

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance 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 adviser.

If you have sold or transferred all your securities in Hifood Group Holdings Co., Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or to 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 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 of the Offer.

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 and the accompanying Form of Acceptance, make no representation as to its 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 Form of Acceptance.

**PERFECT GAIN GROUP LIMITED**

**精益集團有限公司**

*(Incorporated in the British Virgin Islands  
with limited liability)*

**HIFOOD GROUP HOLDINGS CO., LIMITED**

**海福德集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 442)*

**COMPOSITE OFFER AND RESPONSE DOCUMENT  
MANDATORY UNCONDITIONAL CASH OFFER  
BY SOMERLEY CAPITAL LIMITED  
FOR AND ON BEHALF OF PERFECT GAIN GROUP LIMITED  
TO ACQUIRE ALL ISSUED SHARES OF  
HIFOOD GROUP HOLDINGS CO., LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY PERFECT GAIN GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**Financial Adviser to the Offeror**



**SOMERLEY CAPITAL LIMITED**

**Independent Financial Adviser to the Independent Board Committee**



**紅日資本有限公司**

**RED SUN CAPITAL LIMITED**

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Somerley containing, among others, the details of the terms and conditions of the Offer is set out on page 8 to page 18 of this Composite Document. A letter from the Board is set out on page 19 to page 28 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on page 29 to page 30 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on page 31 to page 53 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out on pages I-1 to I-8 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer must be received by the Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Friday, 26 November 2021, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

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 jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Letter from Somerley — The Offer — Overseas Independent Shareholders" in this Composite Document before taking any action. It is the responsibility of each Overseas Independent Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Independent Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

5 November 2021

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## EXPECTED TIMETABLE

*The timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be announced by the Offeror and the Company as and when appropriate.*

Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer ( <i>Note 1</i> ) .....	Friday, 5 November 2021
Latest time and date for acceptance of the Offer ( <i>Note 2</i> ).....	4:00 p.m. on Friday, 26 November 2021
Closing Date ( <i>Notes 2 and 3</i> ) .....	Friday, 26 November 2021
Announcement of the results of the Offer to be posted on the website of the Stock Exchange.....	at or before 7:00 p.m. on Friday, 26 November 2021
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offer ( <i>Notes 3 and 4</i> ).....	Tuesday, 7 December 2021

*Notes:*

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and are capable of acceptance on and from Friday, 5 November 2021 until the Closing Date. 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 for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the paragraph headed “6. Right of withdrawal” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Friday, 26 November 2021. The Offeror reserves the right to extend the Offer until such date as it may determine pursuant to the Takeovers Code. An announcement will be issued through the Stock Exchange website by 7:00 p.m. on Friday, 26 November 2021 stating whether the Offer has been revised or extended. In the event that the Offeror decides to extend the Offer, the 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 calendar days’ notice in writing will be given, before the extended Offer is closed, to those Shareholders who have not accepted the Offer.
3. If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) “extreme conditions” caused by super typhoons or (iii) a “black” rainstorm warning signal:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

## EXPECTED TIMETABLE

4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer will be posted to the accepting Shareholders by ordinary post at their own risk as soon as possible but in any event within seven Business Days following the date of receipt by the Registrar or by the company secretary of the Company (as the case may be) of the duly completed Form(s) of Acceptance and all the valid requisite documents.
5. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph headed "6. Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
6. The Stock Exchange has stated that if, at the 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) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

**All time and date references contained in this Composite Document and the accompanying Form of Acceptance are to Hong Kong times and dates.**

**Save as mentioned above, if the latest time for the acceptance of the Offer and the despatch of remittances do 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 Shareholders by way of announcement(s), of any change in the expected timetable as soon as possible.**

## DEFINITIONS

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

“acting in concert”	has the meaning as ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning as ascribed thereto under the Takeovers Code
“Board”	board of Directors
“Business Day”	a day on which banks in Hong Kong are open for business, operate and provide normal banking services (excluding Saturdays, Sundays, public holidays and the days when tropical cyclone warning signal No. 8 or above or black rainstorm warning signal is hoisted during anytime between 9:00 a.m. and 5:00 p.m.)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	26 November 2021, being the closing date of the Offer, which is 21 days after the date on which this Composite Document is posted, or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code
“Company”	Hifood Group Holdings Co., Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board with stock code 442
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Composite Document”	this composite document issued jointly by the Offeror and the Company in relation to the Offer in accordance with the Takeovers Code
“Deed of Appointment of Receivers”	the deed of appointment of receivers dated 26 February 2020 under the Share Charge pursuant to which the Joint Receivers were appointed as joint and several receivers over 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company) held by the Vendor
“Director(s)”	director(s) of the Company

## DEFINITIONS

“Dr. So”	Dr. So Shu Fai, the sole shareholder and the sole director of the Offeror
“Encumbrance(s)”	any option, right of acquisition, right of priority, mortgage, charge, lien, right of retention of title, right of set-off, counterclaim, trust arrangement, or any other right to collateral of any kind or equity interest or restriction (including the restrictions imposed by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in respect of any asset
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“Facility Agreement”	the facility agreement dated 8 September 2017 entered into between HKA Group Holdings Company Limited, a related company of the Vendor, as borrower, and Option Best as lender in relation to a term loan facility up to HK\$600 million
“Form(s) of Acceptance”	the form of acceptance and transfer of Share(s) in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region
“Independent Board Committee”	the independent committee of the Board comprising the non-executive Director, namely Ms. Mary Ang Mei Lee, and all independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui
“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it

## DEFINITIONS

“Joint Announcement”	the announcement dated 8 October 2021 jointly issued by the Company and the Offeror in relation to, among others, the Sale and Purchase Agreement and the Offer
“Joint Receivers”	Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu who were appointed pursuant to the Deed of Appointment of Receivers as joint and several receivers over the Sale Shares
“Last Trading Day”	24 September 2021, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of the Joint Announcement
“Latest Practicable Date”	3 November 2021, 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 prior to its publication
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Offer”	the mandatory unconditional general offer in cash being made by Somerley for and on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions set out in this Composite Document and the accompanying Form of Acceptance
“Offer Period”	has the meaning ascribed thereto under the Takeovers Code, being the period commencing from 13 March 2020 and ending on the Closing Date
“Offer Price”	the price at which the Offer will be made, being HK\$1.546 per Share
“Offer Share(s)”	all issued Shares other than those already acquired by the Offeror and parties acting in concert with it

## DEFINITIONS

“Option Best”	Option Best Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly owned by Huarong International Financial Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board with stock code 993
“Perfect Gain” or “Purchaser” or “Offeror”	Perfect Gain Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Dr. So
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, excluding Hong Kong, Macau and Taiwan
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, whose office is situated at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period from 13 September 2019, being the date falling six months preceding the commencement of the Offer Period up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 September 2021 and entered into by the Joint Receivers and the Purchaser in relation to the sale and purchase of the Sale Shares
“Sale Shares”	129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company) acquired by the Offeror from the Joint Receivers pursuant to the terms of the Sale and Purchase Agreement
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.005 each in the issued share capital of the Company
“Share Charge”	the share charge dated 12 September 2017 entered into between the Vendor (as chargor) and Option Best (as chargee) in respect of 129,372,494 Shares held by the Vendor to secure the Vendor’s obligations under the Facility Agreement
“Shareholder(s)”	holder(s) of Shares



## DEFINITIONS

“Somerley”	Somerley Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC
“Vendor”	HNA Aviation Investment Holding Company Ltd., a company incorporated in the Cayman Islands with limited liability whose ultimate beneficial owners are Hainan Province Cihang Foundation and Cihang Sino-Western Cultural and Educational Exchange Foundation Limited, based on the 2021 annual report of the Company published on 21 July 2021; and the Shares of HNA Aviation Investment Holding Company Ltd. were the subject of the Share Charge and such Shares were sold by the Joint Receivers as the Sale Shares to the Offeror
“%”	per cent

*Certain amounts and percentage figures included in this Composite Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain paragraphs and tables in this Composite Document may not be an arithmetic aggregation of the figures preceding them.*



**SOMERLEY CAPITAL LIMITED**  
20th Floor, China Building  
29 Queen's Road Central  
Hong Kong

5 November 2021

*To the Independent Shareholders*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER  
BY SOMERLEY CAPITAL LIMITED  
FOR AND ON BEHALF OF PERFECT GAIN GROUP LIMITED  
TO ACQUIRE ALL ISSUED SHARES OF  
HIFOOD GROUP HOLDINGS CO., LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY PERFECT GAIN GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement in relation to, among others, the Sale and Purchase Agreement and the Offer.

