distributors and/or their on-going business. Organic growth is likely to be in line with population growth in Singapore, which are expected to be gradual. With further consolidation of the egg supply market, future acquisitions of egg suppliers are likely to be priced higher than the past acquisitions by the Group as the availability of suitable acquisition targets would have reduced. In addition, according to a publication of The Straits Times, a newspaper in Singapore, on 3 August 2024, the Singapore government has previously announced the establishment of a fourth chicken egg farm in Singapore and slated to begin operations in 2024. This start of the fourth farm is expected to increase local eggs supply dramatically and infuse further competition in the Singapore market. Despite these challenges, as the Group’s products are staple daily necessities to a wide spectrum of customers and users, its business is expected to be sustainable.

In addition to enhancing production capabilities, the Group is committed to diversifying its product range to cater to the evolving preferences and tastes of its customers. The Group is dedicated to continuous improvements and innovation in its business model. Furthermore, by regularly assessing market trends, consumer preferences and operational efficiencies, the Group can adapt to changing circumstances and seize new opportunities. This approach will enable the Group to remain competitive in an evolving industry while maintaining a focus on quality, safety and customer satisfaction.

Based on the above, we are of the view that with the convergence of all these factors and developments, the Group's outlook is expected to be sustainable, although it will face several challenges in the competitive landscape.

2. Analysis on the terms of the Proposal and the Scheme

As set out in the Explanatory Memorandum, the Cancellation Price of HK\$1.103 per Scheme Share has been determined on a commercial basis after taking into account, among other things, the recent and historical prices of the Shares traded on the Hong Kong Stock Exchange, the historical financial performance and business prospects of the Group and with reference to other privatisation transactions in Hong Kong in recent years.

A. Cancellation Price comparisons

The Cancellation Price of HK\$1.103 per Scheme Share represents:

- (a) a discount of approximately 1.5% to the closing price of HK\$1.120 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 125.1% over the closing price of HK\$0.490 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 122.4% over the average closing price of approximately HK\$0.496 per Share as quoted on the Hong Kong Stock Exchange for the five trading days up to and including the Last Trading Date;
- (d) a premium of approximately 125.6% over the average closing price of approximately HK\$0.489 per Share as quoted on the Hong Kong Stock Exchange for the 10 trading days up to and including the Last Trading Date;

- (e) a premium of approximately 129.8% over the average closing price of approximately HK\$0.480 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 161.4% over the average closing price of approximately HK\$0.422 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 186.5% over the average closing price of approximately HK\$0.385 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 233.2% over the average closing price of approximately HK\$0.331 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (i) a premium of approximately 40.2% over the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.787 as at 31 March 2024, calculated based on the audited consolidated net asset value of the Company attributable to the Shareholders of approximately S\$65.73 million as at 31 March 2024 (equivalent to approximately HK\$393.73 million) and 500,000,000 Shares in issue as at the Latest Practicable Date; and
- (j) a premium of approximately 30.5% over the Unaudited Adjusted NAV per Share of approximately HK\$0.845 as at 31 March 2024.

The Cancellation Price plus Additional Price of HK\$1.185 (the “**Total Price**”) per Other Scheme Share represents:

- (a) a premium of approximately 5.8% over the closing price of HK\$1.120 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 141.8% over the closing price of HK\$0.490 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 138.9% over the average closing price of approximately HK\$0.496 per Share as quoted on the Hong Kong Stock Exchange for the five trading days up to and including the Last Trading Date;

- (d) a premium of approximately 142.3% over the average closing price of approximately HK\$0.489 per Share as quoted on the Hong Kong Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 146.9% over the average closing price of approximately HK\$0.480 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 180.8% over the average closing price of approximately HK\$0.422 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 207.8% over the average closing price of approximately HK\$0.385 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 258.0% over the average closing price of approximately HK\$0.331 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (i) a premium of approximately 50.6% over the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$0.787 as at 31 March 2024, calculated based on the audited consolidated net asset value of the Company attributable to the Shareholders of approximately S\$65.73 million as at 31 March 2024 (equivalent to approximately HK\$393.73 million) and 500,000,000 Shares in issue as at the Latest Practicable Date; and
- (j) a premium of approximately 40.2% over the Unaudited Adjusted NAV per Share of approximately HK\$0.845 as at 31 March 2024.

B. Historical price performance of the Shares

Set out below is the chart showing the daily closing Share prices as quoted on the Hong Kong Stock Exchange during the period commencing from 15 August 2022 up to and including the Latest Practicable Date (the “**Review Period**”), being an approximate two-year period. In determining the length of the Review Period, we have considered: (i) if the length is too long, such as more than two years prior to the Last Trading Date, it may not provide a good reference as it may not reflect the latest market conditions; and (ii) if the length is too short, such as one year prior to the Last Trading Date, it may not be able to provide a holistic view of the general performance of the Share prices. Based on the above, we consider the Review Period we adopted is fair and reasonable.

Chart 1: Closing Share prices during the Review Period



Source: the Hong Kong Stock Exchange

As illustrated in the chart above, during the period commencing from 15 August 2022 up to and including the Last Trading Date (the “**Pre-Announcement Period**”), the closing prices of the Shares fluctuated in a range between the lowest of HK\$0.19 per Share on 21 and 22 September 2023 to the highest of HK\$0.54 per Share on 7 August 2024, with an average daily closing price of the Shares of approximately HK\$0.28. It should be noted the Cancellation Price of HK\$1.103 is significantly higher than the closing Share prices throughout the Pre-Announcement Period and it represents premiums of approximately 480.5%, 104.3% and 293.9% over the lowest, highest and the average closing Share prices respectively during the Pre-Announcement Period.

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 16 August 2024 to 9:00 a.m. on 30 August 2024. The closing price of the Shares surged by approximately 110.2% to HK\$1.03 per Share on 30 August 2024 (being the first trading day after the publication of the Announcement) as compared to HK\$0.49 per Share on the Last Trading Date. The closing price of the Shares during the period subsequent to the Last Trading Date up to and including the Latest Practicable Date (the “**Post-Announcement Period**”) reached the highest point to HK\$1.120 per Share on 22 October 2024. As at the Latest Practicable Date, the closing price of the Shares was HK\$1.120, which is at a 1.5% discount to the Cancellation Price.

During the Post-Announcement Period, the closing Share prices had been trading below the Cancellation Price between HK\$1.03 per Share and HK\$1.09 per Share, except for only two (2) days on 21 October 2024 and 22 October 2024 (being the Latest Practicable Date) in which the closing Share price was above the Cancellation Price at HK\$1.110 and HK\$1.120 respectively. This price range is significantly above the average closing Share price during the Pre-Announcement Period of HK\$0.28 per Share. However, Disinterested Shareholders should note that there is no assurance that the Share price will remain at the current level if the Proposal and the Scheme lapse.

