
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document and/or the accompanying Form of Acceptance and/or the Offer or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Sun Kong Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

This Composite Document is not for release, publication or distribution, in whole or in part, in, into or from any jurisdiction where to do so would constitute a violation of the applicable laws or regulations of such jurisdiction. This Composite Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of Sun Kong Holdings Limited.

HONG KONG YUFENGCHANG CO., LIMITED

(Incorporated in Hong Kong with limited liability)

SUN KONG HOLDINGS LIMITED 申港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8631)

COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO THE MANDATORY UNCONDITIONAL CASH OFFER BY SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED FOR AND ON BEHALF OF HONG KONG YUFENGCHANG CO., LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN SUN KONG HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY HONG KONG YUFENGCHANG CO., LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Joint Financial Advisers to the Offeror



Shenwan Hongyuan Capital (H.K.) Limited



Get Nice Securities Limited

Independent Financial Adviser to the Independent Board Committee



Alpha Financial Group Limited

Unless the context requires otherwise, terms used in this Composite Document (including this cover page) shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Shenwan Hongyuan containing, among other things, details of the terms of the Offer is set out on pages 11 to 20 of this Composite Document.

A letter from the Board is set out on pages 21 to 29 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer is set out on pages 30 to 31 of this Composite Document. A letter from Alpha Financial Group Limited, being the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 32 to 56 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. The Form of Acceptance of the Offer should be received by the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. (Hong Kong time) on Thursday, 21 November 2024 or such later time and/or the date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the requirements under the Takeovers Code.

Shareholders should inform themselves of and observe any applicable legal, tax or regulatory requirements set out in the "Important Notice" section of this Composite Document. Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdictions outside Hong Kong should read the details in this regard which are contained in the section headed "Overseas Shareholders" in the Letter from Shenwan Hongyuan contained in this Composite Document before taking any action. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes or other required payments due by such Overseas Shareholders in respect of such jurisdictions. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.skhl.com.hk/as> long as the Offer remains open. This Composite Document is issued jointly by the Offeror and the Company. The English language text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation in case of any inconsistency.

31 October 2024

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be jointly made by the Offeror and the Company in the event of any changes to the timetable as and when appropriate. All references to time and date in this Composite Document and the Form of Acceptance refer to Hong Kong time and dates.

Event	Time and Date 2024
Date of despatch of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer (<i>Note 1</i>)	Thursday, 31 October
Latest time and date for acceptance of the Offer on the Closing Date (<i>Notes 2, 3 and 5</i>)	by 4:00 p.m. on Thursday, 21 November
Closing Date (<i>Notes 3 and 5</i>)	Thursday, 21 November
Announcement of the results of the Offer as at the Closing Date (or its extension or revision, if any) to be posted on the websites of the Stock Exchange and the Company (<i>Notes 3 and 5</i>)	by 7:00 p.m. on Thursday, 21 November
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer (<i>Notes 4 and 5</i>)	Monday, 2 December

Notes:

- (1) The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code.
- (2) Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in the section headed “1. PROCEDURES FOR ACCEPTANCE OF THE OFFER” in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptances of the Offer are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed “6. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.
- (3) In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days after the date of this Composite Document. The Offer will be closed on the Closing Date. The latest time and date for acceptance of the Offer is at 4:00 p.m. on the Closing Date unless the Offeror decides to revise or extend the Offer in accordance with the Takeovers Code. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offer and

EXPECTED TIMETABLE

whether the Offer has been revised or extended. In the event that the Offeror decides to extend the Offer, the joint announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given, before the Offer is closed, to those Independent Shareholders who have not accepted the Offer.

- (4) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be posted to the Independent Shareholder(s) accepting the Offer by ordinary post at their own risk as soon as possible, but in any event no later than seven (7) Business Days after the date of receipt by the Registrar of duly completed Form of Acceptance and all the relevant documents of title of the Offer Shares required to render the acceptance under the Offer complete and valid in accordance with the Takeovers Code.
- (5) If there is a tropical cyclone warning signal number 8 or above or "extreme conditions" or a "a black rainstorm warning signal" as issued by the Hong Kong Observatory and/or the Government of Hong Kong (collectively, "**severe weather conditions**") on any of the following deadlines ("**Key Deadlines**"): (a) the Closing Date and the latest time for acceptance of the Offer under Rule 15.1 of the Takeovers Code and the submission and publication deadline for a closing announcement under Rule 19.1 of the Takeovers Code; and (b) the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances,
- (i) in case any severe weather condition is in force in Hong Kong at any local time before 12:00 noon but no longer in force at 12:00 noon and/or thereafter on any Key Deadline, such Key Deadline will remain on the same Business Day; or
 - (ii) in case any severe weather condition is in force in Hong Kong at any local time at 12:00 noon and/or thereafter on any Key Deadline, such Key Deadline will be rescheduled to the following Business Day which does not have any of those warnings in force at any time at 12:00 noon and/or thereafter or such other day as the Executive may approve in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of joint announcement(s) on any change to the expected timetable as soon as practicable.

IMPORTANT NOTICE

NOTICE TO OVERSEAS SHAREHOLDERS OUTSIDE HONG KONG

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders in respect of such jurisdictions). The Offeror, Yufengchang International and parties acting in concert with any of them, the Company, Shenwan Hongyuan, Get Nice, the Independent Financial Adviser, the Registrar, and their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay.

Any acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and regulations have been complied with. Overseas Shareholders should consult their professional advisers if in doubt.

For further discussion, please refer to the sections headed “Overseas Shareholders” in the Letter from Shenwan Hongyuan and Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward looking statements included herein are made only as at the Latest Practicable Date.

The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and regulations, including the GEM Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the acquisition of a total of 23,115,000 Sale Shares by the Offeror from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“Announcement”	the joint announcement issued by the Offeror and the Company on 16 September 2024 in relation to, among other things, the Offer
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)” or “trading day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“Closing Date”	Thursday, 21 November 2024, being the closing date of the Offer, which is 21 days after the date of this Composite Document, or if the Offer is extended, any subsequent closing date of the Offer as may be determined by the Offeror and jointly announced by the Offeror and the Company in accordance with the Takeovers Code
“Company”	Sun Kong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8631)
“Completion”	the completion of the Acquisition pursuant to the Sale and Purchase Agreement

DEFINITIONS

“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to all Shareholders in connection with the Offer in accordance with the Takeovers Code containing, among other things, the terms of the Offer, the letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer and the Form of Acceptance
“Director(s)”	the director(s) of the Company from time to time
“Encumbrances”	any mortgage, charge, pledge, lien, assignment, option, restriction, retention of title, negative pledge, right of pre-emption, right of first refusal, third party right or interest, other encumbrance or security interest of any kind or other preferential arrangement having similar effect together with any obligation (including any conditional obligation) to create the same
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“Facility”	a loan facility in the sum of HK\$10,000,000 granted by Get Nice in favour of the Offeror for the purpose of financing the Offer pursuant to a loan agreement entered into between Get Nice as the lender and the Offeror as the borrower dated 4 September 2024 and supplemented by a supplemental agreement dated 11 September 2024 for the amendment and clarification of certain undertakings of the Offeror under the loan agreement
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM

DEFINITIONS

“Get Nice”	Get Nice Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being one of the Joint Financial Advisers and the lender of the Facility
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Observatory”	a government department of Hong Kong responsible for monitoring and forecasting weather, as well as issuing warnings on weather-related hazards
“Irrevocable Undertaking”	the irrevocable undertaking dated 13 September 2024 given by the Vendor and Mr. Law to the Offeror relating to, <i>inter alia</i> , the Vendor’s undertaking not to accept the Offer with respect to the Remaining Shares held by the Vendor
“Independent Board Committee”	the independent committee of the Board, comprising all three (3) independent non-executive Directors (namely Mr. Fenn David, Mr. Wong Ka Chun Matthew and Mr. Chan Ting Fung), which has been established to advise the Independent Shareholders in respect of the Offer
“Independent Financial Adviser”	Alpha Financial Group Limited, the independent financial adviser appointed by the Company, with the approval of the Independent Board Committee, for the purpose of advising the Independent Board Committee in respect of the Offer, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	the Shareholders other than the Offeror, Yufengchang International and parties acting in concert with any of them, including, among others, Mr. Wang

DEFINITIONS

“Joint Financial Adviser”	Shenwan Hongyuan and Get Nice, the joint financial advisers to the Offeror
“Last Trading Day”	4 September 2024, being the last trading day of the Shares on the Stock Exchange immediately prior to the date of the Announcement
“Latest Practicable Date”	28 October 2024, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Loan Agreements”	the loan agreements in relation to the director’s loans between Mr. Law as the lender and the Group as the borrower, further details of which are set out in the section headed “4. Material Changes” in Appendix II – Financial Information of the Group and the section headed “5. Material Contracts” in Appendix III – General Information of the Group to this Composite Document
“Mr. Law”	Mr. Law Ming Yik, the Chairman and executive Director of the Company
“Mr. Wang”	Mr. Wang Xinlong, the sole director of and the indirect sole beneficial owner of the Offeror through Yufengchang International
“Offer”	the mandatory unconditional cash offer to be made by Shenwan Hongyuan for and on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions to be set out in the Composite Document in accordance with the Takeovers Code
“Offeror”	Hong Kong Yufengchang Co., Limited, being a company incorporated in Hong Kong with limited liability and directly and wholly owned by Yufengchang International, which in turn is directly and wholly owned by Mr. Wang
“Offer Period”	has the meaning ascribed to it in the Takeovers Code, the period commencing on 16 September 2024, being the date of the Announcement, and ending on the Closing Date
“Offer Price”	the price at which the Offer will be made in cash, being HK\$0.625 per Offer Share

DEFINITIONS

“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned and/or agreed to be acquired by the Offeror and the parties acting in concert with it, that are subject to the Offer
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“Personal Guarantee”	the deed of guarantee provided by Mr. Wang to Get Nice in respect of the performance of the Offeror’s obligations in connection with the Facility
“Profit Estimate”	the Profit Warning Statements (as defined in the Profit Warning Announcement) and the estimate of unaudited consolidated loss and total comprehensive loss attributable to owners of the Company of the Group for the four months ended 31 July 2024 as further set out in section headed “4. Material Contracts” of Appendix II – Financial Information of the Group in this Composite Document
“Profit Warning Announcement”	the profit warning announcement of the Company dated 28 October 2024, which states that, among other things, based on a preliminary review of the unaudited consolidated management accounts of the Group for the four months ended 31 July 2024, the Group is expected to record (a) a decrease in revenue of approximately 83.3% as compared to that of the Group for the four months ended 31 July 2023, (b) a decrease in gross profit margin from approximately 7.7% for the four months ended 31 July 2023 to approximately 3.7% for the four months ended 31 July 2024 and (c) a loss and total comprehensive loss attributable to owners of the Company of approximately HK\$2.3 million for the four months ended 31 July 2024, in comparison to a profit and total comprehensive income attributable to owners of the Company of approximately HK\$0.8 million for the four months ended 31 July 2023
“Remaining Shares”	the 1,996,000 Shares held by the Vendor immediately upon Completion, representing approximately 4.99% of the issued share capital of the Company as at the Latest Practicable Date

DEFINITIONS

“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Period”	the period commencing on 16 March 2024, being the date falling six months prior to 16 September 2024 (being the date of the Announcement and the commencement of the Offer Period), up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement dated 4 September 2024 and entered into between the Vendor, as vendor, Mr. Law, as warrantor, and the Offeror, as purchaser, in relation to the Acquisition, as supplemented by a supplemental agreement on 13 September 2024 to confirm that completion of the Acquisition shall take place on 13 September 2024
“Sale Share(s)”	23,115,000 Shares sold by the Vendor under the Sale and Purchase Agreement, representing approximately 57.79% of the total issued share capital of the Company as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Share Charge”	the share charge granted by the Offeror in favour of Get Nice in respect of the charge over the Sale Shares and the intended charge of any Offer Shares which are acquired by the Offeror under the Offer as security for the Facility
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenwan Hongyuan”	Shenwan Hongyuan Capital (H.K.) Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the Joint Financial Advisers to the Offeror and the agent making the Offer for and on behalf of the Offeror

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subordination Agreement”	the subordination agreement executed by the Offeror, Mr. Wang and Yufengchang International which primarily provides that the Offeror is obliged to first repay all outstanding amount due to Get Nice as lender under the Facility before any repayment of loans due from the Offeror to its shareholder from time to time (if any)
“Supplemental Agreements”	the supplemental agreements to the Loan Agreements in relation to the waiver of interests under the Loan Agreements, further details of which are set out in the section headed “4. Material Changes” in Appendix II – Financial Information of the Group and the section headed “5. Material Contracts” in Appendix III – General Information of the Group to this Composite Document
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vendor”	Fully Fort Group Limited, being a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Law Ming Yik
“Wing Ko”	Wing Ko Petroleum Chemistry (China-Hong Kong) Limited (永高石油化工(中港)有限公司)(formerly known as Wing Ko Petroleum Chemistry (China-Hong Kong) Limited)(永高石油化工(中港)有限公司)), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Yufengchang International”	Yufengchang International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liabilities and wholly owns the Offeror
“%”	per cent.

* *For identification purposes only*

LETTER FROM SHENWAN HONGYUAN



To the Independent Shareholders,

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED FOR AND ON BEHALF OF HONG KONG YUFENGCHANG CO., LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN SUN KONG HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY HONG KONG YUFENGCHANG CO., LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

References are made to the Announcement in relation to, among other things, the Acquisition and the Offer.

As mentioned in the Announcement, on 4 September 2024 (after trading hours), the Offeror, the Vendor and Mr. Law entered into the Sale and Purchase Agreement, pursuant to which the Vendor had agreed to sell, and the Offeror had agreed to purchase, a total of 23,115,000 Sale Shares, free from Encumbrances, at an aggregate consideration of HK\$14,446,875, which is equivalent to HK\$0.625 per Sale Share. The Sale Shares represent approximately 57.79% of the total issued share capital of the Company as at the Latest Practicable Date.

Completion took place on 13 September 2024. Immediately prior to Completion, none of the Offeror or parties acting in concert with it were interested in any Shares or controlled any voting rights over Shares. Immediately following Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it held a total of 23,115,000 Shares, representing approximately 57.79% of the total issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). Shenwan Hongyuan is making the Offer on behalf of the Offeror.