As disclosed in the Joint Announcement, pursuant to the Sale and Purchase Agreement entered into by the Joint Receivers and the Purchaser on 26 September 2021, the Purchaser has conditionally agreed to acquire, and the Joint Receivers have (as receiver exercising their power pursuant to the Deed of Appointment of Receivers) conditionally agreed to sell, the Sale Shares, being 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company as at the Latest Practicable Date) at a cash consideration of HK\$200,000,000, equivalent to approximately HK\$1.546 per Sale Share. The Completion took place on 30 September 2021.

Immediately following Completion, the Purchaser, its ultimate beneficial owner and their respective parties acting in concert own 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company as at the Latest Practicable Date). The Purchaser (i.e. the Offeror) is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional general offer in cash for all issued Shares other than those already owned or agreed to be acquired by the Offeror and its parties acting in concert.

This letter forms part of the Composite Document and sets out, among others, details of the Offer, information on the Offeror and the Offeror's intentions in relation to the Group. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to carefully consider the information contained

## LETTER FROM SOMERLEY

in the sections headed “Letter from the Board”, “Letter from the Independent Board Committee”, “Letter from the Independent Financial Adviser” in, and the appendices to, the 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

Somerley is making the Offer, which is unconditional, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following terms:

#### The Offer

For every Share ..... HK\$1.546 in cash

The Offer Price of HK\$1.546 per Offer Share under the Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer is unconditional in all respects.

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

#### Comparison of value

The Offer Price of HK\$1.546 per Offer Share represents:

- (i) a discount of approximately 15.05% to the closing price of HK\$1.820 per Share as at the Latest Practicable Date;
- (ii) a discount of approximately 22.70% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 10.12% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.720 per Share;
- (iv) a discount of approximately 5.04% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.628 per Share;
- (v) a premium of approximately 18.47% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.305 per Share;
- (vi) a premium of approximately 68.04% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.920 per Share;

## LETTER FROM SOMERLEY

- (vii) a premium of approximately 77.29% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.872 per Share; and
- (viii) a premium of approximately 29.92% over the audited consolidated net asset value of the Group of approximately HK\$1.190 per Share as at 31 March 2021 based on 172,600,000 Shares in issue as at the Latest Practicable Date.

### **Highest and lowest Share prices**

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.08 per Share on 25 September 2019 and HK\$0.57 per Share on 30 June 2021 and 2 July 2021.

### **Value and total consideration of the Offer**

As at the Latest Practicable Date, the Company had 172,600,000 Shares in issue, and had no other outstanding warrants, derivatives, options, convertibles or other securities in issue which may confer any rights to the holder(s) thereof to subscribe, convert or exchange into Shares.

On the basis of the Offer Price of HK\$1.546 per Share and 172,600,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at HK\$266,839,600. Excluding the Sale Shares and assuming no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer, a total of 43,227,506 Shares is subject to the Offer. Based on the Offer Price of HK\$1.546 per Offer Share and on the basis of full acceptance of the Offer, the maximum payment obligations payable by the Offeror under the Offer amounts to approximately HK\$66,829,724.30.

### **Confirmation on financial resources available for the Offer**

The maximum payment obligations payable for the Offer shall be payable in cash. The Offeror intends to finance the maximum payment obligations payable for the Offer by its own internal resources. As at the Latest Practicable Date, the Consideration had been paid in full to the Joint Receivers.

Somerley has been appointed as the financial adviser to the Offeror in respect of the Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum payment obligations of approximately HK\$66,829,724.30 upon full acceptance of the Offer in respect of 43,227,506 Offer Shares.

### **Condition to the Offer**

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

## LETTER FROM SOMERLEY

### **Effect of accepting the Offer**

By accepting the Offer, Shareholders will sell their Shares 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 posting of the Composite Document.

Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are 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. As disclosed in the section headed “Letter from the Board” in the Composite Document, as at the Latest Practicable Date, the Company did not have any dividend or distribution announced, declared, recommended or made but unpaid and the Company did not intend to declare any dividend for the six months ended 30 September 2021.

Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### **Overseas Independent Shareholders**

To the extent practicable and permissible under applicable laws and regulations, the Offeror intends to make available the Offer to all Independent Shareholders, including those who are residents outside Hong Kong. The making of the Offer to persons who are not residents in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are residents. Overseas Independent 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 Independent 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 by such overseas Independent Shareholders in respect of such jurisdictions).

Any acceptance by any Independent Shareholder who is not resident in Hong Kong will be deemed to constitute a representation and warranty from such Independent Shareholder to the Offeror that the local laws and requirements have been complied with. All such Independent Shareholders should consult their professional advisers if in doubt. As at the Latest Practicable Date, there was no Independent Shareholder whose registered address as shown in the register of members of the Company was outside Hong Kong.

## LETTER FROM SOMERLEY

### **Procedures for acceptance**

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 delivered, 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) in respect of the number of Offer Shares tendered for acceptance, by post or by hand, to the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in an envelope marked "Hifood Group Holdings Co., Limited — Cash Offer" on the envelope so as to reach the Registrar as soon as possible but in any event by no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.

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) in respect of the Offer Shares will be given.

Your attention is drawn to the further details regarding the procedures for acceptance of the Offer, settlement of the Offer and acceptance period and revisions as set out in Appendix I "Further Terms of the Offer" to the Composite Document and the accompanying Form of Acceptance.

### **Hong Kong stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.13% of the amount payable in respect of relevant acceptances by the Independent Shareholders, or the market value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), whichever is higher, will be deducted from the cash amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer.

### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed acceptances of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptances are received by the Offeror to render each such acceptance complete and valid.

No fractions of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

## LETTER FROM SOMERLEY

### Taxation advice

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 Offeror, its parties acting in concert, the Company, Somerley and their respective directors, officers, 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.

### INFORMATION OF THE OFFEROR

Perfect Gain is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, save for entering into the Sale and Purchase Agreement, Perfect Gain had not engaged in any business activities and was beneficially wholly owned by Dr. So who is also the sole director of the company.

**Dr. So Shu Fai**, aged 70, is currently the vice-chairman, an executive director and CEO of SJM Holdings Limited (a company principally engaged in casino gaming operations and gaming-related activities and provision of hotel, catering retail and related services in Macau; and listed on the Stock Exchange with stock code 880) and the executive director of China Merchants Land Limited (a company principally engaged in development, sale, lease, investment of properties; assets management; and investment holding; and listed on the Stock Exchange with stock code 978). He is also the chairman of the board of directors of MACAUPORT — Sociedade de Administração de Portos, S.A.

Dr. So graduated with a Bachelor of Science degree from The University of Hong Kong in 1973, and received a doctoral degree in Management Studies from The International Management Centre as validated by Southern Cross University, Australia in 2001. He is currently a Chartered Secretary and a Chartered Governance Professional and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Dr. So is also a fellow member of The Hong Kong Institute of Directors.

Other than being the sole shareholder and the sole director of the Offeror, Dr. So had no present or past relationship (whether formal or informal, business or otherwise) with the Company and/or its connected persons as at the Latest Practicable Date.

### INFORMATION OF THE GROUP

As disclosed in the section headed “Letter from the Board” in the Composite Document, the Company is an investment holding company listed on the Main Board. The Group is principally engaged in the manufacture and sale of jewellery products, trading of precious metals and other raw jewellery materials and luxury watches.

Details of the information of the Company are set out in the section headed “Letter from the Board” in the Composite Document. The financial and general information of the Company is set out in Appendices II and IV to the Composite Document, respectively.



## LETTER FROM SOMERLEY

### Shareholding structure of the Company

As disclosed in the section headed “Letter from the Board” in the Composite Document, the shareholding structure of the Company as at the Latest Practicable Date is as follows:

	Number of Shares	Approximate % of issued Shares
The Offeror ( <i>Note</i> ) and parties acting in concert with it	129,372,494	74.96
Mr. Su Zhiyi	30,000	0.02
Public Shareholders	<u>43,197,506</u>	<u>25.02</u>
Total	<u><u>172,600,000</u></u>	<u><u>100.00</u></u>

*Note:* The Offeror is beneficially wholly owned by Dr. So.

### INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

While the Offeror intends to continue the principal business of the Group and has no intention to dispose of the businesses of the Group immediately after the close of the Offer, the Offeror is considering utilising livestream e-commerce as a new channel for the sale of the Group’s jewellery products and further expanding the Group’s jewellery sales to other overseas countries. Having said that, following the close of the Offer, the Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may also consider exploring other business opportunities to diversify the business of the Group with an objective to broaden its income source. However, as at the Latest Practicable Date, no such investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding, intention or negotiation in relation to injection of any asset or business into the Group. As at the Latest Practicable Date, the Offeror had not entered into any agreement, arrangement, understanding, intention or negotiation in relation to redeployment of the employees, disposal and/or redeployment of the assets of the Group, or termination or scaling-down of any business of the Group.

### Proposed change of the composition of the Board

As at the Latest Practicable Date, the Board was made up of 11 Directors, comprising three executive Directors, namely Mr. Su Zhiyi, Mr. Xiong Cong and Mr. Cai Si; two non-executive Directors, namely Ms. Mary Ang Mei Lee and Mr. Tom Xie; and six independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui.



## LETTER FROM SOMERLEY

It is expected that all executive Directors, Ms. Mary Ang Mei Lee, Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong will resign from the Board with effect from a date no earlier than the date of the close of the Offer or at a date as permitted under the Takeovers Code.

On the other hand, it is intended that (i) Mr. Tom Xie shall be re-designated from the position of non-executive Director to the position of executive Director; and (ii) Mr. Chan Wai Dune shall be appointed as the non-executive Director, both with effect from a date no earlier than the date of the Composite Document or at a date as permitted under the Takeovers Code.

The biographies of Mr. Tom Xie and Mr. Chan Wai Dune are set out below:

**Mr. Xie**, aged 72, obtained a Master of Science degree and a Master's Graduation Certificate in Gemology, both from China University of Geosciences (Beijing). He was an independent non-executive director of U-Right International Holdings Limited (now known as Fullsun International Holdings Group Co., Limited, a company listed on the Stock Exchange with stock code 627) from August 2013 to December 2017, and a non-executive director of China Investment Development Limited (a company listed on the Stock Exchange with stock code 204) from September 2019 to September 2020. Mr. Xie is currently an independent non-executive director of Yuan Heng Gas Holdings Limited (a company listed on the Stock Exchange with stock code 332) since January 2010. He was appointed as a non-executive Director on 9 July 2021. Upon his re-designation as an executive Director, Mr. Xie will be responsible for making major operation decisions for the Group and supervising business administration of the Group.

**Mr. Chan**, aged 69, is currently the chairman and chief executive officer of Crowe (HK) CPA Limited. He has over 40 years of experience in the finance sector, particularly in the areas of auditing and taxation. Mr. Chan is a certified public accountant and is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Taxation Institute of Hong Kong. He is also an associate chartered accountant of The Institute of Chartered Accountants in England and Wales. Mr. Chan is currently serving various public positions such as the executive vice-chairman of the GMC Hong Kong Members Association Ltd. and a member and a standing committee member of CPPCC of the Guangzhou Municipal Committee. He was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. Mr. Chan is currently an independent non-executive director of Wai Chun Group Holdings Limited (a company principally engaged in (i) general trading; (ii) network and system integration by the production of software and provision of solutions and related services; and (iii) investment holdings; and listed on the Stock Exchange with stock code 1013) and Tianjin Tianbao Energy Co., Ltd. (a power operator in Tianjin engaging in co-generation of steam, electricity, heating and cooling listed on the Stock Exchange with stock code 1671).

## LETTER FROM SOMERLEY

Mr. Chan was also a non-executive director of Pickquick Plc., a company incorporated in the United Kingdom, prior to its dissolution. As confirmed by Mr. Chan, as far as he is aware, the dissolution of Pickquick Plc. has not resulted in any liability or obligation being imposed against him. Further information of Pickquick Plc. is set out below:

<b>Name of Company</b>	<b>Principal business before dissolution</b>	<b>Date of dissolution</b>	<b>Reason for dissolution</b>
Pickquick Plc.	Sale of golf products	May 2004	Creditors' voluntary liquidation

On 2 February 2010, the HKICPA reprimanded Mr. Chan and CCIF CPA Limited (“CCIF”) and imposed a penalty of HK\$40,000 due to their breach of a professional standard issued by the HKICPA in relation to the preparation of the audited financial statements of a listed company in Hong Kong for the year ended 31 July 2004. Mr. Chan was the then managing director of CCIF.

The reprimand was related to the internal procedures of handling the audit of CCIF's client where Mr. Chan had to assume some responsibilities as being the managing director of CCIF and responsible for signing the relevant auditors' report.

Based on the above information and his past performance, the Board is of the view that with his professional knowledge and experience, Mr. Chan is fit and proper to act as a non-executive Director and to the best knowledge and belief of Mr. Chan, no approval or consent from any regulatory body is required in respect of his proposed appointment as the non-executive Director.

Save as disclosed above, there is no other matter that need to be brought to the attention of the Shareholders in connection with the above proposed appointments, and there is no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

In addition to the above nominees, the Offeror is currently considering nominating Dr. So (whose biography is set out in the paragraph headed “Information of the Offeror” in this letter contained in the Composite Document) to be a Director after the close of the Offer and is also in the course of identifying suitable candidates to be nominated to the Board at such time as it considers appropriate to further enhance the management resources and expertise of the Board, upon further review by the Board and its nomination committee, while no concrete list of candidates had been reached as at the Latest Practicable Date. In any event, any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a further announcement will be made as and when appropriate.

### **Public float and maintenance of the listing status of the Company**

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The Offeror and the new Directors to be appointed will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that not less than 25% of the Shares will be held by the public.

## LETTER FROM SOMERLEY

For the avoidance of doubt, the Offer Shares to be tendered by the Independent Shareholders upon valid acceptance of the Offer will be retained by the Offeror. In case there is less than 25% of the Shares held by the public following the close of the Offer, the Offeror will place down the Shares held by it in order that there will be 25% of the issued Shares held by the public.

The Stock Exchange has stated that, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, 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) there are insufficient Shares in public hands to maintain an orderly market,

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

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new Directors to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float will exist in the Shares, i.e. not less than 25% of the entire issued share capital of the Company will be held by the public at all times following the close of the Offer.

### **COMPULSORY ACQUISITION**

The Offeror does not intend to avail itself of any powers to compulsorily acquire any outstanding Offer Shares not acquired pursuant to the Offer after the close of the Offer.

### **GENERAL**

To ensure the equality of treatment of all Shareholders, registered Shareholders who hold the Share(s) 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 Share(s) whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions of their intentions to the Offer to their respective nominees.

All documents and remittances in respect of cash consideration payable for the Offer Shares tendered under the Offer will be sent to the accepting Independent 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 Independent 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 and the parties acting in concert with it, the Company, Somerley, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any

## LETTER FROM SOMERLEY

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 the Composite Document and the accompanying Form of Acceptance, which form part of the Composite Document. In addition, your attention is also drawn to the sections headed “Letter from the Board” and “Letter from the Independent Board Committee” and the letter of advice and recommendation by the Independent Financial Adviser to the Independent Board Committee as set out in the section headed “Letter from the Independent Financial Adviser” in the Composite Document.

Yours faithfully,  
For and on behalf of  
**Somerley Capital Limited**  
**M.N. Sabine**  
*Chairman*

LETTER FROM THE BOARD

**HIFOOD GROUP HOLDINGS CO., LIMITED**

**海福德集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 442)**

*Executive Directors:*

Mr. Su Zhiyi  
Mr. Xiong Cong  
Mr. Cai Si

*Non-executive Directors:*

Ms. Mary Ang Mei Lee  
Mr. Tom Xie

*Independent non-executive Directors:*

Mr. Ting Tit Cheung  
Mr. Chan Chi Kuen  
Mr. Lo Chun Pong  
Mr. Yau Pak Yue  
Mr. Chung Wai Man  
Mr. Ning Rui

*Registered Office:*

Windward 3, Regatta Office Park  
PO Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Unit 1705-07  
17/F, K11 Atelier, Victoria Dockside  
18 Salisbury Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

5 November 2021

*To the Independent Shareholders*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER  
BY SOMERLEY CAPITAL LIMITED  
FOR AND ON BEHALF OF PERFECT GAIN GROUP LIMITED  
TO ACQUIRE ALL ISSUED SHARES OF  
HIFOOD GROUP HOLDINGS CO., LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY PERFECT GAIN GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**1. INTRODUCTION**

On 8 October 2021, the Offeror and the Company published the Joint Announcement to announce on 26 September 2021, the Offeror (as purchaser) and the Joint Receivers (as receivers) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Joint Receivers have (as receiver exercising their

## LETTER FROM THE BOARD

power pursuant to the Deed of Appointment of Receivers) conditionally agreed to sell, the Sale Shares, being 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company as at the Latest Practicable Date).