C. Trading liquidity of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

Table 5: Trading volume of the Company

	Total trading volume (No. of Shares)	No. of trading days	Average daily trading volume (No. of Shares)	Average daily trading volume to the total number of Shares in issue (Approximate) ^{Note 1}	Average daily trading volume to the number of Shares held by public Shareholders (Approximate) ^{Note 2}
2022					
August (from 15 to 31 August)	360,000	3	120,000	0.0240%	0.0960%
September	1,140,000	8	142,500	0.0285%	0.1140%
October	300,000	9	33,333	0.0067%	0.0267%
November	280,000	7	40,000	0.0080%	0.0320%
December	510,000	7	72,857	0.0146%	0.0583%
2023					
January	1,160,000	11	105,455	0.0211%	0.0844%
February	1,190,000	11	108,182	0.0216%	0.0865%
March	2,140,000	12	178,333	0.0357%	0.1427%
April	670,000	10	67,000	0.0134%	0.0536%
May	2,000,000	10	200,000	0.0400%	0.1600%
June	930,000	11	84,545	0.0169%	0.0676%
July	320,000	7	45,714	0.0091%	0.0366%
August	530,000	10	53,000	0.0106%	0.0424%
September	450,000	10	45,000	0.0090%	0.0360%
October	340,000	6	56,667	0.0113%	0.0453%
November	270,000	2	135,000	0.0270%	0.1080%
December	2,460,000	10	246,000	0.0492%	0.1968%

	Total trading volume (No. of Shares)	No. of trading days	Average daily trading volume (No. of Shares)	Average daily trading volume to the total number of Shares in issue (Approximate) ^{Note 1}	Average daily trading volume to the number of Shares held by public Shareholders (Approximate) ^{Note 2}
2024					
January	120,000	2	60,000	0.0120%	0.0480%
February	900,000	9	100,000	0.0200%	0.0800%
March	70,000	2	35,000	0.0070%	0.0280%
April	2,520,000	10	252,000	0.0504%	0.2016%
May	1,170,000	9	130,000	0.0260%	0.1040%
June	2,540,000	11	230,909	0.0462%	0.1847%
July	6,960,000	18	386,667	0.0773%	0.3093%
August	7,790,000	7	1,112,857	0.2226%	0.8903%
September	17,760,000	17	1,044,706	0.2089%	0.8358%
October (up to and including the Latest Practicable Date)	5,080,000	13	390,769	0.0782%	0.3126%

Source: the Hong Kong Stock Exchange

Notes:

1. The calculation is based on the average daily trading volume of the Shares divided by the total number of Shares in issue in the relevant period.
2. The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by public Shareholders (i.e. Shareholders other than the substantial shareholders of the Company).

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from 33,333 Shares to 1,112,857 Shares, representing: (i) approximately 0.0067% to approximately 0.2226% of the total number of issued Shares; and (ii) approximately 0.0267% to approximately 0.8903% of the number of Shares held by public Shareholders. The average daily trading volume during the Review Period was 247,769 Shares.

The average daily trading volume during the Pre-Announcement Period was 141,280 Shares, representing approximately 0.1130% of the number of Shares held by public Shareholders. The highest daily trading volume during the Pre-Announcement Period was recorded on 18 July 2024, when the trading volume reached 1.35 million Shares, representing approximately 1.0800% of the number of Shares held by public Shareholders. We enquired with the Management on the high daily trading volume on 18 July 2024 but the Management is not aware of any particular reason for the surge in daily trading volume on the specific day.

On the first trading day after the release of the Announcement on 30 August 2024, the daily trading volume of the Shares increased to 7,310,000 Shares from 250,000 Shares as recorded on the Last Trading Date, representing approximately 5.8% of the number of Shares held by public Shareholders. This increase in the trading volume of the Shares would have been the initial market reaction to the Announcement. Although the trading volume of the Shares was active on 30 August 2024, it decreased significantly to 3,770,000 Shares on the next trading day (i.e. 2 September 2024), representing approximately 3.0% of the number of Shares held by public Shareholders. The average daily trading volume during the period subsequent to the Last Trading Date up to and including the Latest Practicable Date was approximately 972,581 Shares, representing: (i) approximately 0.1945% of the total number of issued Shares; and (ii) approximately 0.7781% of the number of Shares held by public Shareholders.

Given the generally thin trading liquidity of the Shares during the Review Period, in particular, the two-year period prior to and including the Last Trading Date, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Disinterested Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. In our opinion, given the fact that there were 205,200,000 Other Scheme Shares in issue as at the Latest Practicable Date and the average daily trading volume during the Review Period was 247,769 Shares, to provide the Disinterested Shareholders with some perspective on the implications of such thinly traded Shares, assuming 247,769 Shares can be disposed on a daily basis and with the existing 205,200,000 Other Scheme Shares in issue, it would take the Disinterested Shareholders approximately 828 trading days (or more than three years assuming 240 trading days per year) to liquidate 205,200,000 Other Scheme Shares representing their entire shareholding positions. We therefore consider that the Proposal provides the Disinterested Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of all of their Shares at the Cancellation Price if they wish to (subject to the Conditions of the Proposal being satisfied).

The relative high level of trading volume during the period subsequent to the Last Trading Date up to and including the Latest Practicable Date, in comparison to the Pre-Announcement Period, resulting from, among others, the Proposal and the Scheme, may not be sustainable if the Proposal and the Scheme lapse. The Proposal and the Scheme, therefore, provide an opportunity for the Disinterested Shareholders, especially those holding a large block of the Shares, to dispose of their entire holdings at a fixed cash price.

D. Industry Comparables

The Group is principally engaged in the production and sale of fresh eggs and processed egg products in Singapore, which is a relatively unique industry among companies listed on the Hong Kong Stock Exchange. Based on the aforesaid criteria, there are no direct comparable company listed on the Hong Kong Stock Exchange that is engaged in identical business activities as the Group. Therefore we have extended our scope of search on Bloomberg to include companies engaged in packaged food manufacturing and sales.

Through Bloomberg, considering that the market capitalisation of the Company as at the Last Trading Date is approximately HK\$245 million, we have filtered and identified listed peers of the Company which meet the following selection criteria: (i) whose shares are listed on the Hong Kong Stock Exchange; (ii) which are principally involved in the packaged food manufacturing industry; and (iii) whose market capitalisation were between HK\$100 million and HK\$500 million, ranged from approximately 60% below to 104% above the market capitalisation of the Company.

Based on the information extracted from the Bloomberg with the abovementioned selection criteria, we have exhaustively identified six (6) comparable companies (the “**Industry Comparables**”). After considering that (i) the Industry Comparables are in a comparable industry to that of the Company with reference to the industry classification on Bloomberg; (ii) the shares of the Company and the Industry Comparables are both listed on the Hong Kong Stock Exchange; and (iii) the sample size of six (6) Industry Comparable is considered a fair sample size large enough to provide statistically distributed results, we consider that the sample to be fair and representative for the purpose of our analysis.