This letter forms part of this Composite Document and sets out, among other things, details of the Offer, information on Offeror, and its intentions in relation to the Company. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM SHENWAN HONGYUAN

The Independent Shareholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser”, the appendices to this Composite Document and the accompanying Form of Acceptance, and to consult their own professional advisers before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Shenwan Hongyuan, for and on behalf of the Offeror and pursuant to the Takeovers Code, is making the Offer on the following basis:

For each Offer Share HK\$0.625 in cash

The Offer Price of HK\$0.625 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Company has 40,000,000 Shares in issue and the Company does not have any outstanding options, warrants, derivatives or other securities which are convertible or exchangeable into Shares.

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from any Encumbrances together with all rights and benefits accruing and attaching to them as at the date on which the Offer is made, being the date of the despatch of this Composite Document or subsequently becoming attached to them, including all rights to any dividend or other distribution and any return of capital, if any, declared, made or paid or agreed to be made or paid on or after the date on which the Offer is made, being the date of the despatch of this Composite Document. As at the Latest Practicable Date, (i) the Company has not declared any dividend or any other distributions which is outstanding and not yet paid; and (ii) the Company has confirmed that it does not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Offer.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimal number of Shares or any other conditions.

Further details of the terms of the Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM SHENWAN HONGYUAN

Comparison of Value

The Offer Price of HK\$0.625 per Offer Share represents:

- (i) a discount of approximately 23.78% to the closing price of HK\$0.820 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 21.88% to the closing price of HK\$0.800 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 21.48% to the average closing price of approximately HK\$0.796 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 5.45% to the average closing price of approximately HK\$0.661 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 8.70% over the average closing price of approximately HK\$0.575 per Share based on the daily closing prices as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 20.19% over the average closing price of approximately HK\$0.520 per Share based on the daily closing prices as quoted on the Stock Exchange for the sixty (60) consecutive trading days immediately prior to and including the Last Trading Day; and
- (vii) a discount of approximately 14.66% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$0.732 as at 31 March 2024, which was calculated based on the Group's latest published audited consolidated net assets attributable to owners of the Company of approximately HK\$29,296,000 as at 31 March 2024 and a total of 40,000,000 Shares in issue as at the Latest Practicable Date.

Highest and lowest Share prices of the Shares

The highest and lowest closing price of the Shares as quoted on the Stock Exchange during the period commencing 6 months before the offer period and ending on the Latest Practicable Date were HK\$0.3 per Share on 20 June 2024 and HK\$0.87 per Share on 9 October 2024, 15 October 2024 and 16 October 2024, respectively.

LETTER FROM SHENWAN HONGYUAN

Irrevocable undertakings not to accept the Offer

Immediately after Completion, the Vendor continues to be the beneficial owner of the 1,996,000 Remaining Shares, representing approximately 4.99% of the total number of Shares in issue. The Vendor and its sole shareholder, Mr. Law, wish for the Vendor to remain as a non-substantial shareholder of the Company in the foreseeable future in view of their confidence in the future development of the Company, and therefore the Vendor did not offer to sell the Remaining Shares in the Company. Taking into account the Vendor and Mr. Law's intention, the Offeror did not request to purchase the Remaining Shares as the minority stake in the Company will also incentivize the Vendor and Mr. Law to facilitate a smooth transition of the business operation of the Company after completion of the Acquisition and the Offer.

In this respect, the Vendor and Mr. Law have given the Irrevocable Undertaking in favour of the Offeror, pursuant to which, the Vendor has undertaken that it shall, and Mr. Law has undertaken to procure the Vendor that the Vendor shall during the Offer Period (a) not accept the Offer in respect of the Remaining Shares, and (b) not offer, sell, give, transfer, pledge, charge, dispose of, or create or agree to create any encumbrance of or otherwise create any interests on the Remaining Shares. The Irrevocable Undertaking will terminate immediately and cease to be binding upon the closure of the Offer.

Value of the Offer

As at the Latest Practicable Date, the Company has 40,000,000 Shares in issue and the Company does not have any outstanding options, warrants, securities or derivatives (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares. On the basis of the Offer Price of HK\$0.625 per Offer Share, the entire issued share capital of the Company would be valued at approximately HK\$25,000,000.

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the close of the Offer, and excluding (i) the 1,996,000 Remaining Shares subject to the Irrevocable Undertaking and (ii) the 23,115,000 Shares held by the Offeror and parties acting in concert with it immediately upon Completion and as at the Latest Practicable Date, 14,889,000 Shares will be subject to the Offer. If the Offer is accepted in full, the maximum consideration payable by the Offeror for the Offer is valued at HK\$9,305,625.

Confirmation of financial resources

The Offeror intends to finance the consideration payable under the Offer in full by the Facility.

The Facility is secured by (i) a Share Charge; (ii) a Personal Guarantee; and (iii) a Subordination Agreement.

LETTER FROM SHENWAN HONGYUAN

The Offeror does not intend that the payment of interest on, repayment of or provision of security for any liability (contingent or otherwise) under the Facility will depend to any significant extent on the business of the Company.

Shenwan Hongyuan and Get Nice, being the Joint Financial Advisers to the Offeror in respect of the Offer, are satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum payment obligations upon full acceptance of the Offer.

PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms and conditions of the Offer.

The duly completed and signed Form of Acceptance, should be sent by post or by hand, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, marked “Sun Kong Holdings Limited – Offer”, on the envelope, as soon as possible and in any event so as to reach the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.

No acknowledgment of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is drawn to “Further terms and procedures for acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Effect of accepting the Offer

As at the Latest Practicable Date, the Company has not declared any dividend or any other distribution which is not yet paid.

By accepting the Offer, the Independent Shareholders shall sell their Shares free from all Encumbrances and with all rights and benefits accruing and attaching thereto as at the date on which the Offer is made, being the date of the despatch of this Composite Document, or subsequently becoming attached thereto, including but not limited to all rights to any dividend and other distributions, and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

LETTER FROM SHENWAN HONGYUAN

The Offer is unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions, and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, details of which are set out in the section headed “6. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.

PAYMENT

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event no later than seven (7) Business Days following the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Registrar or for the Offeror to render each such acceptance complete and valid in accordance with the Takeovers Code. No fractions of a Hong Kong cent will be payable and the amount of the consideration payable to any Independent Shareholder who accepts the Offer will be rounded up to the nearest Hong Kong cent.

Nominee registration

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Shares whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

Overseas Shareholders

As the Offer to persons not being resident in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in respect of such jurisdictions).

LETTER FROM SHENWAN HONGYUAN

Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt. The Overseas Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

As at the Latest Practicable Date, based on the register of members of the Company, other than the Vendor, there are no Overseas Shareholders.

Hong Kong stamp duty

In Hong Kong, seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on the acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, Yufengchang International, the Company, the Vendor, the Joint Financial Advisers, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accept any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the Hong Kong with limited liability and is directly and wholly owned by Yufengchang International. Yufengchang International, which is an investment holding company incorporated in the Cayman Islands and is in turn directly and wholly owned by Mr. Wang. As at the Latest Practicable Date, Mr. Wang is the sole director of the Offeror and Yufengchang International.

LETTER FROM SHENWAN HONGYUAN

Mr. Wang, aged 34, has over 7 years of experience in fund and securities management. He is the executive director and supervisor of Xi'an Cai Bang Fund Management Company Limited* (西安財幫基金管理有限公司), a fund management company which the Offeror has minority interests in, and the general manager and executive director of Xi'an Lexiang Xingtu Film and Television Culture Company Limited* (西安樂享星途影視文化有限公司), a company which is principally engaged in video and short video production and operation services. Mr. Wang is a member of the 14th Fuping County Committee of the Chinese People's Political Consultative Conference and a special supervisor of the County Civil Affairs Bureau in September 2022. He was appointed as the vice chairman of the Fuping County New Social Stratification Association* (富平縣新的社會階層人士聯誼會) in December 2023.

Mr. Wang obtained a bachelor's degree in finance from The National Open University* (國家開放大學) in July 2019 and a college diploma in accounting and auditing from Shaanxi Police College* (陝西警察學院) in July 2011. Mr. Wang was certified as a financial market analyst in September 2023 by the Institute of Vocational Education Training Centre of the China Academy of Management Science* (中國管理科學研究院職業教育培訓中心).

INFORMATION ON THE GROUP

Your attention is drawn to the sections headed "Information on the Group" in the "Letter from the Board" as set out on pages 21 to 29 of this Composite Document.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Mr. Wang has ample experience in management in various businesses. Not only is he currently involved in the management of companies as referred to in the section headed "Information on the Offeror" above, he has also previously acted as the chairman of the board of directors and general manager of Yijiayi Supply Chain (Shaanxi) Company Limited* (壹佳壹供應鏈(陝西)股份有限公司) between April 2021 and August 2023, a company that is principally engaged in materials logistics and storage services and in which Mr. Wang remains as the controlling shareholder as at the Latest Practicable Date. Leveraging Mr. Wang's experience in business and securities management as well as management of logistics-focused company, Mr. Wang and the Offeror are optimistic in the future development of the diesel oil sales and logistics business of the Group and believe that it is in their commercial interests to invest in the Company.

The Offeror considers and confirms that (i) it is intended that the Group will continue with the existing business of the Group; and (ii) it does not have the intention to (a) introduce any major changes to the existing business of the Group or (b) discontinue the employment of any of the Group's employees or (c) redeploy the fixed assets of the Group other than in its ordinary course of business. Furthermore, the Offeror has no plans to downsize the Company's existing business. Nonetheless, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group, including reassessing, adjusting and/or expanding the scale of the Company's existing business and considering whether to explore further opportunities as part of and/or in synergy with the existing business of the Group in due course.

LETTER FROM SHENWAN HONGYUAN

As at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection or divesture of any assets/business into or from the Group, respectively.

As at the Latest Practicable Date, the Board comprises Mr. Law Ming Yik and Mr. Li Isaiah as executive Directors and Mr. Fenn David, Mr. Wong Ka Chun Matthew and Mr. Chan Ting Fung as independent non-executive Directors.

The Offeror intends to change the composition of the board of directors of the Company and nominate new directors to the board of directors of the Company no earlier than the earliest time permitted under the Takeovers Code, the GEM Listing Rules or other applicable rules or regulations. In addition to the intention of appointing Mr. Wang, who has previous experience in managing logistics business as a director after the close of the Offer, the Offeror also intends to appoint, among others, director which has experience in managing diesel oil related business after the close of the Offer as well as director of opposite gender in compliance with Rule 17.104 of the GEM Listing Rules. Nonetheless, taking into account Mr. Law's extensive experience in the principal business of the Group and the financial and managerial support provided by Mr. Law to the business and financial position of the Group, and with a view to ensure smooth transition and operation of the Group in the foreseeable future, the Offeror intends to retain Mr. Law as an executive Director and a key personnel for the operation of the existing business of the Group after the close of the Offer, and has no intention to reconsider his position as an executive Director prior to the next annual general meeting of the Company. Any changes to the board of directors of the Company will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement will be made as and when appropriate.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

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

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

it will consider exercising its discretion to suspend dealing in the Shares.

The Offeror intends the Company to remain listed on GEM after the close of the Offer. The sole director of the Offeror, the Directors and the new directors to be appointed to the Board of the Company, if any, will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. In this connection, in the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float

LETTER FROM SHENWAN HONGYUAN

requirement under the GEM Listing Rules can be met. No such arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Shares after the close of the Offer.

GENERAL

All documents and remittances in respect of cash consideration payable for the Offer Shares tendered under the Offer will be sent to the accepting Shareholders by ordinary post at such Shareholder's own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company, or in the case of joint Shareholders, to the Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror, Yufengchang International, parties acting in concert with any of them, the Company, the Joint Financial Advisers, the Independent Financial Adviser, the Registrar, the company secretary of the Company and any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer will be responsible for any loss in postage or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" contained in this Composite Document.

Yours faithfully,
For and on behalf of
Shenwan Hongyuan Capital (H.K.) Limited
Donald Leung
Executive Director

LETTER FROM THE BOARD

SUN KONG HOLDINGS LIMITED
申港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8631)

Executive Directors:

Mr. Law Ming Yik (*Chairman*)
Mr. Li Isaiah (*Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Fenn David
Mr. Wong Ka Chun Matthew
Mr. Chan Ting Fung

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

Section C of Lot No. 1345 in
D.D. 121 Yuen Long,
New Territories,
Hong Kong

31 October 2024

To the Independent Shareholders:

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED
FOR AND ON BEHALF OF HONG KONG YUFENGCHANG CO., LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN SUN KONG HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY AND/OR AGREED TO BE
ACQUIRED BY HONG KONG YUFENGCHANG CO., LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Announcement in relation to the Offer.

The Company was informed by the Vendor that on 4 September 2024 (after trading hours), the Offeror, the Vendor and Mr. Law entered into the Sale and Purchase Agreement, pursuant to which the Offeror acquired an aggregate of 23,115,000 Sale Shares, free from Encumbrances, at an aggregate consideration of HK\$14,446,875, which is equivalent to HK\$0.625 per Sale Share. The Sale Shares represent approximately 57.79% of the total issued share capital of the Company as at the Latest Practicable Date. The Completion took place on 13 September 2024. Details of the Acquisition are set out in the Announcement.

LETTER FROM THE BOARD

Immediately prior to Completion, the Offeror and parties acting in concert with it did not hold any Shares or control any voting rights over Shares. Upon Completion which took place on 13 September 2024 and as at the Latest Practicable Date, the Offeror was interested in 23,115,000 Shares, representing approximately 57.79% of the issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it).

Immediately after Completion, the Vendor held 1,996,000 Shares, representing approximately 4.99% of the issued share capital of the Company as at the Latest Practicable Date.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) the details of the Offer (including the expected timetable and terms of the Offer); (ii) a letter of recommendation from the Independent Board Committee in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, together with the Form of Acceptance.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation as to whether the offer is fair and reasonable and as to acceptance of the offer.

The Independent Board Committee, comprising Mr. Fenn David, Mr. Wong Ka Chun Matthew and Mr. Chan Ting Fung, being all the independent non-executive Directors, in compliance with Rule 2.8 of the Takeovers Code, has been established for the purpose of making recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

With the approval of the Independent Board Committee, Alpha Financial Group Limited has been appointed by the Company to act as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the Offer, and in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee and the Independent Shareholders are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.**

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE OFFER

As disclosed in the “Letter from Shenwan Hongyuan”, Shenwan Hongyuan is making the Offer for and on behalf of the Offeror in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.625 in cash

As at the Latest Practicable Date, there were 40,000,000 Shares in issue and the Company did not have any outstanding options, warrants or derivatives or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Save for the irrevocable undertaking as set out in the paragraph headed “Irrevocable Undertaking not to accept the Offer” below, as at the Latest Practicable Date, none of the Offeror or parties acting in concert with it had received any irrevocable commitment to accept or not to accept the Offer. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights and benefits accruing and attaching thereto as at the date on which the Offer is made, being the date of the despatch of this Composite Document or subsequently becoming attached thereto, including all rights to any dividend or other distribution and any return of capital, if any, declared, made or paid or agreed to be made or paid on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

As at the Latest Practicable Date, the Company had not declared any dividend and did not have any intention to make, declare or pay any dividend or other distribution before the close of the offer period (as defined in the Takeovers Code) of the Offer.