All of the Conditions have been satisfied and Completion took place on 30 September 2021.

Immediately prior to Completion, none of the Purchaser, its ultimate beneficial owner and their respective parties acting in concert owned any Shares or any other convertible securities, options, warrants or derivatives in the Company. Immediately following Completion, the Purchaser, its ultimate beneficial owner and their respective parties acting in concert own 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company as at the Latest Practicable Date).

The Purchaser (i.e. the Offeror) is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional general offer in cash for all issued Shares other than those already owned or agreed to be acquired by the Offeror and its parties acting in concert.

### **2. THE OFFER**

Somerley is making the Offer, which is unconditional in all respect, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following terms:

For every Share ..... HK\$1.546 in cash

The Offer Price of HK\$1.546 per Offer Share under the Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

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

#### **Effect of accepting the Offer**

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions. By accepting the Offer, Shareholders will sell their Shares 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 posting of the Composite Document. Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are 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. As at the Latest Practicable Date, the Company did not have any dividend or distribution announced, declared, recommended or made but unpaid and the Company does not intend to declare any dividend for the six months ended 30 September 2021.

## LETTER FROM THE BOARD

Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### 3. COMPARISON OF VALUE

The Offer Price of HK\$1.546 per Offer Share represents:

- (i) a discount of approximately 15.05% to the closing price per Share of HK\$1.820 on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 22.70% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 10.12% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.720 per Share;
- (iv) a discount of approximately 5.04% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.628 per Share;
- (v) a premium of approximately 18.47% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.305 per Share;
- (vi) a premium of approximately 68.04% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.920 per Share;
- (vii) a premium of approximately 77.29% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.872 per Share; and
- (viii) a premium of approximately 29.92% over the audited consolidated net asset value of the Group of approximately HK\$1.190 per Share as at 31 March 2021 based on 172,600,000 Shares in issue as at the Latest Practicable Date.

#### **Highest and lowest Share prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$2.08 per Share on 25 September 2019 and HK\$0.57 per Share on 30 June 2021 and 2 July 2021.

#### **Value and total consideration of the Offer**

As at the Latest Practicable Date, the Company had 172,600,000 Shares in issue, and had no other outstanding warrants, derivatives, options, convertibles or other securities in issue which may confer any rights to the holder(s) thereof to subscribe, convert or exchange into Shares.

## **LETTER FROM THE BOARD**

On the basis of the Offer Price of HK\$1.546 per Share and 172,600,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at HK\$266,839,600. Excluding the Sale Shares and assuming no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer, a total of 43,227,506 Shares is subject to the Offer. Based on the Offer Price of HK\$1.546 per Offer Share and on the basis of full acceptance of the Offer, the maximum payment obligations payable by the Offeror under the Offer amounts to approximately HK\$66,829,724.30.

### **Confirmation of financial resources available for the Offer**

The maximum payment obligations payable for the Offer shall be payable in cash. The Offeror intends to finance the maximum payment obligations payable for the Offer by its own internal resources. As at the Latest Practicable Date, the Consideration had been paid in full to the Joint Receivers.

Somerley has been appointed as the financial adviser to the Offeror in respect of the Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum payment obligations of approximately HK\$66,829,724.30 upon full acceptance of the Offer in respect of 43,227,506 Offer Shares.

## **4. INFORMATION OF THE OFFEROR AND THE GROUP**

### **(1) Information on the Offeror**

Your attention is drawn to the paragraph headed “Letter from Somerley — Information of the Offeror” and Appendix III “General Information relating to the Offeror” to the Composite Document.



## LETTER FROM THE BOARD

### (2) Information on the Company

The Company is an investment holding company listed on the Main Board. The Group is principally engaged in the manufacture and sale of jewellery products, trading of precious metals and other raw jewellery materials and luxury watches.

The following table sets out a summary of certain financial information of the Group for the two years ended 31 March 2020 and 31 March 2021:

	<u>For the year ended 31 March</u>	
	<b>2021</b> <i>HK\$'000</i> (audited)	<b>2020</b> <i>HK\$'000</i> (audited)
Revenue	162,644	154,038
Gross profit	7,019	8,885
Loss attributable to the equity holders of the Company	(74,998)	(67,694)
Net assets	205,333	278,306

Further details of the Group are set out in Appendix II “Financial Information of the Group” and Appendix IV “General Information relating to the Company” to the Composite Document.

### (3) Shareholding in the Company

Set out below is the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	<b>Immediately prior to Completion</b>		<b>Immediately after Completion and as at the Latest Practicable Date</b>	
	<i>Number of Shares</i>	<i>approximate % of issued Shares</i>	<i>Number of Shares</i>	<i>approximate % of issued Shares</i>
The Joint Receivers ( <i>Note 1</i> )	129,372,494	74.96	—	—
The Offeror ( <i>Note 2</i> ) and parties acting in concert with it	<u>—</u>	<u>—</u>	<u>129,372,494</u>	<u>74.96</u>
Mr. Su Zhiyi	30,000	0.02	30,000	0.02
Public Shareholders	<u>43,197,506</u>	<u>25.02</u>	<u>43,197,506</u>	<u>25.02</u>
Total	<u><u>172,600,000</u></u>	<u><u>100.00</u></u>	<u><u>172,600,000</u></u>	<u><u>100.00</u></u>

## LETTER FROM THE BOARD

*Notes:*

1. HKA Group Holdings Company Limited (a related company of the Vendor, as borrower) has defaulted on its repayment obligation under the Facility Agreement and the security over the Sale Shares in favour of Option Best has become enforceable. The Joint Receivers were appointed under the Deed of Appointment of Receivers for the Sale Shares. On 28 September 2021, the Deed of Release has been executed by Option Best in favour of the Vendor and the Share Charge has been released accordingly.
2. The Offeror is beneficially wholly owned by Dr. So.

### **5. INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP**

While the Offeror intends to continue the principal business of the Group and has no intention to dispose of the businesses of the Group immediately after close of the Offer, the Offeror is considering utilising livestream e-commerce as a new channel for the sale of the Group's jewellery products and further expanding the Group's jewellery sales to other overseas countries. Having said that, following the close of the Offer, the Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may also consider exploring other business opportunities to diversify the business of the Group with an objective to broaden its income source. However, as at the Latest Practicable Date, no such investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding, intention or negotiation in relation to injection of any asset or business into the Group. As at the Latest Practicable Date, the Offeror had not entered into any agreement, arrangement, understanding, intention or negotiation in relation to redeployment of the employees, disposal and/or redeployment of the assets of the Group, or termination or scaling-down of any business of the Group.

#### **Proposed change of the composition of the Board**

As at the Latest Practicable Date, the Board was made up of 11 Directors, comprising three executive Directors, namely Mr. Su Zhiyi, Mr. Xiong Cong and Mr. Cai Si; two non-executive Directors, namely Ms. Mary Ang Mei Lee and Mr. Tom Xie; and six independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui.

It is expected that all executive Directors, Ms. Mary Ang Mei Lee, Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong will resign from the Board with effect from a date no earlier than the date of the close of the Offer or at a date as permitted under the Takeovers Code.

On the other hand, it is intended that (i) Mr. Tom Xie shall be re-designated from the position of non-executive Director to the position of executive Director; and (ii) Mr. Chan Wai Dune shall be appointed as the non-executive Director, both with effect from a date no earlier than the date of the Composite Document or at a date as permitted under the Takeovers Code.