In conducting our analysis, we compared the price-to-earnings multiple (“**P/E Multiple**”) and price-to-book multiple (“**P/B Multiple**”) of the Company implied by the Cancellation Price against those of the Industry Comparables using the latest publicly available financial information. For the selection of the valuation multiples, given the fact that (i) P/B Multiple is effective in valuing asset-intensive companies; (ii) the Company has been profitable since listing; and (iii) P/E Multiple is a commonly-used valuation multiple to analyse companies which have a track record of generating profits, we consider that P/E Multiple and P/B Multiple are appropriate valuation multiples for our analysis. However, we noted from our analysis that four (4) out of six (6) Industry Comparables recorded net loss in the latest financial year. As such, the table below mainly includes the analysis of P/B Multiple while P/E Multiple will only serve as a reference:

Table 6: List of Industry Comparables

Name	Stock code	Principal business activities	Market Capitalisation ^{Note 1} (HK\$' million)	P/B Multiple (x) ^{Note 2}	P/E Multiple (x) ^{Note 3}
Jiashili Group Limited ("Jiashili")	1285	The company is principally engaged in the manufacture and sale of biscuits.	477	0.46	6.85
China Yurun Food Group Limited	1068	The company is principally engaged in meat products business.	395	N/A	N/A
Labixiaoxin Snacks Group Limited	1262	The company is primarily engaged in the manufacturing and sale of snack foods.	393	2.02	N/A
China Beidahuang Industry Group Holdings Limited	39	The company is principally engaged in the trading of food products.	379	0.70	N/A
Summi (Group) Holdings Limited	756	The company is principally engaged in the production and sale of orange juice and related products.	316	N/A	N/A
TS Wonders Holding Limited ("TS")	1767	The company and its subsidiaries are principally engaged in the production, packaging and retailing of food products.	212	0.46	6.49
		Maximum		2.02	6.85
		Minimum		0.46	6.49
		Median		0.58	6.67
		Average		0.91	6.67
The Company	8609	The Company is principally engaged in the production and sale of fresh eggs and processed egg products.	551.5 ^{Note 4}	1.40 ^{Note 5}	4.77 ^{Note 6}
		Adjusted Implied P/B Multiple		1.31 ^{Note 7}	

Sources: the Hong Kong Stock Exchange and Bloomberg

Notes:

1. The market capitalisation is as at the Latest Practicable Date.
2. The P/B Multiples of the Industry Comparables are calculated by dividing their respective market capitalisation as at the Latest Practicable Date as per note 1 above by the most recently published NAV attributable to the shareholders of the Industry Comparables. NAV figures reported in RMB and S\$ are converted into HK\$ based on an exchange rate of RMB1.00 = HK\$1.09 and S\$1.00 = HK\$5.99 for illustrative purposes respectively.
3. The P/E Multiples of the Industry Comparables are calculated by dividing their respective market capitalisation as at the Latest Practicable Date as per note 1 above by the most recently published profit attributable to the shareholders of the Industry Comparables as extracted from their respective annual report. Profit figures reported in RMB and S\$ are converted into HK\$ based on an exchange rate of RMB1.00 = HK\$1.09 and S\$1.00 = HK\$5.99 for illustrative purposes respectively.
4. The implied market capitalisation of the Company (the “Implied Market Value”) under the Proposal of approximately HK\$551.5 million is calculated by multiplying the Cancellation Price of HK\$1.103 per Scheme Share with 500,000,000 issued Shares as at the Latest Practicable Date.
5. The implied P/B Multiple (the “Implied P/B Multiple”) of 1.40 times is calculated by dividing the Implied Market Value by the equity attributable to the owners of the Company as at 31 March 2024.
6. The implied P/E Multiple (the “Implied P/E Multiple”) of 4.77 times is calculated by dividing the Implied Market Value by the net profit attributable to owners of the Company for FY2024.
7. The adjusted implied P/B Multiple (the “Adjusted Implied P/B Multiple”) of 1.31 times is calculated by the dividing the Implied Market Value by the Unaudited Adjusted NAV.

As shown in the table above, the P/B Multiples of the Industry Comparables ranged from approximately 0.46 times to approximately 2.02 times with average and median P/B Multiples of approximately 0.91 times and 0.58 times respectively. Both of the Implied P/B Multiple of 1.40 times and the Adjusted Implied P/B Multiple of 1.31 times are higher than the average P/B Multiple and significantly higher than the median P/B Multiple of the Industry Comparables respectively.

As shown in the table above, there are only two (2) Industry Comparable (i.e. Jiashili and TS) with P/E Multiple of approximately 6.85 times and 6.49 times respectively, and an average of 6.67 times, calculated by dividing the market capitalisation of the Industry Comparable as at the Latest Practicable Date with the most recently published full financial year’s profit attributable to the shareholders of the Industry Comparable. It is noted that the implied P/E Multiple of the Company is approximately 4.77 times (calculated by dividing the Implied Market Value with the net profit attributable to owners of the Company for FY2024). Although this is lower than the average P/E Multiple available of the Industry Comparables, it is noted that the profit after tax (“PAT”) registered by the Industry Comparables were HK\$66.6 million and HK\$32.7 million respectively, which are generally significantly lower than the PAT of the Company at S\$19.2 million (equivalent to approximately HK\$115.2 million), therefore resulting in a higher P/E Multiple as compared to the Company’s.

Given that: (i) a vast majority of the Industry Comparables recorded net loss in the latest financial year; (ii) the implied P/E Multiple of the Company is lower compared to the average P/E Multiple available of the Industry Comparables due to the significantly lower PAT of the Industry Comparables; and (iii) both of the Implied P/B Multiple of 1.40 times and the Adjusted Implied P/B Multiple of 1.31 times are higher than the average and median P/B Multiples of the Industry Comparables respectively, we consider that valuation implied by the Cancellation Price is more favourable compared to those of the Industry Comparables.

E. Privatisation Comparables

We have reviewed successful privatisation proposals to identify comparable privatisation transactions (the “**Privatisation Comparables**”) in order to assess the fairness and reasonableness of the Cancellation Price.

After considering that: (i) the Cancellation Price was determined with reference to other privatisation transactions in Hong Kong in recent years; and (ii) the Company is listed on GEM, we have researched for the Privatisation Comparables: (i) of which the shares of the target company were listed on GEM; and (ii) which were announced during the period from 1 January 2020 up to and including the Last Trading Date and were successfully privatised on or before the Latest Practicable Date, representing a period of more than four (4) years. The period of more than four (4) years is selected in order to provide a meaningful sample size for comparison purposes.

Based on the above selection criteria, we have exhaustively identified six (6) Privatisation Comparables. It should be noted that the subject companies in the Privatisation Comparables were involved in industries which are not identical to that of the Company. As such, the analysis should not be considered on an isolated basis but should be taken into account in totality with other factors for considering whether to accept the Proposal. Nevertheless, the Privatisation Comparables as a whole would be able to provide us with a meaningful analysis of the recent market trend of the pricing of privatisation proposals in the Hong Kong capital market. The table below illustrates the premiums or discounts of the cancellation prices offered by the corresponding offerors in each of the Privatisation Comparables over or to the corresponding prevailing share prices prior to the issue of the relevant privatisation announcements and the latest audited NAV per share attributable to shareholders of the company in respect of such Privatisation Comparables.