The Offer is unconditional in all respects.

Further details of the Offer are set out in the “Letter from Shenwan Hongyuan” and the additional information contained in appendices to the Composite Document and the accompanying Form of Acceptance.

Irrevocable Undertaking not to accept the Offer

As at the Latest Practicable Date, the Vendor held 1,996,000 Remaining Shares, representing approximately 4.99% of the issued share capital of the Company. In accordance with terms of the Sale and Purchase Agreement, the Vendor and Mr. Law have given the Irrevocable Undertaking in favour of the Offeror, pursuant to which, the Vendor has undertaken that it shall, and Mr. Law has undertaken to procure the Vendor that the Vendor shall during the Offer Period (a) not accept the Offer in respect of the Remaining Shares, and (b) not offer, sell, give, transfer, pledge, charge, dispose of, or create or agree to create any encumbrance of or otherwise create any interests on the Remaining Shares. The Irrevocable Undertaking will terminate immediately and cease to be binding upon the closure of the Offer.

LETTER FROM THE BOARD

Save as disclosed above, there are no restrictions on the disposition of the Remaining Shares held by the Vendor under the terms of the Sale and Purchase Agreement after the close of the offer period (as defined in the Takeovers Code) nor other arrangement between the Offeror and the Vendor regarding the Remaining Shares.

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8631). The Company is an investment holding company. The Group is principally engaged in the sale of diesel oil and related products in Hong Kong. The services of the Group include sourcing and transportation of diesel oil and related products in Hong Kong.

Financial and general information in relation to the Group are set out in Appendix II “Financial Information of the Group” and Appendix III “General Information of the Group” to the Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		Immediately after Completion and as at the Latest Practicable Date	
	<i>Numbers of Shares</i>	<i>Approximate % (Note 1)</i>	<i>Numbers of Shares</i>	<i>Approximate % (Note 1)</i>
Shareholders				
Offeror ^(Note 2)	–	–	23,115,000	57.79
Offeror and parties acting in concert with it	–	–	23,115,000	57.79
Vendor ^(Note 3)	<u>25,111,000</u>	<u>62.78</u>	<u>1,996,000</u>	<u>4.99</u>
Sub-total	25,111,000	62.78	25,111,000	62.78
Public Shareholders	<u>14,889,000</u>	<u>37.22</u>	<u>14,889,000</u>	<u>37.22</u>
Total	<u>40,000,000</u>	<u>100.00</u>	<u>40,000,000</u>	<u>100.00</u>

Notes:

- The percentage figures are calculated on the basis of 40,000,000 issued Shares, which represents the entire issued share capital of the Company, as at the Latest Practicable Date.

LETTER FROM THE BOARD

2. The Offeror is directly and wholly owned by Yufengchang International, which in turn is directly, wholly and beneficially owned by Mr. Wang.
3. The Vendor is directly, wholly and beneficially owned by Mr. Law.

Save for the 1,996,000 Shares which is indirectly owned by Mr. Law through the Vendor, none of the Directors hold any Shares as at the Latest Practicable Date.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Shenwan Hongyuan” and Appendix IV “General Information of the Offeror” to the Composite Document.

FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP

The Board has noted the rationale of the Offeror and Mr. Wang’s investment in the Company as set out in the section headed “Intentions of the Offeror in relation to the Group”, and in particular noted that the Offeror considers and confirms that (i) it is intended that the Group will continue with the existing business of the Group; and (ii) it does not have the intention to (a) introduce any major changes to the existing business of the Group or (b) discontinue the employment of any of the Group’s employees or (c) redeploy the fixed assets of the Group other than in its ordinary course of business. Furthermore, the Offeror has no plans to downsize the Company’s existing business. Nonetheless, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group’s business and operations to optimise the value of the Group, including reassessing, adjusting and/or expanding the scale of the Company’s existing business and considering whether to explore further opportunities as part of and/or in synergy with the existing business of the Group in due course.

As at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group.

The Board is pleased to note the Offeror intends to continue the existing principal business of the Group and the employment of the employees. The Board is willing to render reasonable cooperation to the Offeror to support its intentions regarding the Group if it considers that it is in the interests of the Company and Shareholders as a whole.

PROFIT ESTIMATE

Reference is made to the Profit Estimate, namely, (i) the Profit Warning Statements (as defined in the Profit Warning Announcement) and (ii) section 4 of Appendix II in this Composite Document which states that:

LETTER FROM THE BOARD

- (i) total revenue of the Group for the four months ended 31 July 2024 decreased from approximately HK\$42.8 million, by approximately HK\$35.6 million, or approximately 83.3%, to approximately HK\$7.1 million, as compared to that of the Group for the four months ended 31 July 2023, primarily due to the decrease in demand from major logistics customers of the Company;
- (ii) the gross profit margin of the Group decreased from approximately 7.7% for the four months ended 31 July 2023 to approximately 3.7% for the four months ended 31 July 2024, which was due to the decrease in revenue whereas the fixed costs including direct labour, repair and maintenance cost of and depreciation of diesel tanks remained generally the same;
- (iii) the Group recorded a loss and total comprehensive loss attributable to owners of the Company of approximately HK\$2.3 million for the four months ended 31 July 2024, in comparison to a profit and total comprehensive income attributable to owners of the Company of HK\$0.8 million for the four months ended 31 July 2023, which was mainly attributable to (a) the decrease in demand from major logistics customers of the Company as detailed above; and (b) the increase in administrative and operating expenses mainly resulting from the amortization cost of ERP system;
- (iv) the five largest customers of the Group for the four months ended 31 July 2024 were different from those of the Group for the four months ended 31 July 2023, which was primarily due to the decrease in demand from major logistics customers of the Company. Despite the changes in amount supplied to us thus affecting the ranking order, the five largest suppliers of the Company remained generally the same for the four months ended 31 July 2023 and 2024;
- (v) pursuant to the Loan Agreements, the Group had director's loans amounting to approximately HK\$12.0 million as at the Latest Practicable Date with details as follows: (a) a director's loan granted by Mr. Law (who is an executive director of the Company and director of Wing Ko as the lender and the Company as the borrower in the amount of HK\$3,000,000 on 24 June 2024 and repayable on 23 June 2025 with an interest rate of 6% per annum; (b) a director's loan granted by Mr. Law as the lender and Wing Ko as the borrower in the amount of HK\$515,000 on 4 July 2024 and repayable on 3 July 2025 with an interest rate of 6% per annum; (c) a director's loan granted by Mr. Law as the lender and Wing Ko as the borrower in the amount of HK\$6,900,000 on 17 September 2024 and repayable on 16 September 2025 with an interest rate of 6% per annum; and (d) a director's loan granted by Mr. Law as the lender and Wing Ko as the borrower in the amount of HK\$1,600,000 on 25 September 2024 and repayable on 24 September 2025 with an interest rate of 6% per annum, which are unsecured; and

LETTER FROM THE BOARD

- (vi) on 22 October 2024, Mr. Law had entered into the Supplemental Agreements with each of the Company and Wing Ko, respectively, under which (a) all interest accrued up to the date of the respective supplemental agreement under the director's loans pursuant to the Loan Agreements shall be waived; and (b) the director's loans pursuant to the Loan Agreements shall not carry any interest from the date of the respective supplemental agreement, pursuant to the Supplemental Agreements.

Such loans granted by Mr. Law under the Loan Agreements (as amended by the Supplemental Agreements) to the Group were intended to support the working capital sufficiency of the Group, which included the repayment of an overdraft facility granted by a licensed bank of HK\$5 million subject to a change of control clause, so as to facilitate the completion of the Sale and Purchase Agreement.

The Profit Estimate of the Group for the four months ended 31 July 2024 prepared by the Company's Directors is based on the unaudited consolidated management financial statements of the Group for the four months ended 31 July 2024 with the comparative figures for the corresponding period in 2023. The Profit Estimate has been prepared, in all material aspects, in accordance with the accounting policies consistent with those normally adopted by the Group set out in the annual report of the Group for the year ended 31 March 2024.

With the commencement of the Offer Period, pursuant to Rule 10 of the Takeovers Code, the Profit Estimate (including the Profit Warning Statements as defined in the Profit Warning Announcement) constitutes a profit forecast and must be reported on by the Company's financial adviser and auditors in accordance with Rule 10.4 of the Takeovers Code.

In this regard, the Profit Estimate has been reported on by Forvis Mazars CPA Limited, Certified Public Accountant and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance, and Alpha Financial Group Limited, the Independent Financial Adviser. Forvis Mazars CPA Limited is of the opinion that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly complied in accordance with a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Group for the year ended 31 March 2024. The Independent Financial Adviser is satisfied that the Profit Estimate has been made by the Directors with due care and consideration. Your attention is drawn to the reports issued by Forvis Mazars CPA Limited and the Independent Financial Adviser on the statement of the Profit Estimate set out in Appendix VI and V to this Composite Document, respectively.

LETTER FROM THE BOARD

COMPOSITION OF THE BOARD

As at the Latest Practicable Date, the Board comprises Mr. Law and Mr. Li Isaiah as executive Directors and Mr. Fenn David, Mr. Wong Ka Chun Matthew and Mr. Chan Ting Fung as independent non-executive Directors.

The Offeror intends to change the composition of the board of directors of the Company and nominate new directors to the board of directors of the Company no earlier than the earliest time permitted under the Takeovers Code. Any changes to the board of directors of the Company will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement will be made as and when appropriate.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

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

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealing in the Shares.

The Offeror intends the Company to remain listed on the GEM after the close of the Offer. The director of the Offeror and the new directors to be appointed to the Board of the Company, if any, will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. In this connection, in the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the GEM Listing Rules can be met. No such arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I “Further Terms and Procedures for Acceptance of the Offer” to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and in case of any double consult your professional advisers.

By order of the Board of
Sun Kong Holdings Limited
Law Ming Yik
Chairman and executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

SUN KONG HOLDINGS LIMITED
申港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8631)

31 October 2024

To the Independent Shareholders:

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED
FOR AND ON BEHALF OF HONG KONG YUFENGCHANG CO., LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN SUN KONG HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY AND/OR AGREED TO BE
ACQUIRED BY HONG KONG YUFENGCHANG CO., LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the Composite Document date 31 October 2024 issued jointly by the Offeror and the Company, of which this letter forms part. Unless the context requires otherwise, capitalised terms use in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the Offer is fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof.

Alpha Financial Group Limited has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the fairness and reasonableness of the Offer and as to the acceptance of the Offer. Your attention is drawn to the “Letter from the Independent Financial Adviser” set out on pages 32 to 56 of the Composite Document which contains the details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation in respect of the Offer.

We also wish to draw your attention to the “Letter from Shenwan Hongyuan” set out on pages 11 to 20 of the Composite Document which contains, *inter alia*, information about the Offer, the “Letter from the Board” set out on pages 21 to 29 of the Composite Document and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and acceptance and settlement procedures of the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

You are advised to read all the letters set out in the Composite Document and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

RECOMMENDATION

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the offer period (as defined in the Takeovers Code) of the Offer and consider selling their Shares in the open market during the offer period (as defined in the Takeovers Code) of the Offer, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or the current trading price level of the Shares will be sustainable during or after the offer period (as defined in the Takeovers Code) of the Offer.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the terms and procedures for acceptance of the Offer as detailed in the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,

The Independent Board Committee
Sun Kong Holdings Limited

Mr. Fenn David
*Independent non-executive
Director*

Mr. Wong Ka Chun Matthew
*Independent non-executive
Director*

Mr. Chan Ting Fung
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Alpha Financial Group Limited, the Independent Financial Adviser, setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.



Alpha Financial Group Limited

Room A, 17/F

Fortune House

61 Connaught Road Central

Central, Hong Kong

31 October 2024

*To: The Independent Board Committee and the Independent Shareholders of
Sun Kong Holdings Limited*

Dear Sirs/Madams,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED
FOR AND ON BEHALF OF
HONG KONG YUFENGCHANG CO., LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
SUN KONG HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY HONG KONG YUFENGCHANG CO., LIMITED AND PARTIES
ACTING IN CONCERT WITH IT);**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the Composite Document dated 31 October 2024 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company was informed by the Vendor that on 4 September 2024 (after trading hours), the Offeror, the Vendor and Mr. Law entered into the Sale and Purchase Agreement, pursuant to which the Vendor had agreed to sell, and the Offeror had agreed to purchase, a total of 23,115,000 Sale Shares, free from Encumbrances, at an aggregate consideration of HK\$14,446,875, which is equivalent to HK\$0.625 per Sale Share. The Sale Shares represent approximately 57.79% of the total issued share capital of the Company as at the Latest Practicable Date.

Completion took place on 13 September 2024. The consideration of HK\$14,446,875 for the Sale Shares has been fully settled in cash by the Offeror to the Vendor on Completion on 13 September 2024, which was satisfied by the Offeror's own financial resources.