## LETTER FROM THE BOARD

The biographies of Mr. Tom Xie and Mr. Chan Wai Dune are set out below:

**Mr. Xie**, aged 72, obtained a Master of Science degree and a Master's Graduation Certificate in Gemology, both from China University of Geosciences (Beijing). He was an independent non-executive director of U-Right International Holdings Limited (now known as Fullsun International Holdings Group Co., Limited, a company listed on the Stock Exchange with stock code 627) from August 2013 to December 2017, and a non-executive director of China Investment Development Limited (a company listed on the Stock Exchange with stock code 204) from September 2019 to September 2020. Mr. Xie is currently an independent non-executive director of Yuan Heng Gas Holdings Limited (a company listed on the Stock Exchange with stock code 332) since January 2010. He was appointed as a non-executive Director on 9 July 2021. Upon his re-designation as an executive Director, Mr. Xie will be responsible for making major operation decisions for the Group and supervising business administration of the Group.

**Mr. Chan**, aged 69, is currently the chairman and chief executive officer of Crowe (HK) CPA Limited. He has over 40 years of experience in the finance sector, particularly in the areas of auditing and taxation. Mr. Chan is a certified public accountant and is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Taxation Institute of Hong Kong. He is also an associate chartered accountant of The Institute of Chartered Accountants in England and Wales. Mr. Chan is currently serving various public positions such as the executive vice-chairman of the GMC Hong Kong Members Association Ltd. and a member and a standing committee member of CPPCC of the Guangzhou Municipal Committee. He was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. Mr. Chan is currently an independent non-executive director of Wai Chun Group Holdings Limited (a company principally engaged in (i) general trading; (ii) network and system integration by the production of software and provision of solutions and related services; and (iii) investment holdings; and listed on the Stock Exchange with stock code 1013) and Tianjin Tianbao Energy Co., Ltd. (a power operator in Tianjin engaging in co-generation of steam, electricity, heating and cooling listed on the Stock Exchange with stock code 1671).

Mr. Chan was also a non-executive director of Pickquick Plc., a company incorporated in the United Kingdom, prior to its dissolution. As confirmed by Mr. Chan, as far as he is aware, the dissolution of Pickquick Plc. has not resulted in any liability or obligation being imposed against him. Further information of Pickquick Plc. is set out below:

Name of Company	Principal business before dissolution	Date of dissolution	Reason for dissolution
Pickquick Plc.	Sale of golf products	May 2004	Creditors' voluntary liquidation

## LETTER FROM THE BOARD

On 2 February 2010, the HKICPA reprimanded Mr. Chan and CCIF CPA Limited (“CCIF”) and imposed a penalty of HK\$40,000 due to their breach of a professional standard issued by the HKICPA in relation to the preparation of the audited financial statements of a listed company in Hong Kong for the year ended 31 July 2004. Mr. Chan was the then managing director of CCIF.

The reprimand was related to the internal procedures of handling the audit of CCIF’s client where Mr. Chan had to assume some responsibilities as being the managing director of CCIF and responsible for signing the relevant auditors’ report.

Based on the above information and his past performance, the Board is of the view that with his professional knowledge and experience, Mr. Chan is fit and proper to act as a non-executive Director and to the best knowledge and belief of Mr. Chan, no approval or consent from any regulatory body is required in respect of his proposed appointment as the non-executive Director.

Save as disclosed above, there is no other matter that need to be brought to the attention of the Shareholders in connection with the above proposed appointments, and there is no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

In addition to the above nominees, the Offeror is currently considering nominating Dr. So to be a Director after the close of the Offer (whose biography is set out in the paragraph headed “Letter from Somerley – Information of the Offeror” in the Composite Document) and is also in the course of identifying suitable candidates to be nominated to the Board at such time as it considers appropriate to further enhance the management resources and expertise of the Board, upon further review by the Board and its nomination committee, while no concrete list of candidates had been reached as at the Latest Practicable Date. In any event, any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a further announcement will be made as and when appropriate.

### **6. PUBLIC FLOAT AND MAINTENANCE OF THE LISTING STATUS OF THE COMPANY**

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new Directors to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float will exist in the Shares, i.e. not less than 25% of the entire issued share capital of the Company will be held by the public at all times following the close of the Offer.

For the avoidance of doubt, the Offer Shares to be tendered by the Independent Shareholders upon valid acceptance of the Offer will be retained by the Offeror. In case there is less than 25% of the Shares held by the public following the close of the Offer, the Offeror will place down the Shares held by it in order that there will be 25% of the issued Shares held by the public.

## LETTER FROM THE BOARD

### 7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board has established the Independent Board Committee comprising the non-executive Director, namely Ms. Mary Ang Mei Lee, and all independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Meanwhile, Mr. Tom Xie is not included as a member of the Independent Board Committee in view of his proposed re-designation from the position of non-executive Director to the position of executive Director with effect from a date no earlier than the date of the Composite Document or a date as permitted under the Takeovers Code.

The Independent Board Committee has appointed Red Sun as its Independent Financial Adviser to provide advice to the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance. For the opinions and advice of the Independent Financial Adviser, please refer to section headed "Letter from the Independent Financial Adviser" in the Composite Document.

### 8. TAXATION

#### **Hong Kong stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.13% of the amount payable in respect of relevant acceptances by the Independent Shareholders, or the market value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), whichever is higher, will be deducted from the cash amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer.

#### **Taxation advice**

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 Offeror, its parties acting in concert, the Company, Somerley and their respective directors, officers, 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.

## LETTER FROM THE BOARD

### 9. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 29 to page 30 of the Composite Document which contains its recommendation to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to their acceptance of the Offer; and (ii) the letter from the Independent Financial Adviser set out on page 31 to page 53 of the Composite Document which contains its advice to the Independent Board Committee in connection with the Offer and the principal factors considered by it in arriving at its advice.

Based on the circumstances of the Company as at the Latest Practicable Date and having considered the terms of the Offer and the advice from the Independent Financial Adviser, the Board considers that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned after taking into account the principal factors and reasons as set out in the section headed “Letter from the Independent Financial Adviser” in the Composite Document.

Accordingly, the Board recommends that the Independent Shareholders to accept the Offer.

### 10. ADDITIONAL INFORMATION

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

Yours faithfully,  
On behalf of the Board  
**Hifood Group Holdings Co., Limited**  
海福德集團控股有限公司  
**Su Zhiyi**  
*Chairman and Executive Director*

**HIFOOD GROUP HOLDINGS CO., LIMITED**

**海福德集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 442)**

5 November 2021

*To the Independent Shareholders*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER  
BY SOMERLEY CAPITAL LIMITED  
FOR AND ON BEHALF OF PERFECT GAIN GROUP LIMITED  
TO ACQUIRE ALL ISSUED SHARES OF  
HIFOOD GROUP HOLDINGS CO., LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY PERFECT GAIN GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. the Independent Shareholders) as to, in our opinion, whether or not the terms of the Offer are fair and reasonable and to make recommendation in respect of acceptance of the Offer or not.

Red Sun has been appointed as the Independent Financial Adviser to make recommendation to us in respect of the terms of Offer and, in particular, whether the Offer is fair and reasonable and to make recommendation in respect of the acceptance of the Offer or not. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the section headed “Letter from the Independent Financial Adviser” in the Composite Document.

We also wish to draw your attention to the letter from the Board and the additional information set out in the appendices to the Composite Document.

Taking into account the terms of the Offer and the independent advice and recommendations from Red Sun, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

The Independent Shareholders are recommended to read the full text of the section headed “Letter from the Independent Financial Adviser” set out in the Composite Document.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Hifood Group Holdings Co., Limited**

**Ms. Mary Ang Mei Lee**  
*Non-executive director*

**Mr. Ting Tit Cheung**  
*Independent non-executive  
director*

**Mr. Chan Chi Kuen**  
*Independent non-executive  
director*

**Mr. Lo Chun Pong**  
*Independent non-executive  
director*

**Mr. Yau Pak Yue**  
*Independent non-executive  
director*

**Mr. Chung Wai Man**  
*Independent non-executive  
director*

**Mr. Ning Rui**  
*Independent non-executive  
director*



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee for inclusion in this Composite Document.*



紅日資本有限公司  
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower  
Shun Tak Centre,  
168-200 Connaught Road Central,  
Hong Kong

5 November 2021

*To: The Independent Board Committee of Hifood Group Holdings Co., Limited*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER  
BY SOMERLEY CAPITAL LIMITED  
FOR AND ON BEHALF OF PERFECT GAIN GROUP LIMITED  
TO ACQUIRE ALL ISSUED SHARES OF  
HIFOOD GROUP HOLDINGS CO., LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY PERFECT GAIN GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 5 November 2021, 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 otherwise requires.