Table 7: Privatisation Comparables

#	Date of the Rule 3.5 announcement	Company name and stock code	Principal business activities	Premium/(discount) of cancellation price over/to closing share price/average share price on/over						Premium/ (discount) of cancellation price over/to the Latest audited NAV per share attributable to shareholders	
				Last trading day	Last 5 trading days	Last 10 trading days	Last 30 trading days	Last 60 trading days	Last 90 trading days	Last 180 trading days	
1	10 Nov 2022	Media Asia Group Holdings Limited (8075)	The company is an entertainment company with business interests across Asian markets. The company is engaged in a wide range of music and entertainment related operations with its core focus on content distribution, both audio and audio-visual.	(7.00%)	(5.49%)	(1.10%)	(6.50%)	(27.12%)	(35.50%)	(48.70%)	239.9%
2	31 Aug 2022	China Binary New Fintech Group (8255)	The company distributes software and hardware products as a wholesaler. The company sells software technology services, smart hardware products, and also offers online transactions, micro financing facilitating services, and other services.	28.20%	34.40%	33.30%	28.50%	17.00%	10.90%	(6.90%)	(35.80%)
3	11 Nov 2021	PFC Device Inc. (8231)	The company manufactures electronic components. The company designs, produces and sells rectifier and other related discrete semiconductors.	29.63%	62.79%	76.10%	86.17%	83.49%	83.49%	63.36%	(5.79%)
4	19 Oct 2020	Powerleader Science & Technology Group Limited (8236)	The company is a cloud computing solutions provider in China, principally engaged in server, storage and solution provider business, electronic equipment and accessories (non-server and storage) distribution business etc.	14.60%	10.10%	10.10%	10.10%	12.00%	19.10%	34.57%	(50.90%)
5	22 Sep 2020	TEM Holdings Limited (8346)	The company, through its subsidiaries, manufactures power supply cords, wires, cables, connectors and other electrical products.	50.00%	65.70%	67.00%	59.50%	69.00%	72.50%	53.50%	(52.50%)

#	Date of the Rule 3.5 announcement	Company name and stock code	Principal business activities	Premium/(discount) of cancellation price over/to closing share price/average share price on/over							Premium/ (discount) of cancellation price over/to the Latest audited NAV per share attributable to shareholders
				Last trading day	Last 5 trading days	Last 10 trading days	Last 30 trading days	Last 60 trading days	Last 90 trading days	Last 180 trading days	
6	29 Jan 2020	Kingsley Edugroup Limited (8105)	The company provides educational services and focuses on tertiary, language and skill educational programs.	12.50%	8.43%	7.57%	4.25%	5.81%	5.41%	(6.52%)	198.34%
			Maximum	50.00%	65.70%	76.10%	86.17%	83.49%	83.49%	63.36%	239.90%
			Minimum	(7.00%)	(5.49%)	(1.10%)	(6.50%)	(27.12%)	(35.50%)	(48.70%)	(52.50%)
			Average	21.32%	29.32%	32.16%	30.34%	26.70%	25.98%	14.89%	48.88%
			Median	21.40%	22.25%	21.70%	19.30%	14.50%	15.00%	14.03%	(20.80%)
			The Cancellation Price	125.10%	122.40%	125.60%	129.80%	161.40%	186.50%	233.20%	40.20%
			The Total Price	141.80%	138.90%	142.30%	146.90%	180.80%	207.80%	258.00%	50.60%

Sources: the Hong Kong Stock Exchange and Bloomberg

Note: None of the Privatisation Comparables have comparison to re-assessed NAV per share attributable to shareholders.

As shown in the table above, the premiums represented by the Cancellation Price and the Total Price over (i) the closing price for the Last Trading Date; and (ii) the average closing price of the Shares for the last 5, 10, 30, 60, 90 and 180 trading days up to and including the Last Trading Date, are significantly higher than the ranges of premiums of the Privatisation Precedents, respectively. Furthermore, the premiums represented by the respective Cancellation Price and the Total Price over the Last Trading Date, last 5, 10, 30, 60, 90 and 180 trading days are also well above the average and median premiums of the Privatisation Comparables for the corresponding periods. In addition, the premium of the Cancellation Price and the Total Price over the audited consolidated NAV per Share attributable to Shareholders falls within the range of the Privatisation Comparables and is higher than the median and average of the Privatisation Comparables, respectively. In view of the above, we are of the view that the Cancellation Price and the Total Price are fair and reasonable.

3. Analysis on Special Deal relating to the Offeror Cooperation Arrangement

Background of the Offeror Cooperation Arrangement

As part of the Proposal, Betagro, Mr. Ma, the Founder Holdco and/or the Offeror have entered into the Offeror Cooperation Arrangement, comprising (i) the Shareholders' Deed; (ii) the Service Deed; and (iii) the Deed of Indemnity. Since the Offeror Cooperation Arrangement contains special arrangements not offered to all Shareholders, the Offeror Cooperation Arrangement constitutes a special deal under Rule 25 of the Takeovers Code and requires, amongst others, the approval of the Disinterested Shareholders at the EGM.

A. Shareholders' Deed

On 15 August 2024, Betagro, Mr. Ma, the Founder Holdco and the Offeror entered into the Shareholders' Deed (as amended by the Supplemental Shareholders' Deed) in respect of the formation of a consortium to implement the Proposal and the governance of the Offeror, which shall take full effect upon the Scheme becoming effective. Details of the terms of the Shareholders' Deed are set out in section headed "Shareholders' Deed" in the Explanatory Memorandum.

(i) Terms of the Shareholders' Deed

We consider that the terms of the Shareholders' Deed can be broadly classified into the following three (3) categories for discussion purpose:

- (a) Terms applied to both Betagro and Mr. Ma (via Founder Holdco);
- (b) Terms that may not be considered as favourable to Mr. Ma (via Founder Holdco); and
- (c) Terms that may be considered as favourable to Mr. Ma (via Founder Holdco).

(a) Terms applied to both Betagro and Mr. Ma (via Founder Holdco)

Terms applied to both Betagro and Mr. Ma (via Founder Holdco) include consortium, condition and completion, board composition, funding, reserved matters, pre-emption rights and termination.

(b) Terms that may not be considered as favourable to Mr. Ma (via Founder Holdco)

Terms that may not be considered as favourable to Mr. Ma (via Founder Holdco) are those terms that Mr. Ma passes certain rights to Betagro, such as transfer restriction, non-compete and non-solicitation.

(c) Terms that may be considered as favourable to Mr. Ma (via Founder Holdco)

Terms that may be considered as favourable to Mr. Ma (via Founder Holdco) are those terms that Mr. Ma may receive benefits that are not offered to all Shareholders, such as (i) the 125,000,000 Founder Rollover Scheme Shares which will be cancelled in consideration of the Cancellation Price and shall be satisfied by the Offeror allotting and issuing Offeror Shares to the Founder Holdco credited as fully paid (the “**Rollover Arrangement**”), resulting in Mr. Ma becoming a shareholder of the Offeror; and (ii) the option to sell the Offeror Shares held by the Founder Holdco to Betagro only in the event of a deadlock or default situation (the “**Deadlock Option**”).

A deadlock situation arises if (i) any reserved matters put to the board within a 12-month period is not agreed upon or resolved; or (ii) no quorum is present in the board meeting or adjourned board meeting (where applicable) to consider the reserve matter, and the deadlock situation is not resolved within 30 calendar days after the date the deadlock was deemed to have arisen.