As at the Latest Practicable Date, the Company has 40,000,000 Shares in issue. Immediately prior to Completion, none of the Offeror or parties acting in concert with it were interested in any Shares or controlled any voting rights over Shares. Immediately following Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it held a total of 23,115,000 Shares, representing approximately 57.79% of the total issued share capital of the Company.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Fenn David, Mr. Wong Ka Chun Matthew and Mr. Chan Ting Fung, being all the independent non-executive Directors, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Shareholders in respect of the Offer, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

With the approval of the Independent Board Committee, we, Alpha Financial Group Limited, have been appointed by the Company to act as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code, and in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are independent from and not connected with the Company, the Offeror, the Vendor, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date, save for this appointment as the Independent Financial Adviser in respect of the Offer, Alpha Financial Group Limited has no significant connection, financial, business or otherwise with and there were no other engagements between Alpha Financial Group Limited and the Company, the Offeror, the Vendor, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Offeror, the Vendor and the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained in or referred to in the Composite Document and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). Our review procedures include review of the annual reports of the Group for the years ended 31 March 2023 (the “**2023 Annual Report**”) and 31 March 2024 (the “**2024 Annual Report**”), the profit warning announcement of the Company dated 28 October 2024 (the “**Profit Warning Announcement**”), the unaudited consolidated management account of the Group for the four months ended 31 July 2024 which the Profit Estimate is based upon, the Composite Document, relevant announcements published by the Company, the industry trends of the Group’s principal business, the share price performance, the trading liquidity of the Company and comparable companies to the Company. We have assumed that all information and representations that have been provided by the Directors and the Management are true, complete and accurate in all material respects at the time when they were made and up to the date throughout the Offer Period and should there be any material changes thereto, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiries and careful considerations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Independent Shareholders will be notified of any material changes to such information provided in the Composite Document and our opinion as soon as possible. We have also assumed that all statements of opinion made by the Directors and the Management in the Composite Document were reasonably made after due enquiries and careful consideration. The Directors have confirmed that, to the best of their information and knowledge, that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the GEM Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company or the Offeror as set out in the Composite Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Offer.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the Offer, we have considered the principal factors and reasons as set out below:

1. Background of the Offer

The Company was informed by the Vendor that on 4 September 2024 (after trading hours), the Offeror, the Vendor and Mr. Law entered into the Sale and Purchase Agreement, pursuant to which the Vendor had agreed to sell, and the Offeror had agreed to purchase, a total of 23,115,000 Sale Shares, free from Encumbrances, at an aggregate consideration of HK\$14,446,875, which is equivalent to HK\$0.625 per Sale Share. The Sale Shares represent approximately 57.79% of the total issued share capital of the Company as at the Latest Practicable Date.

The Acquisition was completed on 13 September 2024. The consideration of HK\$14,446,875 for the Sale Shares has been fully settled in cash by the Offeror to the Vendor on Completion on 13 September 2024, which was satisfied by the Offeror's own financial resources.

As at the Latest Practicable Date, the Company has 40,000,000 Shares in issue. Immediately prior to Completion, none of the Offeror or parties acting in concert with it were interested in any Shares or controlled any voting rights over Shares. Immediately following Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it held a total of 23,115,000 Shares, representing approximately 57.79% of the total issued share capital of the Company.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

2. Background information of the Group

(a) *Principal business*

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8631). The Group is principally engaged in the sale of diesel oil and related products in Hong Kong and the services of the Group include sourcing and transportation of diesel oil and related products in Hong Kong. Most of the Group's customers are logistic companies and construction companies which require diesel oil to operate their logistic fleets.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Historical financial information

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 March 2023 and 2024 (“FY2023” and “FY2024”, respectively) as extracted from the 2023 Annual Report and the 2024 Annual Report:

Table 1: Historical financial information of the Group

	FY2023	FY2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	67,722	69,032
– Sale of diesel oil	65,990	67,619
– Sale of diesel exhaust fluid	1,639	1,131
– Ancillary transportation service	93	282
Gross profit	3,273	5,454
Loss before tax	(12,066)	(10,662)
Loss and total comprehensive loss for the year	(12,066)	(10,662)
Gross profit margin	4.8%	7.9%
	As at	As at
	31 March	31 March
	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Non-current assets	9,975	9,310
Current assets	48,257	40,925
Total assets	58,232	50,235
Non-current liabilities	–	–
Current liabilities	18,274	20,939
Total liabilities	18,274	20,939
Net current assets	29,983	19,986
Equity attributable to owners of the Company	39,958	29,296

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2023 vs FY2024

The Group has recorded a revenue of approximately HK\$69.0 million for FY2024, representing an increase of approximately HK\$1.3 million or 1.9%, as compared to the Group's revenue of approximately HK\$67.7 million for FY2023. The increase was mainly due to increase in the sale of diesel oil as a result of the recovery after COVID-19 outbreak.

Revenue from the sale of diesel oil and diesel exhaust fluid accounted for approximately HK\$67.6 million and HK\$1.1 million respectively, representing approximately 98.0% and 1.6% respectively, of the Group's total revenue for FY2024. For FY2023, the revenue from the sale of diesel oil and diesel exhaust fluid accounted for approximately HK\$66.0 million and HK\$1.6 million respectively, representing approximately 97.5% and 2.4% respectively, of the Group's total revenue. Sale of diesel oil remained the largest contributor to the Group's revenue.

The sales quantity of diesel oil increased by approximately 30.0% from 9.0 million litres for FY2023 to 11.7 million litres for FY2024, which showed more diesel oil was required from the Group's logistics customers during FY2024. The increase in sales quantity of diesel oil is mainly attributable to the increased demand from a logistics customer which contributed approximately HK\$22.1 million (or approximately 32.1%) of revenue during FY2024. The sales quantity of diesel exhaust fluid decreased by approximately 28.1% from 502.1 thousand litres for FY2023 to 360.8 thousand litres for FY2024. The average selling price of the Group's diesel oil decreased by approximately 21.0% from HK\$7.33 per litre for FY2023 to HK\$5.79 per litre for FY2024 whereas the average selling price of the Group's diesel exhaust fluid decreased by approximately 4.0% from HK\$3.26 per litre for FY2023 to HK\$3.13 per litre for FY2024.

As a result, the Group recorded an increase in gross profit by approximately HK\$2.2 million or approximately 66.7%, from approximately HK\$3.3 million for FY2023 to approximately HK\$5.5 million for FY2024. The Group's gross profit margin increased from approximately 4.8% for FY2023 to approximately 7.9% for FY2024 due to (i) more diesel oil were sold to higher margin customers of construction; and (ii) reduction in wages for the diesel tank wagons drivers.

The Group's administrative and other operating expenses were approximately HK\$9.0 million and HK\$7.6 million for FY2023 and FY2024, respectively. As a result of the foregoing, the Group's net loss decreased by approximately HK\$1.4 million, from approximately HK\$12.1 million for FY2023 to approximately HK\$10.7 million for FY2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group finances its operations through cash generated from operating activities and banking facilities. The Group recorded net current assets of approximately HK\$20.0 million as at 31 March 2024, which was decreased from approximately HK\$30.0 million as at 31 March 2023.

As at 31 March 2024, the Group's current assets amounted to approximately HK\$40.9 million, which decreased from approximately HK\$48.3 million as at 31 March 2023. The decrease in current assets was due to the decrease in the net carrying amount of trade receivables of approximately HK\$8.0 million for the year ended 31 March 2024, which was mainly attributable to the increase in loss allowance for the trade receivables for the same period concerned.

As at 31 March 2024, the Group's current liabilities amounted to approximately HK\$20.9 million, which was increased from approximately HK\$18.3 million as at 31 March 2023. The Group's current ratio was approximately 2.0 as at 31 March 2024, which was decreased from approximately 2.6 as at 31 March 2023.

Profit Warning

As disclosed in the Profit Warning Announcement, based on a preliminary review of the unaudited consolidated management accounts of the Group for the four months ended 31 July 2024, the Group is expected to record (a) a decrease in revenue of approximately 83.3% as compared to that of the Group for the four months ended 31 July 2023, (b) a decrease in profit margin from approximately 7.7% for the four months ended 31 July 2023 to approximately 3.7% for the four months ended 31 July 2024 and (c) a loss and total comprehensive loss attributable to owners of the Company for the four months ended 31 July 2024, in comparison to a profit and total comprehensive income attributable to owners of the Company for the four months ended 31 July 2023. For further details, please refer to the Profit Warning Announcement and the section headed "4. MATERIAL CHANGES" in Appendix II to the Composite Document.

3. Background and intention of the Offeror

Background of the Offeror

As stated in the section headed "INFORMATION ON THE OFFEROR" in the Letter from Shenwan Hongyuan, the Offeror is an investment holding company incorporated in Hong Kong with limited liability and is directly and wholly owned by Yufengchang International. Yufengchang International, which is an investment holding company incorporated in the Cayman Islands, is in turn directly and wholly owned by Mr. Wang. As at the Latest Practicable Date, Mr. Wang is the sole director of the Offeror and Yufengchang International.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Wang, aged 34, has over 7 years of experience in fund and securities management. He is the executive director and supervisor of Xi'an Cai Bang Fund Management Company Limited* (西安財幫基金管理有限公司), a fund management company which the Offeror has minority interests in, and the general manager and executive director of Xi'an Lexiang Xingtou Film and Television Culture Company Limited* (西安樂享星途影視文化有限公司), a company which is principally engaged in video and short video production and operation services. Mr. Wang is a member of the 14th Fuping County Committee of the Chinese People's Political Consultative Conference and a special supervisor of the County Civil Affairs Bureau in September 2022. He was appointed as the vice chairman of the Fuping County New Social Stratification Association* (富平縣新的社會階層人士聯誼會) in December 2023.

Mr. Wang obtained a bachelor's degree in finance from The National Open University* (國家開放大學) in July 2019 and a college diploma in accounting and auditing from Shaanxi Police College* (陝西警察學院) in July 2011. Mr. Wang was certified as a financial market analyst in September 2023 by the Institute of Vocational Education Training Centre of the China Academy of Management Science* (中國管理科學研究院職業教育培訓中心).

Intention of the Offeror

As detailed in the section headed "INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP" in the Letter from Shenwan Hongyuan, Mr. Wang has ample experience in management in various businesses. Not only is he currently involved in the management of companies as referred to above, he has also previously acted as the chairman of the board of directors and general manager of Yijiayi Supply Chain (Shaanxi) Company Limited* (壹佳壹供應鏈(陝西)股份有限公司) between April 2021 and August 2023, a company that is principally engaged in materials logistics and storage services and in which Mr. Wang remains as the controlling shareholder as at the Latest Practicable Date. Leveraging Mr. Wang's experience in business and securities management as well as management of logistics-focused company, we understand that Mr. Wang and the Offeror are optimistic in the future development of the diesel oil sales and logistics business of the Group and believe that it is in their commercial interests to invest in the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Also as stated in the section headed “INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP” in the Letter from Shenwan Hongyuan, the Offeror considers and confirms that (i) it is intended that the Group will continue with the existing business of the Group; and (ii) it does not have the intention to (a) introduce any major changes to the existing business of the Group or (b) discontinue the employment of any of the Group’s employees or (c) redeploy the fixed assets of the Group other than in its ordinary course of business. Furthermore, the Offeror has no plans to downsize or change the scale of the Company’s existing business. Nonetheless, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group’s business and operations to optimise the value of the Group, including reassessing, adjusting and/or expanding the scale of the Company’s existing business and considering whether to explore further opportunities as part of and/or in synergy with the existing business of the Group in due course.

According to the Letter from Shenwan Hongyuan, as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group.

Proposed change of the Board composition

As at the Latest Practicable Date, the Board comprises Mr. Law Ming Yik and Mr. Li Isaiah as executive Directors and Mr. Fenn David, Mr. Wong Ka Chun Matthew and Mr. Chan Ting Fung as independent non-executive Directors.

According to the Letter from Shenwan Hongyuan, the Offeror intends to change the composition of the board of directors of the Company and nominate new directors to the board of directors of the Company no earlier than the earliest time permitted under the Takeovers Code, the GEM Listing Rules or other applicable rules or regulations. In addition to the intention of appointing Mr. Wang, who has previous experience in managing logistics business as a director after the close of the Offer, the Offeror also intends to appoint, among others, director which has experience in managing diesel oil related business after the close of the Offer as well as director of opposite gender in compliance with Rule 17.104 of the GEM Listing Rules. Nonetheless, taking into account Mr. Law’s extensive experience in the principal business of the Group and the financial and managerial support provided by Mr. Law to the business and financial position of the Group, and with a view to ensure smooth transition and operation of the Group in the foreseeable future, the Offeror intends to retain Mr. Law as an executive Director and a key personnel for the operation of the existing business of the Group after the close of the Offer, and has no intention to reconsider his position as an executive Director prior to the next annual general meeting of the Company. Any changes to the board of directors of the Company will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement will be made as and when appropriate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nevertheless, we consider that the operations of the business of the Group may be affected during the transitional period despite the extensive experience and network of Mr. Wang as the new Board would need time to review and understand the original business before developing a sustainable business plan or strategy for the Group and the employees would also have to adapt to the leadership and management of the new Board (the “**Transitional Period**”). We are of the view that, the effect during the Transitional Period, which may or may not happen, is not expected to be material to the business of the Group as Mr. Law will remain as key personnel for the operation of the existing business of the Group after the close of the Offer. Despite that, Shareholders are still subject to the risk of Share price fluctuation given that the Share price is associated with the business performance and strategy of the Group, as well as the background and experience of the potential new Directors.

4. Future prospects and outlook of the Group

The Group is principally engaged in the sale of diesel oil and related products in Hong Kong and the services of the Group include sourcing and transportation of diesel oil and related products in Hong Kong.

As disclosed in the 2024 Annual Report, Hong Kong and People’s Republic of China economy development are critical to the Group’s business and operating environment. According to the Management, the Group will continue to closely monitor the diesel market demand, pay close attention to its cash flow management, integrate existing resources and actively adjust business plans to ensure stability of its operations amid such difficult times while being fully prepared for business recovery.

Citing from the Hong Kong Energy Statistics Annual Report 2023 published by the Census and Statistics Department of the Hong Kong Government in April 2024, the sales for local consumption of gas oil, diesel oil and naphtha in Hong Kong amounted to 2.5 million kilolitres in 2023, which was an increase from 2.0 million kilolitres in 2022. The same figure for the first quarter of 2024, which was published in the latest Hong Kong Energy Statistics Quarterly Report in June 2024, amounted to 623.3 thousand kilolitres, which was also an increase from 575.3 thousand kilolitres and 576.1 thousand kilolitres for the same periods concerned in 2022 and 2023, respectively. While we understand that the Group is principally engaged in the sale of diesel oil and related products in Hong Kong, the Census and Statistics Department does not collect bespoke data on local consumption of diesel oil. Rather, it collects information on the total combined consumption figure of gas oil, diesel oil and naphtha. Nevertheless, the above information is the most relevant information made available by the Census of Statistics Department, which we also believe is one of the most credible sources of data available in relation to the local consumption of diesel oil. Accordingly, we are of the view that the above information provides a general reference of the local consumption of relevant oil products in Hong Kong to the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Hong Kong's Recent Economic Situation and Near-term Outlook by the Office of the Government Economist to the Legislative Council Members of Hong Kong in May 2024 (“**Hong Kong Economic Outlook 2024**”), the Hong Kong economy recorded moderate growth in the first quarter of this year. Meanwhile, private consumption and overall investment expenditures expanded mildly. Hong Kong's Gross Domestic Product (“**GDP**”) grew by 2.7% year-on-year, compared with the 4.3% increase in the preceding quarter. According to the same report, on a seasonally adjusted quarter-to-quarter comparison, the GDP increased by 2.3%, after a 0.2% increase in the preceding quarter.