On 26 September 2021, the Offeror (as purchaser) and the Joint Receivers (as receivers) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Joint Receivers have (as receiver exercising their power pursuant to the Deed of Appointment of Receivers) conditionally agreed to sell, the Sale Shares, being 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company as at the Latest Practicable Date). The Consideration is HK\$200,000,000, equivalent to approximately HK\$1.546 per Sale Share.

Immediately prior to Completion, none of the Purchaser, its ultimate beneficial owner and their respective parties acting in concert owned any Shares or any other convertible securities, options, warrants or derivatives in the Company. Immediately following Completion, the Purchaser, its ultimate beneficial owner and their respective parties acting in concert own 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company as at the Latest Practicable Date). Completion took place on 30 September 2021.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Purchaser (i.e. the Offeror) is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional general offer in cash for all issued Shares other than those already owned or agreed to be acquired by the Offeror and its parties acting in concert.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising the non-executive Director, namely Ms. Mary Ang Mei Lee, and all independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui has been established to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Meanwhile, Mr. Tom Xie is not included as a member of the Independent Board Committee in view of his proposed re-designation from the position of non-executive Director to the position of executive Director with effect from a date no earlier than the date of the Composite Document or a date as permitted under the Takeovers Code.

We, Red Sun, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance. Pursuant to Rule 2.1 of the Takeovers Code, our appointment has been approved by the Independent Board Committee. Our role as the independent financial adviser is to give our recommendation to the Independent Board Committee as to (i) whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Independent Shareholders should, or should not, accept the Offer.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Vendor, the Offeror and any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them and accordingly, are qualified to give independent advice to the Independent Board Committee in respect of the Offer. In the previous two years, we did not act as an independent financial adviser to the Company under the Listing Rules or Takeovers Code. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from Company.

### BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Composite Document and the information and representations provide to us by the Offeror, the directors of the Company (the “**Directors**”) and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations provided by the Offeror, the Directors and the Management, for which they are solely responsible respectively, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also assumed that all statements of belief, opinion and expectation made by the Offeror and the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Offeror, the Company, its advisers, the Management and/or the Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Offeror, the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Company, the Vendor, the Offeror and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate. Our opinion is necessarily based on financial, economic, market and other conditions in effect and the information made available to us at the Latest Practicable Date. This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely for their consideration of the Offer.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Group, the Directors, the Vendor, the Joint Receivers (who accept full responsibility for the information of or relating to themselves) and Option Best), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Directors and the Joint Receivers (who accept full responsibility for the opinions expressed by themselves)) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

The Joint Receivers accept full responsibility for the accuracy of the information relating to themselves contained in the Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by themselves in the Composite Document have been arrived at after due and careful consideration and there are no other facts relating to the Joint Receivers not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Joint Receivers (who accept full responsibility for the information of or relating to themselves), the Purchaser, the Offeror, the sole director of the Offeror and the nominee Director of the Offeror and the Joint Receivers (who accept full responsibility for the opinions expressed by themselves)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the sole director of the Offeror) in the Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statements in the Composite Document misleading.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

### PRINCIPAL TERMS OF THE OFFER

Somerley is making the Offer, which is unconditional, in all respect, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following terms:

**For every Share ..... HK\$1.546 in cash**

The Offer Price of HK\$1.546 per Offer Share under the Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sales and Purchase Agreement.

The Offer is unconditional in all respects.

As set out in the “Letter from Somerley” to the Composite Document, the Offer Price of HK\$1.546 per Offer Share paid by the Offeror pursuant to the Sales and Purchase Agreement and represents:

- (a) a discount of approximately 15.05% to the closing price of HK\$1.82 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (b) a discount of approximately 22.70% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 10.12% to the average of the closing prices of Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.720 per Share;
- (d) a discount of approximately 5.04% to the average of the closing prices of Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.628 per Share;
- (e) a premium of approximately 18.47% over the average of the closing prices of Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.305 per Share;
- (f) a premium of approximately 68.04% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.920 per Share;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (g) a premium of approximately 77.29% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.872 per Share; and
- (h) a premium of approximately 29.92% over the Group’s audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.19 per Share as at 31 March 2021, calculated based on the Group’s audited consolidated net asset value attributable to the owners of the Company of approximately HK\$205,333,000 as at 31 March 2021 and 172,600,000 Shares in issue as at the Latest Practicable Date.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

#### 1. Background and outlook of the Group

##### (a) Background and historical financial information of the Group

The Group is principally involved in the manufacture and sale of jewellery products, trading of precious metals and other raw jewellery materials and luxury watches.

Set out below is the summary of the Group’s audited consolidated statement of income and consolidated balance sheet for the three years ended 31 March 2019, 2020 and 2021 as extracted from the annual report of the Group for the year ended 31 March 2020 (the “**2020 Annual Report**”) and the annual report of the Group for the year ended 31 March 2021 (the “**2021 Annual Report**”).

**Table 1: Consolidated income statement of the Group**

	For the year ended 31 March		
	2021	2020	2019
	HK\$’000	HK\$’000	HK\$’000
	(audited)	(audited)	(audited)
Revenue recognised at a point in time	<b>162,644</b>	<b>154,038</b>	<b>218,897</b>
— Sales of jewellery products	146,981	46,867	184,232
— Sales of luxury watches	9,727	5,682	—
— Sales of precious metals and other raw jewellery materials	5,936	101,489	34,665
Revenue recognised over time	—	—	<b>389</b>
— Service revenue (i.e. processing services)	—	—	389

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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	<b>For the year ended 31 March</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Gross profit	<b>7,019</b>	<b>8,885</b>	<b>27,447</b>
Loss before tax	<b>(74,672)</b>	<b>(67,336)</b>	<b>(15,443)</b>
Loss for the year attributable to owners of the Company	<b>(74,998)</b>	<b>(67,694)</b>	<b>(17,136)</b>

*Financial results for the year ended 31 March 2021 (“FY2021”) compared to the year ended 31 March 2020 (“FY2020”)*

As set out in Table 1 above, the Group recorded revenue of approximately HK\$162.6 million for FY2021, representing an increase of approximately 5.6% as compared to the revenue of approximately HK\$154.0 million recorded for FY2020. As set out in the 2021 Annual Report, such increase was primarily due to the net effect of (i) a significant increase in sales in the Americas of approximately HK\$67.5 million; (ii) increase in sales in Europe (including Russia) of approximately HK\$31.1 million; and (iii) a decrease in sales in Hong Kong of approximately HK\$87.1 million.

The Group recorded an increase of approximately HK\$12.3 million in loss attributable to owners of the Company from approximately HK\$67.7 million for FY2020 to approximately HK\$80.0 million for FY2021. Such increase was mainly due to combined effect of (i) the decrease in gross profit of approximately HK\$1.9 million as a result of the decrease in gross profit margin from approximately 5.8% for FY2020 to approximately 4.3% for FY2021; and (ii) the increase in fair value losses on financial assets at fair value through profit or loss, which was related to certain Hong Kong listed equity securities and life insurance policy held by the Group, of approximately HK\$10.9 million.

*Financial results for the year ended 31 March 2020 (i.e. FY2020) compared to the year ended 31 March 2019 (“FY2019”)*

As set out in Table 1 above, the Group recorded revenue of approximately HK\$154.0 million for FY2020, representing a decrease of approximately 29.8% as compared to revenue of approximately HK\$219.3 million recorded for FY2019. As set out in the 2020 Annual Report, such decrease was primarily due to the net effect of (i) a decrease in sales in Europe (including Russia) of approximately HK\$60.2 million; (ii) a decrease in sales in Mainland China of approximately HK\$61.1 million; and (iii) an increase in sales in Hong Kong of approximately HK\$56.6 million.

The Group recorded an increase in loss attributable to owners of the Company from approximately HK\$17.1 million for FY2019 to approximately HK\$67.7 million for FY2020. Such increase was mainly due to (i) the decrease

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in gross profit of approximately HK\$18.5 million as a result of the decrease in revenue and the decrease in gross profit margin from approximately 12.5% for FY2019 to approximately 5.8% for FY2020; and (ii) fair value losses on financial assets at fair value through profit or loss of approximately HK\$45.3 million was recognised in FY2020 compared to the fair value gains in financial assets at fair value through profit or loss of approximately HK\$0.5 million recognised in FY2019.