A default situation refers to customary events of default that covers (i) either party to the Shareholders’ Deed has committed a material breach on the provisions and failed to remedy within a specified timeframe; (ii) either party becomes unable to pay its debts or makes arrangement with its creditors or encountered appointment of receiver or such similar officer; (iii) Mr. Ma committed a breach of any provision of the Service Deed and failed to remedy within a specified timeframe; and (iv) Mr. Ma does not remain employed by Betagro or its affiliates in any capacity during three (3) years from the effective date of the Service Deed and/or the Service Deed is terminated due to, amongst others, gross misconduct, serious or wilful breach and incapacitation of Mr. Ma.

Under the above-mentioned circumstances, Betagro shall be entitled (but not obliged) to request the Founder Holdco to sell all its Offeror Shares held to Betagro at a price being the higher of (i) S\$20,000,000; or (ii) a price as may be determined in accordance with a formula calculated based on the Founder Holdco's shareholding percentage in the Offeror multiplied by 7.5 of the average EBITDA of the Offeror for two (2) financial years immediately preceding the date of such notice request and deducting the net debt of the Offeror as set out in the Shareholders' Deed.

If Betagro is the defaulting party under the default situation, both parties will refer the dispute, if it cannot be settled between the parties amicably, to be resolved by arbitration in Singapore in accordance with the arbitration rules.

(ii) Our assessment

The Shareholders' Deed sets out, amongst others, the principal terms with respect to the governance of the Offeror and the rights and obligations of the shareholders of the Offeror, which shall take full effect upon the Scheme becoming effective. In our view, terms relating to sections (a) and (b) above are not uncommon in agreements of similar nature among shareholders for the purpose of governing a company. In terms of management of the Offeror, there are provisions in the Shareholders' Deed setting out responsibility of the board, power to nominate directors of the board by the shareholders, as well as reserved matters that requires a majority vote of the directors that must include the approval of Mr. Ma or his nominated director.

Upon the Shareholders' Deed becoming effective, Betagro who currently owns 75% equity interests of the Offeror, will nominate the majority of the directors totalling three (3) in number, whilst Founder Holdco, with 25% equity interests in the Offeror, will nominate two (2) directors, of which Mr. Ma shall be a nominee.

(1) Rollover Arrangement

Background

Betagro proposes to allow the Founder Holdco, a company wholly-owned by Mr. Ma (an executive Director, the chairman of the Board and the chief executive officer of the Company), to retain 25% beneficial interests of the Company after the Scheme becomes effective. Accordingly 125,000,000 Founder Rollover Scheme Shares will be cancelled in consideration of the Cancellation Price and shall be satisfied by the Offeror allotting and issuing Offeror Shares to the Founder Holdco credited as fully paid, resulting in Mr. Ma becoming a shareholder of the Offeror.

Mr. Ma (via Founder Holdco) is the founder of the Group and is instrumental in the business development and expansion of the Group, culminating to its listing on the Hong Kong Stock Exchange on 7 September 2018. Furthermore the Group has consistently recorded profits since its listing.

Betagro believes that Mr. Ma has made significant and invaluable contribution to the business of the Group over the past years, and continues to play a critical role in the daily operations of the Group in providing valuable strategic direction to the development of the Group following completion of the Scheme. Accordingly it would be important to offer the Rollover Arrangement to Mr. Ma and to allow him to retain some of his shareholding interests in the Group in order to secure his continued support for the future of the Group.

To assess whether the Rollover Arrangement is fair and reasonable, we have examined the following principal factors:

(A) Risk associated with minority protection in the Offeror as a private company

Should the Disinterested Shareholders be given the opportunity to participate in the Rollover Arrangement and become a shareholder of the Offeror (“**Hypothetical Scenario**”), the Disinterested Shareholders’ interests in the Offeror would no longer be safeguarded by regulations to protect minority shareholders applicable to listed companies on the Hong Kong Stock Exchange, such as the GEM Listing Rules and/or the Takeovers Code. The Offeror is an unlisted company incorporated in Singapore and its shares are illiquid with no ready market.

Under the Hypothetical Scenario, as a private company, the Offeror would not be subject to the same level of corporate governance and minority protection requirements as set out in the GEM Listing Rules. In particular, minority protection under the general principles of the GEM Listing Rules (including the fair and equal treatment of all shareholders), information rights for shareholders under the GEM Listing Rules (such as the release of financial results/reports), and the existing shareholders’ approval requirements under Chapter 19 and Chapter 20 of the GEM Listing Rules regarding notifiable transactions and connected transactions that are currently applicable to the Company as a company listed on GEM would no longer apply so far as the Disinterested Shareholders are concerned.

The Takeovers Code would only remain applicable to the Company, should the Company continue to be a public company in Hong Kong. In the event that the Company ceases to be a public company, for example due to having fewer than 50 members, it would no longer be subject to the Takeovers Code. In that case, the interests of the Disinterested Shareholders would be primarily safeguarded by the constitutional documents of the Offeror (i.e. the memorandum and articles of association of the Offeror), provisions regarding the protection of minority shareholders' rights under the Companies Act 1967 of Singapore and at common law (but not by the GEM Listing Rules and the Takeovers Code).

(B) Investment risks associated with holding the Shares as a private investment

Under the Hypothetical Scenario, the Disinterested Shareholders might find it difficult to realise their shareholdings as no public trading in the Offeror Shares would be available. It would be particularly difficult for individual Disinterested Shareholders to find potential buyers for the Offeror Shares through private transactions. By committing to the Hypothetical Scenario, the Disinterested Shareholders would be forfeiting the opportunity to dispose of their Shares upon completion of the Scheme. In other words, under the Hypothetical Scenario, the Disinterested Shareholders may be left with the Offeror Shares that are highly illiquid and difficult to dispose of. All in all, if Disinterested Shareholders wish to participate in the Rollover Arrangement as a private investment, this would arguably not represent a sound investment decision and would inevitably expose them to future investment risks as discussed above.

(C) Reliance on Mr. Ma in the contributions of the future development of the Group

The main objective of the Offeror Cooperation Arrangement, including the Shareholders' Deed and the Rollover Arrangement, are among others, to retain and motivate Mr. Ma (being an executive Director, the chairman of the Board and the chief executive officer of the Company) to continue serving the Group and the Rollover Arrangement is meant to maintain his economic interests in the Offeror Group after the implementation of the Scheme, so that Mr. Ma will be incentivised to contribute to the future development and growth of the Offeror Group.

Betagro considers Mr. Ma, being the founder of the Group, has been instrumental in guiding the business development and expansion of the Group since 2006 and is the key driver to the continued success of the Group through his involvement in the day-to-day management and provision of strategic directions to the Group.

Betagro therefore recognises the importance of Mr. Ma to retain beneficial interest in the Offeror Group and be involved in the management and business operation of the Offeror Group after the Scheme becomes effective, to ensure the benefits of synergies and collaboration between the Offeror and the Company continue to be realised which will benefit the sustainable development and growth of the Offeror Group. As such, the prospects and future performance of the Offeror Group would therefore, to a certain extent and among other things, hinge on the capabilities and performance of the management team under the stewardship of Mr. Ma and the synergy created with Betagro and its subsidiaries (the “**Betagro Group**”).

After taking into account of the above consideration, we are of the view that the Rollover Arrangement is fair and reasonable as far as the Disinterested Shareholders are concerned.