Also taking into account that (i) the Group has been making losses for FY2023 and FY2024 as discussed in the paragraphs headed “2. Background information of the Group” in this letter; (ii) the Group has suffered a decline in revenue and continued to incur a loss during the four months ended 31 July 2024 according to the Profit Warning Announcement and the Profit Estimate; and (iii) the mild private consumption expenditures in 2024 as cited from the Hong Kong Economic Outlook 2024, which also forecasted a longer period of tight financial conditions that may affect economic confidence and activities in Hong Kong alongside with uncertainties brought by geopolitical tensions, we consider that the Group's outlook and prospects remain uncertain.

5. Principal terms of the Offer

As stated in the Letter from Shenwan Hongyuan, Shenwan Hongyuan, for and on behalf of the Offeror and pursuant to the Takeovers Code, is making the Offer on the following basis:

For each Offer Share HK\$0.625 in cash

As disclosed in the Letter from Shenwan Hongyuan, the Offer Price of HK\$0.625 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Company has 40,000,000 Shares in issue and the Company does not have any outstanding options, warrants, securities or derivatives which are convertible or exchangeable into Shares. On the basis of the Offer Price of HK\$0.625 per Offer Share, the entire issued share capital of the Company would be valued at approximately HK\$25,000,000.

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the close of the Offer, and excluding (i) the 1,996,000 Remaining Shares subject to the Irrevocable Undertaking and (ii) the 23,115,000 Shares held by the Offeror and parties acting in concert with it immediately upon Completion and as at the Latest Practicable Date, 14,889,000 Shares will be subject to the Offer. If the Offer is accepted in full, the maximum consideration payable by the Offeror for the Offer is valued at approximately HK\$9,305,625.

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For further details of the terms of the Offer, please refer to the “Letter from Shenwan Hongyuan” contained in the Composite Document.

5.1 The Offer Price

The Offer Price of HK\$0.625 per Offer Share represents:

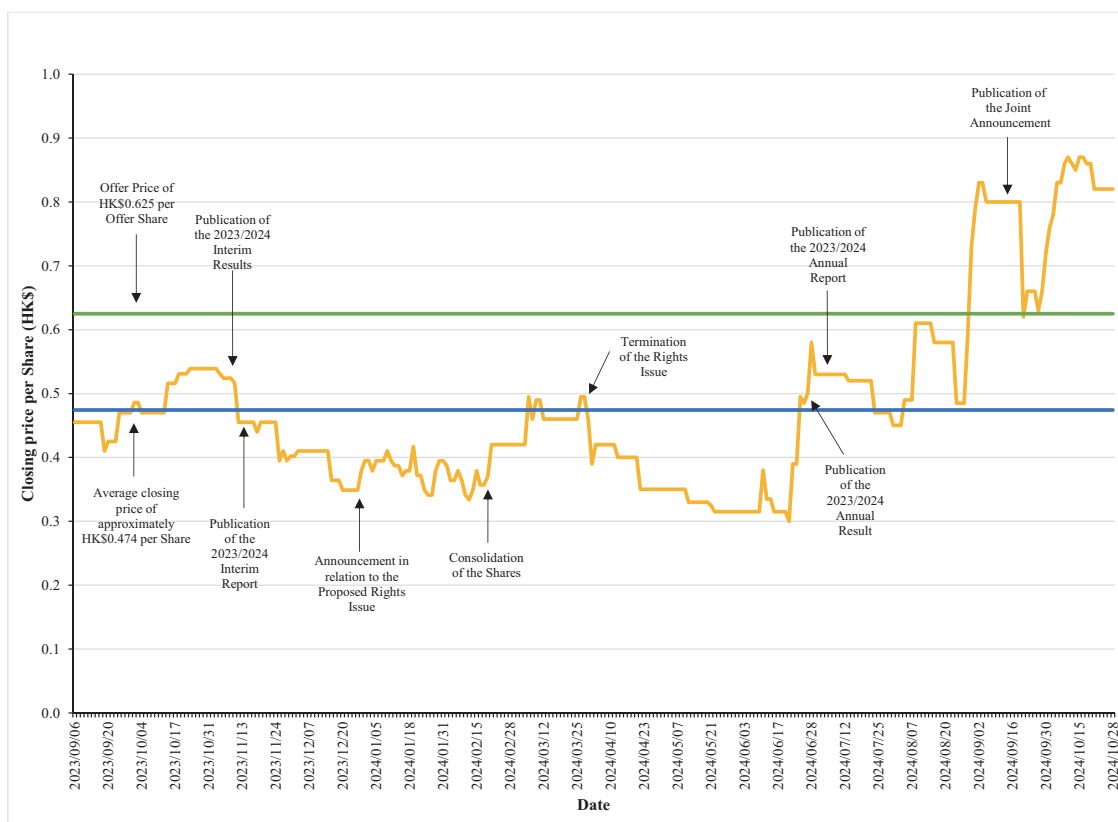
- (i) a discount of approximately 23.78% to the closing price of HK\$0.82 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 21.88% to the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 21.48% to the average closing price of approximately HK\$0.796 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 5.45% to the average closing price of approximately HK\$0.661 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 8.70% over the average closing price of approximately HK\$0.575 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 20.19% to the average closing price of approximately HK\$0.520 per Share as quoted on the Stock Exchange for the last sixty (60) consecutive trading days up to and including the Last Trading Day; and
- (vii) a discount of approximately 14.66% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$0.732 as at 31 March 2024, which was calculated based on the Group’s latest published audited consolidated net assets attributable to owners of the Company of approximately HK\$29,296,000 as at 31 March 2024 and a total 40,000,000 Shares in issue as at the Latest Practicable Date.

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5.2 Historical performance of the Shares

We have reviewed the movements in the closing price of the Shares for the Review Period. We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer Price and is also a common approach when assessing historical performance of Shares in a general offer. Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 6 September 2023, being the twelve-month period prior to the Last Trading Day and up to the Latest Practicable Date (the “Review Period”):

Daily closing price of the Shares on GEM



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

Note: Trading of the Shares has been suspended from 5 to 16 September 2024 pending the release of the Announcement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the above charts that, during the Review Period, the Shares closed on the Stock Exchange within the range of the lowest of HK\$0.3 per Share on 20 June 2024 to the highest of HK\$0.87 per Share on 9 October 2024, 15 October 2024 and 16 October 2024. The Offer Price is significantly higher than the average closing price of approximately HK\$0.474 per Share during the Review Period, which represents a premium of approximately 31.8% over the average closing price per Share during the Review Period. We noted that the closing price of the Shares was only above the Offer Price for 31 trading days (namely the period from 29 August 2024 to 4 September 2024, 17 September 2024, 19 September 2024 and the period from 23 September 2024 to the Latest Practicable Date) out of 273 trading days during the Review Period.

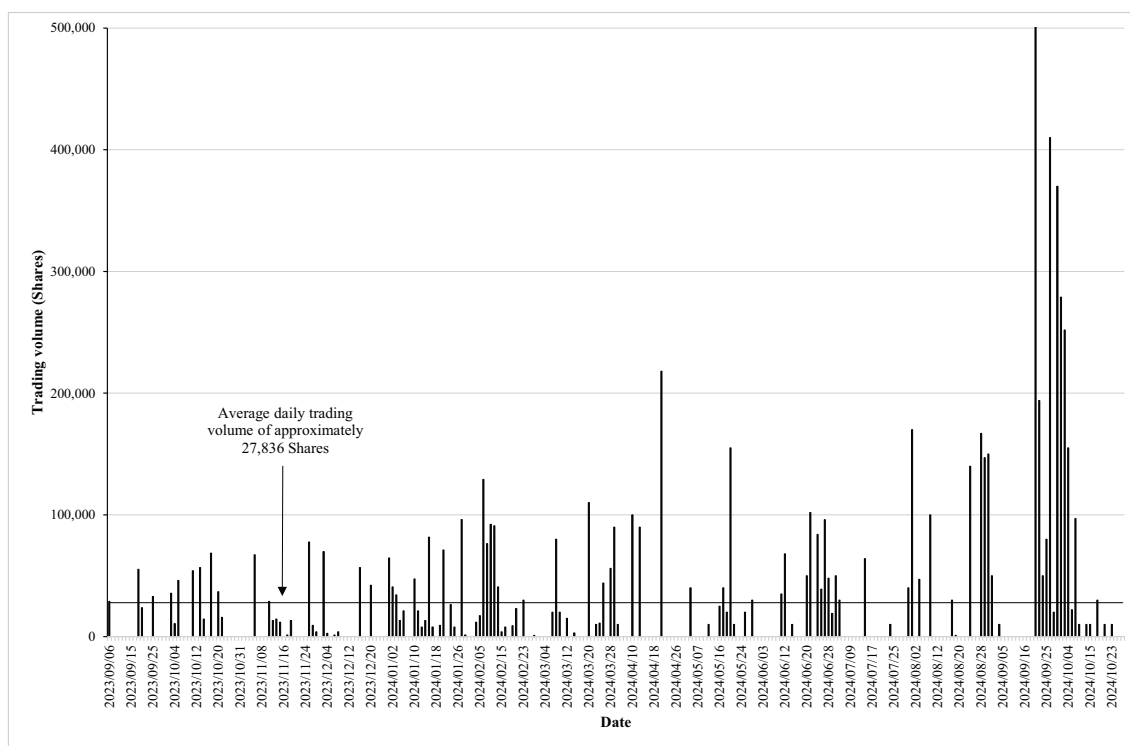
We observed that the closing price of the Shares fluctuated between HK\$0.33 to HK\$0.539 from the start of the Review Period until around mid-May 2024. Around the publication of the annual results for the year ended 31 March 2024 in around late June 2024, the closing price of the Shares increased and reached the highest of HK\$0.58 per Share on 28 June 2024, and the closing price of the Shares stabilised, in general, between HK\$0.45 to HK\$0.61 per Share since then until late August 2024. We noted that on around 29 August 2024, there has been a rise in the daily closing price of the Shares. As confirmed by the Directors regarding the rise in closing price of the Shares on the aforementioned period, we were advised that they are not aware of any particular reason. Subsequently, the closing price of the Shares closed at HK\$0.82 per Share as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.3 Historical trading volume of the Shares

Set out below is the chart showing the daily trading volumes of the Shares on the Stock Exchange during the Review Period:

Daily trading volume of the Shares on GEM



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

Note: Trading of the Shares has been suspended from 5 to 16 September 2024 pending the release of the Announcement.

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Trading volume of the Shares during the Review Period

The daily trading volume of the Shares on GEM has been thin during the Review Period, given that it had been below 100,000 Shares (which is 10 board lots based on 10,000 Shares per board lot as at the Latest Practicable Date) for the majority of the Review Period. The issued shares of the Company of 40,000,000 Shares remained the same during the Review Period and up to the Latest Practicable Date. Excluding the 25,111,000 Shares which represent approximately 62.78% of the issued share capital of the Company held by the Vendor immediately before Completion, the Company has a public float of 14,889,000 Shares, which represent approximately 37.22% of the issued share capital of the Company.

The average daily trading volume of the Shares on the Stock Exchange amounted to approximately 27,836 Shares during the Review Period, representing approximately 0.07% of the Company's issued share capital and approximately 0.19% of the public float as at the Latest Practicable Date. There are only 6 trading days which recorded trading volume of more than 0.5% of the issued share capital of the Company during the Review Period. We noted that most of the trading days which recorded trading volume of more than 0.5% of the issued share capital of the Company during the Review Period were on the days after the publication of the Announcement, where a surge in trading volume was recorded. As confirmed by the Directors regarding the spike in trading volume for the aforementioned periods, we were advised that, save for the publication of the Announcement, they are not aware of other particular reason that possibly led to the spike in daily trading volume of the Shares. It indicates that the liquidity of the Shares had been inactive during the Review Period not to mention that there has been more than 146 out of 273 trading days during the Review Period which recorded zero trading volume.

Given the thin historical daily trading volume of the Shares during the Review Period, it is uncertain as to whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the Share price on the market. As such, we are of the view that the prevailing market price of the Shares may not necessarily reflect the actual proceeds that the Independent Shareholders (especially those with more sizeable holdings) may receive if they elect to dispose of their Shares on the open market. Therefore, we are of the view that the Offer represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of the Shares, to dispose of part or all of their Shares at the Offer Price if they so wish to. The Independent Shareholders who wish to realise their investments in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.4 Historical discounts to net asset value per Share

The Offer Price represents a discount of approximately 14.66% to the audited consolidated net asset value attributable to owners of the Company per Share (“NAV”) of approximately HK\$0.732 as at 31 March 2024. The chart below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the Review Period, and up to the Latest Practicable Date against the Offer Price and latest available NAV of the Company at the relevant time.

NAV per Share



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

Note: The NAV per Share was calculated based on the net assets as set out in the respective interim or annual results of the Company divided by the total number of Shares then in issue. The NAV per Share was approximately HK\$0.999 for the period from 9 September 2023 to 9 November 2023, approximately HK\$1.032 for the period from 10 November 2023 to 27 June 2024 and approximately HK\$0.732 for the period from 28 June 2024 to the Latest Practicable Date, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the chart above, the Shares has been trading at a substantial discount to the NAV per Share for most of the time during the Review Period. The Shares has been trading at an average discount of approximately 46.8% to the NAV over the Review Period, which is substantially higher than the discount of approximately 14.66% that the Offer Price represents. In addition, the Shares has been trading at a discount to the NAV of more than the discount the Offer Price represents for 242 out of 273 trading days during the Review Period. On this basis, we are of the view that the Offer Price is fair and reasonable from the perspective of the NAV per share so far as the Independent Shareholders are concerned.

5.5 Comparative Analysis

In order to further assess the fairness and reasonableness of the Offer Price, we have considered the price-to-book ratio (the “**P/B Ratio**”), the price-to-earnings ratio (the “**P/E Ratio**”) and dividend yield which are commonly adopted trading multiple analyses. Given that the Group was loss-making for the years ended 31 March 2022, 2023 and 2024 and no dividend was distributed for the years ended 31 March 2022, 2023 and 2024, we were unable to analyse with reference to P/E Ratio and dividend yield. Accordingly, we consider the P/B Ratio to be an appropriate indicator of the fair values of the comparable companies.

Based on the Offer Price of HK\$0.625 per Offer Share and the total number of issued Shares of 40,000,000 as at the Latest Practicable Date, the Company is valued at approximately HK\$25.0 million. The P/B Ratio of the Company implied by the Offer Price is approximately 0.9 times (the “**Implied P/B Ratio**”) based on the audited consolidated net asset value of the Company of approximately HK\$29.3 million as at 31 March 2024.