In addition to the above financial information of the Group, as set out in the 2020 Annual Report, it is also noted that the Group has recorded losses attributable to its equity holders for each of the past five financial years since 2017, which ranged from approximately HK\$9.2 million for the year ended 31 March 2017 to approximately HK\$75.0 million for the year ended 31 March 2021.

**Table 2: Consolidated statement of financial position of the Group**

	<b>As at 31 March</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
<i>Non-current assets</i>	116,065	22,555	20,674
<i>Current assets</i>	112,441	286,912	357,195
— Inventories	21,437	18,664	31,088
— Trade receivables	51,137	78,910	51,569
— Prepayments, deposits and other receivables	2,654	9,222	3,730
— Financial assets at fair value through profit or loss	—	152,201	—
— Cash and bank balances	37,213	27,915	270,808
<i>Non-current liabilities</i>	804	1,113	—
<i>Current liabilities</i>	22,369	30,048	30,358
— Trade and other payables and accruals	21,601	19,725	28,515
— Contract liabilities	—	—	1,598
— Borrowings	—	9,924	—
— Lease liabilities	180	254	—
— Tax payables	588	145	245
<i>Net current assets</i>	90,072	256,864	326,837
<i>Equity attributable to the owners of the Company</i>	205,333	278,306	347,511



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Comparison of financial position as at 31 March 2021 and 31 March 2020*

As set out in Table 2 above, the Group recorded a decrease in the net current assets, the composition of which is set out in the table above, of approximately HK\$166.8 million from approximately HK\$256.9 million as at 31 March 2019 to approximately HK\$90.1 million as at 31 March 2020, which was largely attributable to the decrease in the current assets balance. The Group's current asset decreased from approximately HK\$286.9 million as at 31 March 2020 to approximately HK\$112.4 million as at 31 March 2021, such movement was primarily attributable to the reclassification of the Hong Kong listed equity securities from current assets to non-current assets during FY2021 where the relevant assets were recorded under "financial assets at fair value through profit or loss" as at 31 March 2020.

The Group recorded equity attributable to owners of the Company of approximately HK\$205.3 million, representing a decrease of approximately HK\$73.0 million as compared to that of approximately HK\$278.3 million recorded as at 31 March 2020. Such decrease was mainly attributable to the net effect of the operating loss of approximately HK\$18.7 million during FY2021 and the fair value losses of the Hong Kong listed equity securities of approximately HK\$56.7 million during FY2021.

### *Comparison of financial position as at 31 March 2020 and 31 March 2019*

As set out in Table 2 above, as at 31 March 2020, the Group recorded a decrease in the net current assets of approximately HK\$69.9 million from approximately HK\$326.8 million as at 31 March 2019 to approximately HK\$256.9 million as at 31 March 2020. Such movement was largely attributable to the decrease in the Group's current assets from approximately HK\$357.2 million as at 31 March 2019 to approximately HK\$286.9 million as at 31 March 2020, which was mainly due to the decrease in cash and bank balances of approximately HK\$242.9 million, in which approximately HK\$198.1 million was utilised in the acquisition of financial assets at fair value through profit or loss during the year, and partially offset by (i) the increase in financial assets at fair value through profit or loss of approximately HK\$152.2 million; and (ii) the increase in trade receivables of approximately HK\$27.3 million.

The Group recorded equity attributable to owners of the Company of approximately HK\$347.5 million and HK\$278.3 million as at 31 March 2019 and 31 March 2020, respectively. Such decrease was mainly attributable to loss attributable to owners of the Company recognised for the year ended 31 March 2020 of approximately HK\$67.7 million.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *(b) Outlook of the major geographical markets of the Group*

The outbreak of COVID-19 (the “**Outbreak**”) and the corresponding containment measures implemented by the respective governments had caused disruptions to economic activities temporarily on a global scale since early 2020, albeit to a different degree depending on the region and country. The implementation of vaccination programmes worldwide is expected to contribute positively in the containment of the Outbreak, which should in turn support the economic recovery over time.

As set out in the 2021 Annual Report, the Group’s largest two geographical segments by revenue from external customers were Americas and Europe (including Russia), which accounted for approximately 49.0% and 29.9% of the total revenue of the Group for FY2021, respectively. Although revenue from Hong Kong customers only accounted for approximately 9.9% of the total revenue of the Group for FY2021, revenue from Hong Kong customers accounted for approximately 66.9% of the total revenue of the Group for FY2020. In this connection, we have set out a high level overview of the outlook of the aforesaid geographical markets of the Group.

#### *Americas*

As advised by the Management, the Group’s revenue from its Americas geographic segment was primarily related to the United States of America (the “**U.S.**”) during FY2021. The U.S. economy was adversely affected by the impact of the Outbreak during 2020. With a view to support the recovery of the U.S. economy, the U.S. government introduced a number of policies and measures, including stimulus payments, quantitative easing policies and low interest rate monetary policy. The availability of the COVID-19 vaccines also contributed notably in the overall management of the Outbreak, which has supported the U.S. economy recovery.

According to the U.S. Bureau of Economic Analysis (the “**BEA**”) (<https://www.bea.gov/>), the gross domestic product (the “**GDP**”) of the U.S. increased at an annual rate of approximately 6.6% in the second quarter of 2021, reflecting the continued economic recovery, reopening of establishments, and continued government response related to the Outbreak.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Europe (including Russia)*

According to the document titled “GDP main aggregates and employment estimates for the second quarter of 2021” published by the Eurostat, the statistical office of the European Union, dated 7 September 2021, in the second quarter of 2021, seasonally adjusted GDP increased by approximately 2.2% in the euro area and by approximately 2.1% in the European Union compared with the previous quarter. In addition, during the second quarter of 2021, household final consumption expenditure increased by approximately 3.7% in the euro area and by approximately 3.5% in the European Union. Exports increased by approximately 2.2% in the euro area and by approximately 1.8% in the European Union and imports increased by approximately 2.3% in the euro area and by approximately 2.2% in the European Union. The aforesaid data indicated that both the euro area and the European Union are in the process of economic recovery.

### *Hong Kong*

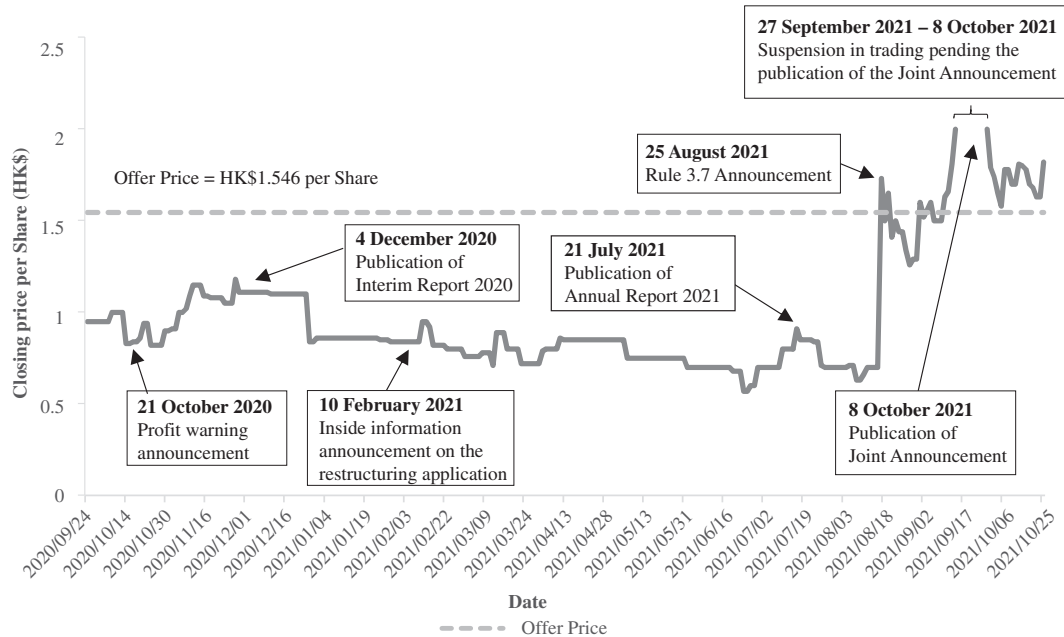
The overall economy of Hong Kong, which has been adversely affected by the Outbreak during 2020, has showed signs of recovery, such as the increase in GDP. According to the “Half-yearly Economic Report 2021” published by the Government of the Hong Kong in August 2021, the Hong Kong economy remained on track for recovery in the second quarter of 2021 alongside the improving global economic conditions and receding local epidemic. In the second quarter of 2021, real GDP (i.e. an inflation-adjusted GDP) increased notably by approximately 7.6% against a low base of comparison a year earlier, having expanded by approximately 8.0% in the preceding quarter.