(2) Deadlock Option

We note that the Deadlock Option is only triggered in exceptional situations when both parties are at a deadlock situation or if an event of default arises. The potential benefits of the Deadlock Option are contingent upon such incidents, which are not considered common occurrence and are subject to the procedures outlined in the Shareholders’ Deed. Therefore, there is no guarantee that Mr. Ma (via Founder Holdco) will eventually receive these potential benefits.

The price in which Founder Holdco has to dispose the Offeror Shares under the Deadlock Option is determined in accordance with a formula. The formula is set out below:

$$A = B \times (((C/2) \times 7.5) - D)$$

Where:

A = Deadlock call price.

B = Founder Holdco’s shareholding percentage as at the date of the deadlock call option notice.

C = The aggregate of the EBITDA for the eight (8) completed financial quarters (i.e. 2 years) immediately preceding the date of the deadlock call option notice based on the latest available audited financial statements of the Offeror for such financial quarters.

D = Net debt preceding the date of the deadlock call option notice based on the latest available audited financial statements of the Offeror for such financial quarters, provided that if the latest available audited financial statements are prepared as at a date more than 6 months prior to the date of deadlock call option notice, an interim audit shall be undertaken by the Offeror Group's auditors or such other mutually agreed reputable audit firm, costs of which are to be borne solely by Betagro.

The valuation of the Offeror under the formula is inherently uncertain and subject to fluctuations, resulting in Mr. Ma having a possibility to bear the risk of a potential fall in value of the Offeror since it takes into account of the average EBITDA of the Offeror for the future two (2) financial years and net debt position of the Offeror. There is no guarantee that future EBITDA of the Offeror will match the current performance of the Group. Economic conditions, competitive pressures and internal operational efficiencies are among the factors that could impact the Offeror's future valuation in terms of its profitability as well as the financial position of the Offeror at that point in time with respect to its debt position.

If the sale consideration to be received by Mr. Ma under the Deadlock Option falls below S\$20,000,000 (approximately HK\$119,800,000) (the "**Minimum Consideration**"), Mr. Ma will be entitled to receive S\$20,000,000 for the sale of his 24,725,997 Offeror Shares (representing 25% of the issued shares of the Offeror), which was issued pursuant to the cancellation of the 125,000,000 Founder Rollover Scheme Shares. The Minimum Consideration represents a discount of approximately 13.1 % to the value of 125,000,000 Founder Rollover Scheme Shares, when multiplied by the Cancellation Price, totalled HK\$137,875,000. This indicates that in the worst case scenario, Mr. Ma would be receiving the Minimum Consideration, which is a reduced amount as compared to the Cancellation Price, in the future.

B. Service Deed

Upon the Scheme becoming effective, Mr. Ma will serve as the chief executive officer of the Offeror in order to provide advice and assistance to the Offeror in the transition of the operations and post-merger integration of the Group to the Betagro Group and to continue contributing to the growth and development of the Offeror Group. Accordingly, on 15 August 2024, the Offeror and Mr. Ma entered into the Service Deed which shall take full effect upon the Scheme becoming effective.

(i) Terms of the Service Deed

The principal terms of the Service Deed are summarised below. Details of the terms of the Service Deed are set out in section headed “Service Deed” in the Explanatory Memorandum.

(A) Term

An initial term of three (3) years (the “**Employment Term**”), taking effect on the later of (a) the date the Scheme becomes effective; or (b) the date when the results of Mr. Ma’s pre-employment medical examination is certified to be satisfactory. The term can be further extended for an additional three (3) years subject to mutual agreement (the “**Extended Term**”).

(B) Remuneration

Annual salary of S\$840,000, a minimum guaranteed bonus of one (1) month’s salary after each completed year of service and an annual allowance of not less than S\$120,000. Any discretionary bonuses will be determined by the board of the Offeror which Mr. Ma shall abstain from voting at the board meeting.

(C) Non-compete and non-solicitation restrictions (the “Non-compete Restrictions”)

During the Employment Term and the Extended Term (if applicable) and for a period of 60 months after cessation of such employment (the “**Restricted Period**”), Mr. Ma cannot, directly or indirectly, amongst others: (i) engage or be involved in any capacity in business that competes with the Offeror Group; or (ii) assist with technical or commercial advice to any person or company engaged in the manufacture and/or marketing any products or services in competition with the Offeror Group, in Singapore or any other countries which the Offeror Group conducts business, without prior written consent of the Offeror. He is also prohibited from soliciting clients, distributors or employees of the Offeror Group, and from using name in

any trade, business or company that is likely to be confused with the name of any member of the Offeror Group during the aforesaid period.

(D) Compensation for Non-compete Restrictions

In consideration for the compliance of Mr. Ma with the Non-compete Restrictions, he is entitled to a one-time conditional compensation of S\$4,000,000 (the “**Non-compete Compensation**”) (subject to applicable tax withholdings and Central Provident Fund contribution as required by Singapore laws) to be paid in one lump sum within seven (7) days upon the Scheme becoming effective. Such payment is conditional upon the compliance of Mr. Ma of the continuing Non-compete Restrictions for the entire duration of the Employment Term and Extended Term (if applicable) and the Restricted Period. In the event of any breach of the Non-compete Restrictions by Mr. Ma, he shall immediately repay the full amount of the Non-compete Compensation to the Offeror upon the Offeror’s demand.

(ii) Our assessment

(a) Reasons for the Service Deed

We are given to understand that Betagro expects to rely heavily on Mr. Ma’s solid expertise, in-depth industry knowledge, deep understanding of the Singapore egg market and long-term established relationships with the customers, distributors and suppliers carefully cultivated by Mr. Ma to contribute to the sustainable development and growth of the Offeror Group.

As highlighted in Betagro’s news publication on July 4, 2024, Betagro has outlined its international business strategy for 2024, focusing on expanding its presence in ASEAN (Association of Southeast Asian Nations) countries and building a robust foundation for the food industry from upstream to downstream. To continue in this expansion plan after penetrating the markets in Cambodia, Laos and Myanmar, Betagro now sets its sight on Singapore, strategically leveraging Mr. Ma’s extensive experience and deep industry knowledge. As such, Betagro recognises the critical need for Mr. Ma to focus on the Singapore market, as Betagro is new to the egg market in Singapore. Betagro expects to rely significantly on Mr. Ma’s solid expertise, extensive industry knowledge, and profound understanding of the Singapore egg market. Therefore, by retaining Mr. Ma, Betagro aims to harness his expertise to effectively navigate the challenges and opportunities that will arise in the new market.

Furthermore, Mr. Ma's long-standing relationships with customers, distributors and suppliers, developed since 2006, are critical for Betagro to secure a strong foothold in Singapore. His insights into market dynamics and industry complexities will be vital in identifying and capitalising on emerging opportunities. Betagro anticipates that Mr. Ma's leadership will facilitate a smooth transition and enhance synergies between the Offeror Group and the Company.

By engaging Mr. Ma's expertise, Betagro aims to adeptly navigate the challenges and opportunities inherent in this new market, ensuring the sustainable development and growth of the Offeror Group. Accordingly we are of the view that the entering of the Service Deed between Mr. Ma and the Offeror is fair and reasonable.