For the purpose of comparison, we have identified an exhaustive list of 2 other listed companies on the Stock Exchange based on the criteria that substantially all (more than 90%) of the revenue for the latest full financial year was generated from the provision of sale of diesel oil or other similar petroleum fuel products (such as gasoline) in Hong Kong, which is similar to that of the Company (the “**Peer Comparable(s)**”). Since the theoretical market capitalisation of the Company was only approximately HK\$25.0 million with reference to the Offer Price, we would limit the selection for comparison with small-cap listed companies of market capitalisation of less than HK\$200 million in search for boarder comparables.

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Although the number of the Peer Comparables were limited, we are of the view that the valuation of the peer listed companies is comparable to that of the Company because the Peer Comparables also engage in the sale of petroleum fuel products in Hong Kong, and we consider that the Peer Comparables represent the companies operating in the same business segment and in the same geographical location to that of the Company. Based on the above, having considered the exhaustive list of Peer Comparables having met the selection criteria, we are of the view that the Peer Comparables are representative samples and it is fair and reasonable for the Peer Comparables to represent companies similar to that of the Company for comparison purpose and thus provide a meaningful reference of the valuation based on market trading prices of companies for the Independent Shareholders to take reference of.

The table below illustrates the market capitalisation and net asset value of the Peer Comparables as well as the calculated P/B Ratio:

Company name (Stock code)	Principal activities	Market capitalisation as at the Last Trading Day	Net asset value (Note 1)	P/B ratio
F8 Enterprises (Holdings) Group Limited (8347)	Principally engages in the sale and transportation of diesel oil and related products and other products in Hong Kong	HK\$8.7 million	HK\$91.7 million	0.1 times
Vico International Holdings Limited (1621)	Principally engages in the distribution of third party branded petrochemicals, the sales of the self-branded lubricant oil and provides fleet card services in Hong Kong (Note 3)	HK\$65.0 million	HK\$137.0 million	0.5 times
The Company (The Offer)	Principally engages in the sale of diesel oil and related products in Hong Kong	HK\$25.0 million (Note 2)	HK\$29.3 million	0.9 times

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Source: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Peer Comparables

Notes:

1. The P/B Ratios of the Comparables are calculated based on the market capitalisation of the respective Comparables as at the Last Trading Day divided by the net assets value of the respective Comparables as extracted from their respective latest published interim or annual results as at the Last Trading Day.
2. The Implied P/B Ratio is calculated based on the theoretical market capitalisation of the Company with reference to the Offer Price.
3. According to the annual report of Vico International Holdings Limited (1621), the sales of diesel products, which mainly include automotive diesel and industrial diesel, amounted to approximately 94.8% of its total revenue for the year ended 31 March 2024.

As illustrated in the table above, the Implied P/B Ratio of the Company calculated based on the theoretical market capitalisation of the Company with reference to the Offer Price is approximately 0.9 times, which is higher than that of F8 Enterprises (Holdings) Group Limited (8347) of approximately 0.1 times and Vico International Holdings Limited (1621) of approximately 0.5 times. Accordingly, this indicates the implied valuation of the Company based on the Offer Price is higher than the valuations of the Peer Comparables based on their respective closing share prices from the perspective of P/B Ratio. On this basis, for the Independent Shareholders' reference, we are of the view that the Offer Price is fair and reasonable from a price-to-book valuation standpoint.

5.6 General offer precedents

We are of the view that past general offer transactions of companies listed on the Stock Exchange may not be a good reference for assessing the fairness and reasonableness of the Offer Price considering these companies are from different industries, which therefore have different market fundamentals and prospects. Accordingly, we consider the analysis in the sections above to be more relevant for the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.7 Conclusion

Despite the Offer Price represents (a) discount to the closing price as quoted on the Stock Exchange on the Last Trading Day; (b) discounts to the average closing price as quoted on the Stock Exchange for the five (5) and ten (10) consecutive trading days immediately prior to and including the Last Trading Day; and (c) discount to the NAV per Share as at 31 March 2024 of approximately 14.66%, we noted that:

- (i) the Offer Price represents premiums over the average closing price as quoted on the Stock Exchange for the thirty (30) and sixty (60) consecutive trading days immediately prior to and including the Last Trading Day;
- (ii) the P/B Ratio of the Company implied by the Offer Price of approximately 0.9 times is significantly higher than the P/B ratios of the Peer Comparables;
- (iii) the Offer Price represents premium of approximately 31.8% over the average closing price per Share during the Review Period; and
- (iv) the Offer Price represents an average discount of approximately 46.8% to the NAV per Share which the Shares have been trading at over the Review Period.

Considering (A) there is a premium of the Offer Price over the average closing price quoted on the Stock Exchange for the thirty (30) and sixty (60) consecutive trading days, which represents a longer period of trading days considered which is more representable for comparison purpose as it is less prone to the recent volatility of the Shares as compared to the discount to the closing price as quoted on the Stock Exchange on the Last Trading Day and discounts to the average closing price as quoted on the Stock Exchange for the five (5) and ten (10) consecutive trading days immediately prior to and including the Last Trading Day, which is a shorter period of trading days considered and is more prone to the recent volatility of the Shares; and (B) the Offer Price represents a significantly smaller discount to the NAV per Share than the average discount to the NAV per Share which the Shares have been trading at over the Review Period, on balance, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

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6 Public float and maintaining the listing status of the Company

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

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

it will consider exercising its discretion to suspend dealings in the Shares.

As disclosed in the Letter from Shenwan Hongyuan, the Offeror intends the Company to remain listed on GEM after the close of the Offer. The sole director of the Offeror, the Directors and the new directors to be appointed to the Board of the Company, if any, will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. No such arrangements have been confirmed or put in place as at the Latest Practicable Date as disclosed in the Letter from Shenwan Hongyuan.

RECOMMENDATION

Based on the foregoing, having considered the aforementioned principal factors and reasons for the Offer, we noted that:

- (i) notwithstanding the Offer Price represents a discount of approximately 21.88% to the closing price as quoted on the Stock Exchange on the Last Trading Day and a discount of approximately 14.66% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$0.732 as at 31 March 2024, the Offer Price represents premium of approximately 31.8% over the average closing price per Share during the Review Period, as discussed in paragraphs headed “5.7 Conclusion” in this letter;
- (ii) the discount of approximately 14.66% to the audited consolidated net assets attributable to owners of the Company per Share is significantly smaller as compared to the average discount of approximately 46.8% to the NAV per Share which the Shares have been trading at over the Review Period;
- (iii) the P/B Ratio of the Company implied by the Offer Price of approximately 0.9 times is significantly higher than the P/B Ratios of the Comparable Companies;

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- (iv) save for only 6 out of 273 trading days during the Review Period which recorded trading volume of more than 0.5% of the issued share capital of the Company, the trading volume of Shares was thin during the Review Period, which implies uncertainty as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a large volume of the Shares in the open market without depressing the Share price, as discussed in the paragraphs headed “5.3 Historical Trading Volume of the Shares” in this letter;
- (v) save for only 31 out of 273 trading days during the Review Period, the Offer Price is higher than the closing price of the Shares throughout most of the Review Period; and
- (vi) the Group has been making losses for FY2023 and FY2024 and continued to suffer from a decline in revenue and incurred a loss during the four months ended 31 July 2024 according to the Profit Warning Announcement and the Profit Estimate, as discussed in the paragraphs headed “2. Background information of the Group” in this letter.

Considering that the Offer Price is higher than, represents a premium and/or a lesser discount to the NAV as illustrated in the above (i), (ii), (iii) and (v); and that the Offer represents an opportunity for the Independent Shareholders to dispose of their Shares with the uncertainties as illustrated in the above (iv) and (vi), on balance, we are of the view that the Offer are fair and reasonable so far as the Independent Shareholders are concerned. However, in view of the recent volatility of the closing prices of the Shares, those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price of Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer. On this basis, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to accept the Offer if the amount they can receive under the Offer is higher than the net proceeds from the sale of such Shares in the open market.

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In addition, we would like to remind the Independent Shareholders that they should bear in mind the potential difficulties they may encounter in disposing of the Shares after the close of the Offer in view of the historical low trading liquidity of the Shares and there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period. The Independent Shareholders are strongly advised that the decision to realise or to continue to hold the Shares is subject to individual circumstances and investment objectives of the Independent Shareholders. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

The Independent Shareholders are also reminded to read carefully the procedures for acceptance of the Offer, details of which are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance, if they wish to accept the Offer.

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

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

Cheng Chi Ming, Andrew
Managing Director

Irene Ho
Vice President

Mr. Cheng Chi Ming, Andrew is the Managing Director of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheng has over 21 years of experience in the corporate finance industry in Hong Kong.

Ms. Irene Ho is the Vice President of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Ms. Ho has over 10 years of experience in the corporate finance industry in Hong Kong.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which form part of the terms of the Offer.

- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, marked “**Sun Kong Holdings Limited – Offer**” on the envelope, as soon as possible and in any event by not later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as may be jointly announced by the Offeror and the Company in compliance with the Takeovers Code and approved by the Executive.

- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:
 - (1) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or

 - (2) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or

- (3) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (4) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or Shenwan Hongyuan or their respective agent(s) to collect from the Company or the Registrar on your behalf and to authorize and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive and in accordance with Note 1 to Rule 30.2 of the Takeovers Code), and the Registrar has recorded that the acceptance and any relevant documents required, under paragraph (g) below have been so received.
- (g) Acceptance of the Offer may not be counted as valid unless the Form of Acceptance is duly completed and signed and is:
- (1) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (2) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph under this paragraph (g)); or
 - (3) certified by the Registrar or the Stock Exchange.
- (h) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.
- (i) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFER

- (a) Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, settlement of the consideration, less seller's ad valorem stamp duty, will be made by cheque as soon as possible, but in any event no later than seven (7) Business Days after the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Offeror to render each such acceptance complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code. Each cheque will be despatched by ordinary post to the address specified on the relevant Independent Shareholder's Form of Acceptance at his/her/its own risk.
- (b) No fractions of a Hong Kong cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest Hong Kong cent.
- (c) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.
- (d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Offer is made on 31 October 2024, namely the date of despatch of this Composite Document, and is capable of acceptance on and from this date. In accordance with Rule 15.1 of the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days after the date of this Composite Document.
- (b) Unless the Offer has previously been extended with the consent of the Executive, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and the Offeror and the Company may jointly announce in compliance with the Takeovers Code with the consent of the Executive. The Offer is unconditional in all respects.

- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

4. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the GEM Listing Rules on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, closed, expired or revised.

The announcement will state the total number of Shares and rights over Shares:

- (1) for which acceptances of the Offer have been received;
- (2) held, controlled or directed by the Offeror, Yufengchang International and parties acting in concert with any of them before the Offer Period; and
- (3) acquired or agreed to be acquired during the Offer Period by the Offeror, Yufengchang International and parties acting in concert with any of them.

The announcement will also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, Yufengchang International and parties acting in concert with any of them have borrowed or lent, save for any borrowed securities which have been either on-lent or sold. The announcement will also specify the percentages of the issued share capital of the Company and the percentages of voting rights represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and satisfy the acceptance conditions set out in the section headed “1. Procedures For Acceptance Of The Offer” of this Appendix and which have been received by the Registrar or the Company (as the case may be) no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders or by their respective agent(s) on their behalf shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the section headed “4. ANNOUNCEMENTS” in this Appendix above, the Executive may require, pursuant to Rule 19.2 of the Takeovers Code, that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until such requirements can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event no later than seven (7) Business Days after receipt of the notice of withdrawal, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to those Independent Shareholders who have exercised their right to withdraw at their own risks.

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn. By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, if any, at any time on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

7. OVERSEAS SHAREHOLDERS

The Offeror intends to make the Offer available to all the Independent Shareholders, including the Overseas Shareholders. The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any issue, transfer or other taxes or other required payments due by such Overseas Shareholders in respect of such jurisdictions.

The Offeror, Yufengchang International, the parties acting in concert with any of them, the Company, the Joint Financial Advisers, the Independent Financial Adviser, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes as such persons may be required to pay.

Any acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty by such person that such person is permitted under applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

8. STAMP DUTY

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer (or part thereof) at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Shareholders, or if higher, the market value of the Shares subject to such acceptance, will be deducted from the amount payable to those relevant Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

9. TAXATION ADVICE

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the members of the Offeror, Yufengchang International and parties acting in concert with any of them, the Company, the Joint Financial Advisers, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, share certificates, title document(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, Yufengchang International, parties acting in concert with any of them, the Company, the Joint Financial Advisers, the Independent Financial Adviser, the Registrar and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Shenwan Hongyuan or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person or persons has accepted the Offer.

- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Shenwan Hongyuan and the Company:
- (1) that such Offer Shares acquired under the Offer are sold by the Shareholders free from all Encumbrances and together with all rights and benefits accruing or attaching thereto as at the date on which the Offer is made, being the date of the despatch of this Composite Document or subsequently becoming attached to them, including all rights to any dividend or other distribution and any return of capital, if any, declared, made or paid or agreed to be made or paid on or after the date on which the Offer is made, being the date of the despatch of this Composite Document; and
 - (2) that if such Shareholder accepting the Offer is an Overseas Shareholder, he/she has observed the laws of all relevant territories, obtained all requisite governmental, exchange control or other consents and any registration or filing, complied with all requisite formalities, regulatory and/or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her in connection with such acceptance in any territory, that he/she has not taken or omitted to take any action which will or may result in the Offeror, Yufengchang International, parties acting in concert with any of them, the Company, the Joint Financial Advisers, the Independent Financial Adviser or any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer acting in breach of the legal or regulatory requirements of any territory in connection with the Offer or his/her acceptance thereof, and is permitted under all applicable laws to accept the Offer, and that such acceptance is valid and binding in accordance with all applicable laws.
- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.

- (h) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror or parties acting in concert with it, the Company or their respective ultimate beneficial owners, directors, officers, agents, professional advisers or any other persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advices.
- (i) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension thereof.
- (j) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text, where indicated by an asterisk (*), is included for the purpose of information only, and should not be regarded as the official English name(s) of such Chinese name(s).
- (k) Unless otherwise expressly stated in this Composite Document and/or the Form of Acceptance, no person other than the Offeror and the accepting Independent Shareholders may enforce any terms of the Offer that will arise out of complete and valid acceptances under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong).

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for each of the financial years ended 31 March 2022, 2023 and 2024, respectively, as extracted from the relevant published financial statements of the Group for the relevant years.

	For the year ended 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	230,915	67,722	69,032
Cost of sales	(224,026)	(64,449)	(63,578)
Gross Profit	6,889	3,273	5,454
Other income	325	591	260
Administrative and other operating expenses	(9,043)	(9,032)	(7,569)
Impairment loss on trade and other receivables	(1,024)	(6,456)	(8,173)
Finance costs	(281)	(442)	(634)
Loss before tax	(3,134)	(12,066)	(10,662)
Income tax expense	–	–	–
Loss and total comprehensive loss for the year	(3,134)	(12,066)	(10,662)
Loss per share			
– Basic and diluted (HK cents)	(0.78)	(30.17)	(26.66)

The reporting accountant and auditor of the Company for the three years ended 31 March 2024, Forvis Mazars CPA Limited, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion, disclaimer of opinion and material uncertainty related to going concern) on the consolidated financial statements of the Group for the years ended 31 March 2022, 2023 and 2024, respectively.

The Group did not record any non-controlling interests for each of the financial years ended 31 March 2022, 2023 and 2024. There was no payment of dividends for each of the financial years ended 31 March 2022, 2023 and 2024.

There were no items of any income or expense which was material in respect of the consolidated financial results of the Group for each of the financial years ended 31 March 2022, 2023 and 2024.

There was no change in the Group's accounting policy during the three years ended 31 March 2024 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer in this Composite Document the audited consolidated financial statements of the Group for the year ended 31 March 2022 (the “**2022 Financial Statements**”), the year ended 31 March 2023 (the “**2023 Financial Statements**”) and the year ended 31 March 2024 (the “**2024 Financial Statements**”) together with the relevant notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2024 Financial Statements are set out from page 141 to page 223 in the annual report of the Company for the year ended 31 March 2024 (the “**Annual Report 2024**”) which was published on 8 July 2024. The Annual Report 2024 of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.skhl.com.hk), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/gem/2024/0708/2024070800713.pdf>

The 2023 Financial Statements are set out from page 144 to page 231 in the annual report of the Company for the year ended 31 March 2023 (the “**Annual Report 2023**”) which was published on 29 June 2023. The Annual Report 2023 of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.skhl.com.hk), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0629/2023062900540.pdf>

The 2022 Financial Statements are set out from page 141 to page 227 in the annual report of the Company for the year ended 31 March 2022 (the “**Annual Report 2022**”) which was published on 29 June 2022. The Annual Report 2022 of the Company was posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.skhl.com.hk), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0629/2022062900901.pdf>

3. INDEBTEDNESS

Borrowings and overdraft

At the close of business on 31 July 2024, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding director loans of approximately HK\$3,515,000, outstanding bank loans of approximately HK\$7,539,000 and bank overdrafts of approximately HK\$4,732,000. The director loans are unsecured, bear interest at 6% per annum, and of which approximately HK\$3,000,000 and HK\$515,000 are repayable on 23 June 2025 and 3 July 2025, respectively. The bank loans carry variable interests of 2.5% per annum below the Hong Kong dollar prime rate and are repayable in various monthly instalments up to 24 October 2032 or 24 October 2033. Bank overdrafts bear interest at prevailing market rates of Hong Kong interbank offered rate plus 4% per annum.

The bank loans and bank overdrafts are secured by (i) a corporate guarantee provided by the Company; (ii) assignment agreements in respect of insurance policy of the Group's financial assets at fair value through profit and loss with a carrying value of HK\$1,844,000 duly exercised by the Group in favour of the bank; and (iii) a personal guarantee provided by Mr. Law.

Lease liabilities

The Group had lease liabilities of approximately HK\$411,000 in relation to the payment obligation of the tenancy agreement in respect of the office in Hong Kong. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. The effective interest rate for the lease liabilities of the Group is 3.63% per annum.

Disclaimers

Save as aforesaid and apart from intra-group liabilities and guarantee, at the close of business on 31 July 2024, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness issued and outstanding, and authorised or otherwise created but unissued and term loans of other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities.

Except for the director loans under the Loan Agreements dated 17 September 2024 and 25 September 2024 mentioned in sub-paragraph (v) and the waiver of the interests of the director loans pursuant to Supplemental Agreements mentioned in sub-paragraph (vi) of the section headed "4. Material Changes" in this Appendix below, the Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 July 2024 up to the date of this Composite Document.

4. MATERIAL CHANGES

The Directors confirm that save as disclosed herein below, there has been no material change in the financial or trading position or outlook of the Group subsequent to 31 March 2024, being the date to which the latest audited consolidated financial statements of the Company were made, up to and including the Latest Practicable Date. With reference to the Profit Warning Statements (as defined in the Profit Warning Announcement) made by the Company in the Profit Warning Announcement and comparing the estimate of unaudited consolidated loss and total comprehensive loss attributable to owners of the Company of the Group for the four months ended 31 July 2024 (the “**Profit Estimate**”) which was prepared based on the unaudited consolidated management accounts of the Group for the four months ended 31 July 2024 and the Loan Agreements in relation to the director’s loans and the Supplemental Agreements in relation to the waiver of interests of the Loan Agreements entered into up to and including the Latest Practicable Date, the material changes are set forth below:

- (i) total revenue of the Group for the four months ended 31 July 2024 decreased from approximately HK\$42.8 million, by approximately HK\$35.6 million, or approximately 83.3%, to approximately HK\$7.1 million, as compared to that of the Group for the four months ended 31 July 2023, primarily due to the decrease in demand from major logistics customers of the Company;
- (ii) the gross profit margin of the Group decreased from approximately 7.7% for the four months ended 31 July 2023 to approximately 3.7% for the four months ended 31 July 2024, which was due to the decrease in revenue whereas the fixed costs including direct labour, repair and maintenance cost of and depreciation of diesel tanks remained generally the same;
- (iii) the Group recorded a loss and total comprehensive loss attributable to owners of the Company of approximately HK\$2.3 million for the four months ended 31 July 2024, in comparison to a profit and total comprehensive income attributable to owners of the Company of approximately HK\$0.8 million for the four months ended 31 July 2023, which was mainly attributable to (a) the decrease in demand from major logistics customers of the Company as detailed above; and (b) the increase in administrative and operating expenses mainly resulting from the amortization cost of ERP system;
- (iv) the five largest customers of the Group for the four months ended 31 July 2024 were different from those of the Group for the four months ended 31 July 2023, which was primarily due to the decrease in demand from major logistics customers of the Company. Despite the changes in amount supplied to us thus affecting the ranking order, the five largest suppliers of the Company remained generally the same for the four months ended 31 July 2023 and 2024;

- (v) pursuant to the Loan Agreements, the Group had director's loans amounting to approximately HK\$12.0 million as at the Latest Practicable Date with details as follows: (a) a director's loan granted by Mr. Law (who is an executive director of the Company and director of Wing Ko) as the lender and the Company as the borrower in the amount of HK\$3,000,000 on 24 June 2024 and repayable on 23 June 2025 with an interest rate of 6% per annum; (b) a director's loan granted by Mr. Law as the lender and Wing Ko as the borrower in the amount of HK\$515,000 on 4 July 2024 and repayable on 3 July 2025 with an interest rate of 6% per annum; (c) a director's loan granted by Mr. Law as the lender and Wing Ko as the borrower in the amount of HK\$6,900,000 on 17 September 2024 and repayable on 16 September 2025 with an interest rate of 6% per annum; and (d) a director's loan granted by Mr. Law as the lender and Wing Ko as the borrower in the amount of HK\$1,600,000 on 25 September 2024 and repayable on 24 September 2025 with an interest rate of 6% per annum, which are unsecured; and
- (vi) on 22 October 2024, Mr. Law had entered into a supplemental agreement with each of the Company and Wing Ko, respectively, under which (a) all interest accrued up to the date of the respective supplemental agreement under the director's loans pursuant to the Loan Agreements shall be waived; and (b) the director's loans pursuant to the Loan Agreements shall not carry any interest from the date of the respective supplemental agreement, pursuant to the Supplemental Agreements.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the sole director of Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement on this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

<i>Authorised</i>	<i>HK\$</i>
300,000,000 Shares of HK\$0.1 each	30,000,000
 <i>Issued and fully paid:</i>	
40,000,000 Shares of HK\$0.1 each	4,000,000

All of the existing issued Shares currently in issue rank pari pass in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting. The Shares are listed and traded on the Stock Exchange. No Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, the Company had no outstanding options, derivatives, warrants, securities which are convertible or exchangeable into Shares or conversion rights affecting any Shares and had not entered into any agreement for the issue of such opinions, derivatives, warrants, securities or conversion rights affecting any Shares of the Company.

The Company has not issued any Shares since 31 March 2024, the date to which the latest audited financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS

(a) Directors and the chief executive's interest and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV) of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 to the GEM Listing Rules; or (iv) pursuant to the Takeovers Code, to be disclosed in the Composite Document, were as follows:

Name	Capacity	Total number of Shares and/ or underlying Shares interested <i>(Note 1)</i>	% in the issued share capital of the Company <i>(Note 2)</i>
Mr. Law Ming Yik ^(Note 3)	Interest in controlled corporation	1,996,000 (L)	4.99%

Notes:

- The letter "L" denotes the individual's or corporation's long position in the Shares.
- The percentage has been calculated based on 40,000,000 Shares in issue as at the Latest Practicable Date.
- Mr. Law Ming Yick beneficially owns the entire issued share capital of the Vendor. Therefore, Mr. Law Ming Yick is deemed, or taken to be, interest in all the Shares held by the Vendor for the purpose of the SFO. Mr. Law Ming Yick is the sole director of the Vendor.

The Vendor and Mr. Law have given an Irrevocable Undertaking not to accept the Offer in respect of the Remaining Shares. The Irrevocable Undertaking is disclosed in the section headed "Irrevocable Undertaking not to accept the Offer" in the "Letter from the Board" of this Composite Document. Save as disclosed above, none of the Directors held any beneficial shareholding in the Company which would otherwise entitle them to accept or reject the Offer.

(b) Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at the Latest Practicable Date, the interests and short positions of Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code were as follows:

Name	Capacity	Total number of Shares and/ or underlying Shares interested (Note 1)	% in the issued share capital of the Company (Note 2)
Hong Kong Yufengchang Co., Limited	Beneficial owner	23,115,000 (L)	57.79%
Yufengchang International Holdings Company Limited ^(Note 3)	Interest in controlled corporation	23,115,000 (L)	57.79%
Mr. Wang Xinlong ^(Note 3)	Interest in controlled corporation	23,115,000 (L)	57.79%

Notes:

- The letter "L" denotes the individual's or corporation's long position in the Shares.
- The percentage has been calculated based on 40,000,000 Shares in issue as at the Latest Practicable Date.
- As at the Latest Practicable Date, Hong Kong Yufengchang Co., Limited was wholly owned by Yufengchang International Holdings Company Limited, which was in turn wholly owned by Mr. Wang Xinlong.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which were notified to the Company and Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code.

(c) Interests in the Offeror

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

(d) Additional disclosure of interests in the Company and arrangements in connection with the Offer

As at the Latest Practicable Date,

- (i) save for the sales of the Sale Shares under the Sale and Purchase Agreement by the Vendor, which is wholly owned by Mr. Law, none of the Directors had dealt for the value in, any Shares or any securities, convertible securities, warrants, options, or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (ii) none of the Directors and the Company have dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period;
- (iii) save for the interests as disclosed in paragraph 3(a) above, the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;
- (iv) save for the Irrevocable Undertaking in respect of the Remaining Shares held by the Vendor (a company wholly-owned by Mr. Law), the Directors did not have any beneficial shareholdings in the Company which would entitle them to accept or reject the Offer;
- (v) save for the Remaining Shares which is subject to the Irrevocable Undertaking not to accept the Offer, the Directors did not have any beneficial shareholdings in the Company which would entitle them to accept or reject the Offer;
- (vi) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, or the person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal trades and exempt fund managers, owned or controlled any Shares or any other convertible securities, warrants option or derivatives in respect of Shares and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;

- (vii) save for the Sale and Purchase Agreement and the Irrevocable Undertaking, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is any associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code and none of them had dealt for value in any relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period; and save as disclosed in paragraph 4(b) above, none of the parties to the Sale and Purchase Agreement and the Irrevocable Undertaking had any interest in or owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company;
- (viii) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers connected with Company and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (ix) none of the Company nor any Director had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company; and
- (x) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder on one hand and the Company, its subsidiaries or associated companies on the other hand.

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threaten against the Company or any members of the Group.

5. MATERIAL CONTRACTS

The following contracts (not being entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) were entered into by the members of the Group within two years before the date of the Announcement and up to and including the Latest Practicable Date and are or may be material:

- (i) the Loan Agreement entered into between Mr. Law and the Company on 24 June 2024, pursuant to which Mr. Law agreed to provide a loan in the sum of HK\$3,000,000 to the Company, which is unsecured, bearing an interest rate of 6% per annum and repayable on 23 June 2025;
- (ii) the Loan Agreement entered into between Mr. Law and Wing Ko on 4 July 2024, pursuant to which Mr. Law agreed to provide a loan in the sum of HK\$515,000 to Wing Ko, which is unsecured, bearing an interest rate of 6% per annum and repayable on 3 July 2025;
- (iii) the Loan Agreement entered into between Mr. Law and Wing Ko on 17 September 2024, pursuant to which Mr. Law agreed to provide a loan in the sum of HK\$6,900,000 to Wing Ko, which is unsecured, bearing an interest rate of 6% per annum and repayable on 16 September 2025;
- (iv) the Loan Agreement entered into between Mr. Law and Wing Ko on 25 September 2024, pursuant to which Mr. Law agreed to provide a loan in the sum of HK\$1,600,000 to Wing Ko, which is unsecured, bearing an interest rate of 6% per annum and repayable on 24 September 2025;
- (v) the Supplemental Agreement entered into between Mr. Law and the Company on 22 October 2024, pursuant to which (a) all interest accrued up to the date of such Supplemental Agreement under the Loan Agreement referred to in (i) above shall be waived; and (b) such loan shall not carry any interest from such date of the Supplemental Agreement; and
- (vi) the Supplemental Agreement entered into between Mr. Law and Wing Ko on 22 October 2024, pursuant to which (a) all interest accrued up to the date of such Supplemental Agreement under the Loan Agreements referred to in (ii), (iii) and (iv) above shall be waived; and (b) the relevant loans shall not carry any interest from the date of such Supplemental Agreement.