(b) Remuneration Package

In our evaluation of the remuneration package of Mr. Ma under the Service Deed (the "**Remuneration Package**"), we have reviewed the existing service agreement (and the addendum to service agreement) between Mr. Ma and the Company, and noted that Mr. Ma's current annual salary is S\$840,000, representing a monthly salary of S\$70,000, with a transportation and other allowance of S\$10,000 per month. This is identical to the proposed annual salary of S\$840,000 and an annual allowance of not less than S\$120,000 stipulated in the Service Deed.

We have also made reference to the historical remuneration package of Mr. Ma in the past three (3) years, a period which we view would give a reasonable reference. Set out below are his historical remuneration as extracted from the annual reports of the Company:

Financial Year	Annual salary (S\$)	Allowance (S\$)	Total salaries (S\$)	Bonus (S\$)	Monthly salary (S\$)	Monthly salary represented by bonus (month)
FY2022	600,000	120,000	720,000	60,000	50,000	1.20
FY2023	600,000	120,000	720,000	180,000	50,000	3.60
FY2024	780,000 ¹	120,000	900,000	160,000	65,000 ²	2.29 ³
Service Deed	840,000	120,000	960,000	70,000 ⁴	70,000	1.00

Notes:

- 1 *this represents the sum of monthly salary he received of S\$50,000 from April 2023 to June 2023; and S\$70,000 from July 2023 to March 2024*
- 2 *this represents an average monthly salary for FY2024 by dividing the annual salary of FY2024 by 12 months*
- 3 *this is calculated based on bonus of S\$160,000 dividend by the latest monthly salary of S\$70,000*
- 4 *minimum guaranteed bonus of one (1) month's salary stipulated in the Service Deed*

Source: annual reports of the Company and the Company

As illustrated in the table above, we noted that the annual salary of S\$840,000 in the Service Deed matches with his existing salary stated in his service agreement and his annual salary was increased to S\$840,000 on 1 July 2023 in consideration of the increase workload arising from the substantially increased farm operation with the completion of existing chicken egg farm and the new quail farm. Although the existing service agreement of Mr. Ma with the Company does not stipulate a guaranteed bonus, he has been receiving annual bonus consistently since the Company was listed in 2018. The minimum guaranteed bonus of one (1) month's salary stipulated in the Service Deed is lower than the historical bonus that he has received for the past three (3) financial years.

Based on the above factors, we are of the view that the Remuneration Package stipulated in the Service Deed is consistent with Mr. Ma's historical remuneration over the past three (3) years, reflecting his increasing value and contributions to the Company, and therefore is fair and reasonable.

(c) Non-compete Compensation

We note that offering compensation for non-competition and non-solicitation restrictions is not uncommon, in particular for senior executives where their industry-specific knowledge and experience, expertise, business network and established relationships with clients and/or suppliers are highly valuable, and present an inherent risk to the companies in terms of direct competition after they leave their employment and consider setting up business that will compete with their former employers. This market norm is particularly prominent in biotechnology industry or in industries where only a handful of players exist, such as the Company in which it is one of the only three licensed layer farms in Singapore. Therefore, we have conducted a search on prospectuses of biotechnology companies listed under Chapter 18A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and have exhaustively identified thirteen (13) companies that provide non-compete compensation for their senior executives ("Non-compete Comparables").

Table 8: Non-compete Comparables

Company name	Stock code	Employee category	Non-compete period (months)	Compensation payable during non-compete period
Shanghai MicroPort MedBot (Group) Co., Ltd.	2252	Senior management and key personnel	24	Monthly compensation
Jiangsu Recbio Technology Co., Ltd.	2179	Senior management and key personnel	24	A percentage of monthly average salary ¹ as monthly compensation
CARsgen Therapeutics Holdings Limited	2171	Key management and technical personnel	12 to 24	Monthly compensation
MicroPort CardioFlow Medtech corporation	2160	Senior management and key personnel	24	Monthly compensation
Sunho Biologics, Inc.	2898	Senior management and key personnel	24	Minimum wage standard ² as monthly compensation
Jenscare Scientific Co., Ltd	9877	Senior management and key personnel	24	Monthly compensation
Asclepis Pharma Inc.	1672	Senior management and key personnel	12	A percentage of monthly average salary ¹ as monthly compensation
HighTide Therapeutics, Inc.	2511	Senior management and key personnel	24	Compensation if losses was incurred to relevant employee
Beijing Airdoc Technology Co., Ltd.	2251	Senior management and key personnel	24	Monthly compensation
Kintor Pharmaceutical Limited	9939	Senior management and key personnel	24	one-third of the average salary as monthly compensation
Clover Biopharmaceuticals, Ltd.	2197	Senior management and key personnel	24	Monthly compensation
Everest Medicines Limited	1952	Key management and technical personnel	12	A percentage of monthly average salary ³ as monthly compensation
Suzhou Basecare Medical Corporation Limited	2170	Senior management and key personnel	12	Monthly compensation

Notes:

1. *Monthly average salary is calculated based on the salary in the 12 months immediately preceding the termination or expiration of the employment contract.*
2. *This relates to the minimum wage standard adopted in the place where the employing entity is situated before the termination of employment.*
3. *The employee shall only continue to comply with the non-competition obligation if the company elects to compensate such employee.*

Source: prospectuses of the companies

We note the Non-compete Restrictions is comprehensive, covering business activities in Singapore and any other countries which the Offeror Group has a business presence during the 60-month period. The duration of 60 months is considered a long period but is justifiable by Mr. Ma's deep involvement and influence in the Company's operations, as well as his solid industry expertise. The clauses, with an extensive scope of location, effectively protect the Offeror Group's interests by preventing Mr. Ma from leveraging proprietary knowledge or relationships for the benefit of a competitor, and the Non-Compete Compensation compensates for the long period of restrictions, making it a fair trade-off between the parties.

In the event of a breach of the Non-compete Restrictions by Mr. Ma under the Service Deed, Mr. Ma shall immediately repay the Non-Compete Compensation in full, which acts as a safeguard in ensuring that the Offeror is protected financially. This ensures that the Non-Compete Compensation is not merely a compensation to Mr. Ma, but a binding contract that holds significant consequences if violated.

We were made to understand from the Offeror, as advised by its lawyers, that under Singapore law, the Non-compete Restrictions are prima facie unenforceable unless it is demonstrated by the party seeking to enforce it that they are, among other things, reasonable in the circumstances. In addition, as the Non-compete Restrictions are not presently in Mr. Ma's employment terms, their introduction as an additional undertaking would need to be supported by consideration in order to be enforceable. The Offeror was further advised that a factor which the Singapore courts would take into consideration in determining whether the Non-compete Restrictions are reasonable would be whether Mr. Ma has received valuable consideration, which is reasonable and adequate, in exchange for his compliance with the Non-compete Restrictions.