6. QUALIFICATION OF EXPERT

The following are the qualification of the experts who have given opinions or advices, which are contained in this Composite Document:

Alpha Financial Group Limited	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Forvis Mazars CPA Limited	Certified Public Accountant and a Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

7. DIRECTORS' SERVICE AGREEMENTS

As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed terms contracts) have been entered into or amended with during the Relevant Period; (b) were continuous contract with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group or any associated companies of the Company which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

8. CONSENT

The expert named in the paragraph headed "6. Qualification of Expert" above has given and has not withdrawn its written consent to the issue of the Composite Document within the inclusion therein of the opinions, reports, advice, recommendations, and/or letters and/or the references to its name and/or opinions, reports, advice, recommendations, and/or letters in the form and context in which they respectively appear.

9. DOCUMENTS ON DISPLAY

Copies of the following documents are available on display (i) on the website of the Company (www.skhl.com.hk) and (ii) on the website of the SFC (www.sfc.hk) from the date of this Composite Document up to and including the Closing Date:

- (i) the amended and restated memorandum of association and articles of association of the Company;
- (ii) the annual reports of the Group for the three years ended 31 March 2022, 2023 and 2024;

- (iii) the “Letter from the Board”, the text of which is set out on pages 21 to 29 of the Composite Document;
- (iv) the “Letter from the Independent Board Committee”, the text of which is set out on pages 30 to 31 of the Composite Document;
- (v) the “Letter from the Independent Financial Adviser”, the text of which is set out on pages 32 to 56 of the Composite Document;
- (vi) the written consents from each of the parties referred to in the paragraph headed “6. Qualification of Expert” in this appendix;
- (vii) the “Report from Independent Financial Adviser on the Profit Estimate”, the text of which is set out on pages V-1 to V-2 of the Composite Document;
- (viii) the “Report from Forvis Mazars CPA Limited on the Profit Estimate”, the text of which is set out on pages VI-1 to VI-2 of the Composite Document;
- (ix) the material contracts referred to in paragraph headed “5. Material Contracts” in this appendix;
- (x) the Sale and Purchase Agreement;
- (xi) the Irrevocable Undertaking; and
- (xii) this Composite Document.

10. MISCELLANEOUS

- (i) As at the Latest Practicable Date, none of the Directors had been or would be given any benefit as compensation for loss of office or otherwise in connection with the Offer;
- (ii) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected to the Offer;
- (iii) As at the Latest Practicable Date, there was no material contracts entered into by the Offeror in which any Director has a material interest;
- (iv) the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands;

- (v) the principal place of business in Hong Kong of the Company is Section C of Lot No. 1345 in D.D. 121, Yuen Long, New Territories, Hong Kong;
- (vi) the company secretary of the Company is Mr. Leung Cheuk Wai, who is a member of the Hong Kong Certified Public Accountants;
- (vii) the Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong;
- (viii) the registered office of Alpha Financial Group Limited, the Independent Financial Adviser, is at Room A, 17/F, Fortune House, 61 Connaught Road Central, Central, Hong Kong; and
- (ix) the English texts of this Composite Document and the Form of Acceptance shall prevail over the Chinese texts in case of any inconsistency.

1. RESPONSIBILITY STATEMENT

As the sole director of the Offeror and Yufengchang International, Mr. Wang Xinlong accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Vendor, the Directors and the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by Mr. Law (in his capacity as the sole director and shareholder of the Vendor) and the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
28 March 2024	0.46
30 April 2024	0.35
31 May 2024	0.315
28 June 2024	0.58
31 July 2024	0.45
30 August 2024	0.79
4 September 2024 (<i>being the Last Trading Day</i>)	0.80
30 September 2024	0.72
28 October 2024 (<i>being the Latest Practicable Date</i>)	0.82

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.87 per Share on 9 October 2024, 15 October 2024 and 16 October 2024 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.30 per Share on 20 June 2024, respectively.

3. DISCLOSURE OF INTERESTS OF THE OFFEROR, YUFENGCHANG INTERNATIONAL AND PARTIES ACTING IN CONCERT WITH EACH OF THEM

As at the Latest Practicable Date, the details of interests in the Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company owned, controlled or directed by the Offeror, Yufengchang International and parties acting in concert with any of them were as follows:

Name	Number of Shares	Approximate percentage of the total issued Shares ^(Note 1)
The Offeror	23,115,000	57.79

Notes:

1. The percentage figures are calculated on the basis of 40,000,000 issued Shares, which represent the entire issued share capital of the Company, as at the Latest Practicable Date.
2. The Offeror is directly and wholly owned by Yufengchang International. Yufengchang International is in turn directly and wholly owned by Mr. Wang. As at the Latest Practicable Date, Mr. Wang was deemed or taken to be interested in the 23,115,000 Shares held by the Offeror by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, Yufengchang International or parties acting in concert with any of them owned, controlled or directed or was interested in any Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. DEALING AND INTERESTS IN THE COMPANY'S SECURITIES AND OTHER ARRANGEMENTS

The Offeror confirms that as at the Latest Practicable Date:

- (a) save for the 23,115,000 Shares directly held by the Offeror as disclosed in the section titled "3. Disclosure of Interests of the Offeror, Yufengchang International and parties acting in concert with each of them" in this Appendix, neither the Offeror, Yufengchang International nor any person acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or any convertible securities, warrants, options or derivatives of the Company;
- (b) save for the Sale and Purchase Agreement, the Facility, the Share Charge, the Personal Guarantee and the Subordination Agreement, there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares;

- (c) save for the Irrevocable Undertaking, (i) neither the Offeror, Yufengchang International nor any person acting in concert with any of them has received any irrevocable commitment to accept the Offer and (ii) neither the Offeror, Yufengchang International nor any person acting in concert with any of them has received any irrevocable commitment not to accept the Offer. Save for the 1,996,000 Remaining Shares held by the Vendor, neither the Vendor or Mr. Law (who provided the Irrevocable Undertaking) owned or had control or direction over any voting rights or rights over the Shares or any convertible securities, warrants, options or derivatives of the Company, and neither of them has dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company other than by way of the Acquisition during the Relevant Period;
- (d) since the Offer is unconditional in all respects, there was no agreement or arrangement to which the Offeror, Yufengchang International or any person acting in concert with any of them, is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (e) neither the Offeror, Yufengchang International nor any person acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) there was no outstanding derivative in respect of the securities in the Company entered into by the Offeror, Yufengchang International or any person acting in concert with any of them;
- (g) save for the consideration of HK\$14,446,875 pursuant to the Sale and Purchase Agreement, there was no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror, Yufengchang International and/or any parties acting in concert with any of them to the Vendor and any parties acting in concert with it in connection with the Acquisition;
- (h) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between any of the Offeror, Yufengchang International and/or parties acting in concert with any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;
- (i) save for the Sale and Purchase Agreement and the Irrevocable Undertaking, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, Yufengchang International and/or any parties acting concert with any of them on the one hand, and the Vendor and any parties acting in concert with it on the other hand;

- (j) save for the Sale and Purchase Agreement and the Irrevocable Undertaking, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, Yufengchang International and any party acting in concert with any of them on one hand, and any Shareholder on the other hand;
- (k) save for the Share Charge, there is no understanding, arrangement or agreement under which Offer Shares to be acquired pursuant to the Offer will be transferred, charged, pledged to any other persons. The Share Charge shall become enforceable by Get Nice immediately upon the Offeror having breached its obligations under the Facility but was not remedied within the prescribed period or certain default that are customary for a facility of such nature having occurred under the Facility;
- (l) save for the Acquisition, neither the Offeror, Yufengchang International nor any person acting in concert with any of them had dealt for value in any Shares, warrants, options, derivatives or other securities convertible into Shares during the period commencing six months prior to the date of the Sale and Purchase Agreement and up to and including the Latest Practicable Date; and
- (m) no arrangement was in place for any benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

5. EXPERTS AND CONSENTS

The following are the names and qualifications of the professional adviser whose letter, opinion or advice is contained or referred to in this Composite Document:

Name	Qualifications
Shenwan Hongyuan	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the Joint Financial Advisers to the Offeror and the agent making the Offer for and on behalf of the Offeror
Get Nice	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being one of the Joint Financial Advisers and the lender of the Facility

Each of Shenwan Hongyuan and Get Nice has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of letter, advice and/or references to its name, in the form and context in which they respectively appear.

6. GENERAL

As at the Latest Practicable Date:

- (a) the principal members of the Offeror's concert parties are the Offeror, Yufengchang International and Mr. Wang;
- (b) the registered office of the Offeror is situated at Unit A on 20th Floor, Wang Cheong Building, No. 251 Reclamation Street, Kowloon, Hong Kong;
- (c) the registered office of Yufengchang International is situated at 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands;
- (d) the correspondence address of Mr. Wang, the sole director of the Offeror and Yufengchang International and the sole shareholder of the Yufengchang International, the Offeror and Yufengchang International is 15th Floor, Block A, China Merchant Silk Road Centre, Northwest Corner of the Intersection of Ouya Avenue and Gangxing 3rd Road, Baqiao District, Xi'an City, Shanxi Province, People's Republic of China;
- (e) the Offeror is a company incorporated in Hong Kong with limited liability, and is directly and wholly owned by Yufengchang International. Yufengchang International is in turn directly and wholly owned by Mr. Wang;
- (f) the registered address of Shenwan Hongyuan, one of the joint financial advisers to the Offeror who is making the Offer on behalf of the Offeror, is at Level 6, Three Pacific Place, 1 Queen's Road East, Hong Kong;
- (g) the registered address of Get Nice, one of the joint financial advisers to the Offeror, is at G/F-3/F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong;
- (h) the English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation in case of any inconsistency.

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for display on the website of the SFC (www.sfc.hk) and on the website of the Company (www.skhl.com.hk) from the date of this Composite Document onwards for so long as the Offer remain open for acceptance:

- (a) the articles of association of the Offeror;
- (b) the letter from Shenwan Hongyuan, the text of which is set out in this Composite Document; and
- (c) the written consents referred to in the paragraph headed “5. Experts and Consents” in this Appendix.

The following is the text of the report on the Profit Estimate from Alpha Financial Group Limited, the Independent Financial Adviser, which has been prepared for the purpose of inclusion in this Composite Document.

31 October 2024

Sun Kong Holdings Limited

Section C of Lot No.1345 in D.D.121

Yuen Long

New Territories

Hong Kong

Attn: Board of Directors

Dear Sirs,

We refer to the profit warning announcement of the Company dated 28 October 2024 (the “**Profit Warning Announcement**”) and the composite document jointly issued by Sun Kong Holdings Limited (the “**Company**”) and Hong Kong Yufengchang Co., Limited (the “**Offeror**”) dated 31 October 2024 (the “**Composite Document**”) in relation to the mandatory unconditional cash offer by Shenwan Hongyuan Capital (H.K.) Limited for and on behalf of the Offeror to acquire all the issued shares of the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Unless the context otherwise requires, all capitalised terms used herein shall have the same meanings as those defined in the Composite Document.

We refer to the Profit Warning Statements (as defined in the Profit Warning Announcement) made by the Company in the Profit Warning Announcement and the section headed “4. MATERIAL CHANGES” in Appendix II to the Composite Document, which contains certain financial information statements (the “**Profit Estimate**”) that was prepared by the directors of the Company (the “**Directors**”) based on the unaudited consolidated management accounts of the Group for the four months ended 31 July 2024 with comparative figures for the corresponding period in 2023 (the “**Management Account and Comparative Figures**”).

The Profit Estimate constituted a profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser or independent financial adviser, and the auditors or consultant accountants. This report is issued in compliance with the requirement under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 and 10.3 of the Takeovers Code.

We have reviewed the Profit Estimate and other relevant information and documents (in particular, the Management Account and Comparative Figures) which you as the Directors are solely responsible for and discussed with the Directors the information and documents (in particular, the Management Account and Comparative Figures) provided by you which formed the bases upon which the Profit Estimate has been made.

In respect of the accounting policies and calculations concerned, upon which the Profit Estimate has been made, we have relied upon the report as contained in Appendix VI to the Composite Document addressed to the Board from Forvis Mazars CPA Limited, being the auditors of the Company. Forvis Mazars CPA Limited is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Group for the year ended 31 March 2024.

Based on the above, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made with due care and consideration. For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Group. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Group. Save as provided in this letter, we do not express any other opinions or views on the Profit Estimate. The Directors remain solely responsible for the Profit Estimate.

Our opinion has been given for the sole purpose of compliance with Note 1(c) to Rules 10.1 and 10.2, 10.3 and Rule 10.4 of the Takeovers Code and for no other purpose. We do not accept any responsibility to any person(s), other than the Company, in respect of, arising out of, or in connection with this letter.

We hereby give and have not withdrawn our consent to the issue of the Composite Document with the inclusion therein of this report.

Yours faithfully,
For and on behalf of
Alpha Financial Group Limited
Cheng Chi Ming, Andrew
Managing Director

Yours faithfully,
For and on behalf of
Alpha Financial Group Limited
Irene Ho
Vice President

The following is the text of a letter received from Forvis Mazars CPA Limited,, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Composite Document.

Forvis Mazars CPA Limited
富睿瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: +852 2909 5555
Fax 傳真: +852 2810 0032
Email 電郵: info@mazars.hk
forvismazars.com/hk



31 October 2024

The Board of Directors
Sun Kong Holdings Limited
Section C of Lot No. 1345 in D.D. 121
Yuen Long
New Territories
Hong Kong

Dear Sirs,

SUN KONG HOLDINGS LIMITED (THE “COMPANY”) AND ITS SUBSIDIARIES (THE “GROUP”) PROFIT ESTIMATE FOR FOUR MONTHS ENDED 31 JULY 2024

We refer to the financial information as set out in the profit warning announcement of the Company dated 28 October 2024 and sub-sections (i) to (iv) (the “**Profit Estimate**”) of the section headed “Material Changes” in the Appendix II “Financial information of the Group” to the composite offer documents of the Company in connection with the mandatory unconditional cash offer by Shenwan Hongyuan Capital (H.K.) Limited for and on behalf of Hong Kong Yufengchang Co., Limited to acquire all issued shares of the Company (the “**Composite Document**”). The Profit Estimate has been prepared by the directors of the Company (the “**Directors**”) and constitutes a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by The Securities and Futures Commission.

Directors’ Responsibilities

The Profit Estimate has been prepared by the Directors based on the unaudited consolidated management accounts of the Group for four months ended 31 July 2024.

The Directors are solely responsible for the Profit Estimate.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other than Audits or Reviews of Historical Financial Information*” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Profit Estimate in accordance with the bases adopted by the Directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Group for the year ended 31 March 2024.

Yours faithfully,

Forvis Mazars CPA Limited
Certified Public Accountants
Hong Kong