Using the Restricted Period of 60 months as reference, the Non-Compete Compensation of S\$4,000,000 translates to approximately S\$66,667 per month. This monthly amount is lower than Mr. Ma's existing monthly total remuneration under the Service Deed of S\$70,000 salary and a S\$10,000 allowance, which will tantamount to a total of S\$4,800,000 for 60 months. Since he is totally barred from undertaking a trade and/or earning a living using the skill he is knowledgeable and good at, it is only fair and reasonable that he is compensated at the level equating to his current earning capability. Accordingly, the Non-Compete Compensation is fair and reasonable.

Furthermore, the benefit of the Non-Compete Compensation accorded to Mr. Ma has been equally extended to the Other Scheme Shareholders as reflected on the Additional Price of HK\$0.082 per Other Scheme Share. As stated in the Letter from Board, the total price to be received by each Other Scheme Shareholder, subject to the Scheme becomes effective, would be HK\$1.185 per Scheme Share, comprising the Cancellation Price of HK\$1.103 per Other Scheme Share and the Additional Price of HK\$0.082 per Other Scheme Share.

In conclusion, as the Offeror has identified Mr. Ma to be the key management personnel in driving the growth and future directions of the Offeror Group, the remuneration package has to provide sufficient incentive for him to contribute positively to the Offeror Group. Furthermore, the established relationships that he has fostered will enhance the Offeror Group's credibility and facilitate smoother integration and collaboration. His strategic vision and market understanding will be invaluable assets that support the Offeror Group's objectives and growth trajectory. Furthermore, the benefit of the Non-Compete Compensation that he will be entitled for his continuous compliance with the Non-Compete Restrictions has been equally extended to the Other Scheme Shareholders that is reflected in the Additional Price. Accordingly, we are of the view that the terms in the Service Deed are fair and reasonable, recognising his value to the Offeror Group and ensuring his continued commitment to the Offeror Group's growth and strategic objectives.

C. Deed of Indemnity

In consideration of the Proposal put forth by the Offeror and the entering into of the Shareholders' Deed and the Service Deed by the Offeror, on 15 August 2024, the Founder Holdco and Mr. Ma executed the Deed of Indemnity (as amended by the Supplemental Deed of Indemnity) in favour of the Offeror, providing certain warranties on, among other things, corporate matters, accounts and taxation matters of the Group and certain undertakings in connection with the implementation of the Scheme. Details of the terms of the Deed of Indemnity are set out in section headed "Deed of Indemnity" in the Explanatory Memorandum.

Our assessment

The Deed of Indemnity plays a vital role in providing the Offeror and Betagro with necessary protection during the Proposal. By providing warranties related to corporate matters, financial accounts and tax issues, the Deed of Indemnity ensures that the Offeror is safeguarded against any undisclosed risks regarding the Group's situation. The level of assurance is particularly important during the Proposal, where clarity about the Group's financial position is crucial for making informed decisions.

The Deed of Indemnity also encompasses commitment from Mr. Ma (via Founder Holdco) to vote in favour of the Scheme at the EGM, functioning similarly to an irrevocable undertaking. This guarantees the reliance that the Offeror can place on Mr. Ma (via Founder Holdco), reducing the possibility of any unforeseen objections that could hinder the process of the Proposal. The restriction on shares disposal further protects the Offeror's interests, ensuring a smoother path in the implementation of the Proposal. In summary, the Deed of Indemnity helps to align the interests of all parties involved, promoting a successful and efficient transaction. Therefore we are of the view that the terms of the Deed of Indemnity are fair and reasonable so far as the Disinterested Shareholders are concerned.

OPINION AND RECOMMENDATION

In arriving at our recommendation in respect of the Proposal, the Scheme and the Offeror Cooperation Arrangement, we have considered the principal factors and reasons as discussed above and as summarised below:

- (i) the Cancellation Price represents significant premiums over the prevailing market prices of the Shares, in particular, the Cancellation Price has been at all times higher than the closing Share prices during the Review Period, save and except for only two (2) days on 21 October 2024 and 22 October 2024 (being the Latest Practicable Date) in which the closing Share prices were above the Cancellation Price at HK\$1.110 and HK\$1.120 respectively. In addition, the Cancellation Price of HK\$1.103 per Scheme Share is significantly higher than the average closing price of the Shares during the Pre-Announcement Period of HK\$0.28 per Share. Furthermore the Total Price to be received by the Disinterested Shareholders is still higher than the closing Share prices on 21 October 2024 and 22 October 2024 respectively;
- (ii) given the very thin trading volume of the Shares, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Disinterested Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. The Proposal provides the Disinterested Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of all of their Shares at the Total Price if they wish to (subject to the Conditions of the Proposal being satisfied);
- (iii) the Implied P/B Multiple of 1.40 times is slightly lower than the maximum P/B Multiple of the Industry Comparables and is higher than each of the average and median P/B Multiples of the Industry Comparables respectively; and

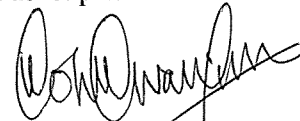
- (iv) the premium of the Cancellation Price and Total Price over (i) the closing price for the Last Trading Date; and (ii) the average closing price of the Shares for the last 5, 10, 30, 60, 90 and 180 days up to and including the Last Trading Date are well above the ranges of the Privatisation Comparables, respectively. In addition, the premium of the Cancellation Price and Total Price over the respective audited consolidated NAV attributable to Shareholders per Share falls within the ranges of the Privatisation Comparables and is higher than the median and average of the Privatisation Comparables, respectively.

Based on the above, in conclusion, we consider the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned and the Scheme provides the Scheme Shareholders with an opportunity to realise their investments in the Shares in cash. Taking into account (i) the Scheme Shareholders will not be able to enjoy the benefits under the Proposal unless the Offeror Cooperation Arrangement is approved at the EGM; and (ii) the terms of the Shareholders' Deed (in particular the Rollover Arrangement), Service Deed (in particular the Remuneration Package and the Non-Compete Compensation) and the Deed of Indemnity, all covered under the special deal relating to the Offeror Cooperation Arrangement, are fair and reasonable as discussed in the section headed "Analysis on Special Deal relating to the Offeror Cooperation Arrangement" above, we recommend the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of (i) the Scheme at the Court Meeting; and (ii) the Offeror Cooperation Arrangement as a special deal and the resolutions in connection with the implementation of the Proposal at the EGM.

Disinterested Shareholders should note that the price of the Shares has substantially increased following the publication of the Announcement and the closing Share prices have been trading below the Cancellation Price within a narrow band around HK\$1.03 per Share to HK\$1.09 per Share since the publication of the Announcement, except for only two (2) days on 21 October 2024 and 22 October 2024 (being the Latest Practicable Date) in which the closing Share price was above the Cancellation Price at HK\$1.110 and HK\$1.120 respectively. This price range is significantly above the average closing Share price during the Pre-Announcement Period of HK\$0.28 per Share. Therefore, there is no assurance that the Share price will remain at the current level if the Proposal and the Scheme lapse.

Further details regarding the procedures of the Proposal and the Scheme are set out in the Explanatory Memorandum. Disinterested Shareholders are urged to act according to the timetable set out in the Scheme Document if they wish to qualify for entitlements under the Scheme.

Yours faithfully,
For and on behalf of
Opus Capital Limited



Koh Kwai Yim
Managing Director

Ms. Koh Kwai Yim is the Managing Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Ms. Koh has over 20 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.