In summary, despite the increasing vaccination rate in various regions and countries, certain parts of the U.S. and Europe have experienced resurgence of COVID-19 cases, which may continue to cause temporary adverse effects on their respective domestic economy recovery. In this connection, the rate and level of economic recovery of these geographical markets will, to a large extent, continue to be affected by the development of the Outbreak and the related containment measures.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2. Historical Share price performance

With a view to assess the fairness and reasonableness of the Offer, we have reviewed and analysed the closing prices of Shares (i) for approximately 12 months immediately prior to the Last Trading Day commencing on 24 September 2020 and up to and including the Last Trading Day (the “**First Review Period**”); and (ii) from the day immediately following the date of the Joint Announcement up to and including the Latest Practicable Date (the “**Second Review Period**” together with the First Review Period, the “**Review Period**”), details of which are set out below:



Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offer Price of HK\$1.546 represents (i) a premium of approximately 61.04% over the average closing Share price of approximately HK\$0.96 per Share for the Review Period; (ii) a discount of approximately 22.70% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Last Trading Day; and (iii) a discount of approximately 15.05% to the closing price of HK\$1.82 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

### *First Review Period*

During the First Review Period, the closing price of Shares fluctuated between the range from HK\$0.57 (30 June 2021 and 2 July 2021) to HK\$2.00 (24 September 2021), with an average of approximately HK\$0.91 per Share. It is noted that the Offer Price of HK\$1.546 per Share is above the daily closing prices per Share during the First Review Period for 238 trading days out of 247 trading days and represents (i) a discount of approximately 22.70% to the highest closing price of Shares of HK\$2.0 per Share; (ii) a premium of approximately 171.23% over the lowest closing price of Shares of HK\$0.57 per Share; and (iii) a premium of approximately 70.12% over the average daily closing price of Shares of approximately HK\$0.91 per Share during the First Review Period. From August 2021 to the Last Trading Day, the closing price of Shares experienced a general upward trend to the highest closing price of Shares of HK\$2.0 per Share as at the Last Trading Day. We have discussed with the Management and the Management confirmed that they were not aware of any material matters at the relevant time which might have impacted the Share price.

Notwithstanding that the Offer Price of HK\$1.546 per Share represents a discount of approximately 22.70% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Last Trading Day, it is noted that (i) for the 30 trading days up to and including the Last Trading Day, the average daily closing price per Share was approximately HK\$1.305 (the “**30-Day Average**”), of which the Offer Price of HK\$1.546 per Share represents a premium of approximately 18.44%; (ii) for the 60 trading days up to and including the Last Trading Day, the average daily closing price per Share was HK\$1.022 (the “**60-Day Average**”), of which the Offer Price of HK\$1.546 per Share represents a premium of approximately 51.22%; and (iii) for the 90 trading days up to and including the Last Trading Day, the average daily closing price per Share was HK\$0.920 (the “**90-Day Average**”), of which the Offer Price of HK\$1.546 per Share represents a premium of approximately 68.04%.

### *Second Review Period*

Following the publication of the Joint Announcement on 8 October 2021, the closing price per Share decreased from HK\$2.0 on the Last Trading Day to HK\$1.79 on the trading day immediately after the publication of the Joint Announcement, representing a decrease of approximately 10.5%. We have enquired into the possible reasons attributed to the decrease in closing price of Shares subsequently after the publication of the Joint Announcement and as confirmed by the Directors, save for the information as set out in the Joint Announcement, the Directors were not aware

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of any matters which might have had a material effect on the price of Shares. Shareholders should note there is no assurance that the closing price of Shares will continue to maintain at a level equal to or above the Offer Price after the Latest Practicable Date and/or after the close of the Offer.

During the Second Review Period, the closing price per Share ranged from HK\$1.58 to HK\$1.82 with an average closing price per Share of approximately HK\$1.72. The closing price per Share as at the Latest Practicable Date was HK\$1.82. The Offer Price represents (i) a discount of approximately 11.90% to the average daily closing price of Shares during the Second Review Period; and (ii) a discount of approximately 15.05% to the closing price of Shares as at the Latest Practicable Date.

**Shareholders should note that the information set out above is not an indicator of the future performance of Shares and that the price of Shares in the future may increase or decrease from its closing price as at the Latest Practicable Date.**

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 3. Liquidity of Shares

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

	Total monthly trading volume of Shares (Shares)	Number of trading days	Number of trading days with no trading	Average daily trading volume of Shares (approximate Shares)	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date (Note 4)	Percentage of average daily trading volume to total number of Shares held by the Independent Shareholders (or public shareholders of the Company) as at the Latest Practicable Date (Note 5)
<b>2020</b>						
September (commenced from 25 September)	—	5	5	—	0.00%	0.00%
October	99,000	18	11	5,500	<0.01% (Note 6)	0.01%
November	280,000	21	9	13,333	0.01%	0.03%
December	28,000	22	18	1,273	0.00%	<0.01% (Note 6)
<b>2021</b>						
January	112,000	20	17	5,600	<0.01% (Note 6)	0.01%
February	155,000	18	11	8,611	<0.01% (Note 6)	0.02%
March	157,000	23	15	6,826	<0.01% (Note 6)	0.02%
April	13,000	19	16	684	<0.01% (Note 6)	<0.01% (Note 6)
May	33,000	20	17	1,650	<0.01% (Note 6)	<0.01% (Note 6)
June	62,000	21	17	2,952	<0.01% (Note 6)	0.01%
July	103,000	21	16	4,905	<0.01% (Note 6)	0.01%
August	10,840,000	22	7	492,727	0.29%	1.14%
September (Note 1)	4,889,000	17	1	287,588	0.17%	0.67%
October (Note 2)	4,175,000	13	0	321,154	0.19%	0.74%
November (Note 3)	695,000	3	1	231,667	0.13%	0.54%
First Review Period	16,771,000	247	155	67,899	0.04%	0.12%
Second Review Period	4,870,000	16	1	304,375	0.18%	0.70%

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Note 1:* Represent information from 1 September 2021 and up to 24 September 2021, being the Last Trading Day, as part of First Review Period. For information purposes, the trading of Shares was suspended from 27 September 2020 and trading was resumed after the publication of the Joint Announcement.

*Note 2:* Represent information from 11 October 2021, being the trading day immediately following the Last Trading Day, and up to 29 October 2021 as part of the Second Review Period.

*Note 3:* Up to the Latest Practicable Date, being 3 November 2021, as part of the Second Review Period.

*Note 4:* Based on number of issued Shares as at the Latest Practicable Date.

*Note 5:* Based on 43,197,506 shares held by the Independent Shareholders as at the Latest Practicable Date.

*Note 6:* Represent less than 0.01%.

As set out in the table above, the average daily trading volume of Shares during the First Review Period ranged from less than 1,000 Shares (April 2021) to approximately 493,000 Shares (August 2021), representing (i) less than 0.01% to approximately 0.29% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) less than 0.01% to approximately 1.14% of the total number of Shares held by Independent Shareholders as at the Latest Practicable Date. The average daily trading volume of Shares during the First Review Period of approximately 67,900 Shares was generally thin and not active, it is also noted that, during the First Review Period, there was a notable number of trading days without any trading of Shares based on published information.

The average daily trading volume of Shares during the Second Review Period of approximately 304,375 Shares, being significantly higher than that of the First Review Period, which may be attributable to the market reaction in response to the publication of the Joint Announcement as it was noted that the daily trading volume of the Shares on 11 October 2021, being the trading day immediately following the date of the Joint Announcement, amounted to 1,465,000 Shares, being over 20 times of the average daily trading volume during the First Review Period and may or may not be sustainable beyond the Offer Period.

Given the thin historical average daily trading volume of Shares, in particular, during the First Review Period, it is uncertain on whether the liquidity of Shares recorded during the Second Review Period could be maintained and that there would be sufficient liquidity in Shares for the Independent Shareholders to dispose of a significant number of Shares over a prolonged period in the open market without exerting downward pressure on the Share price. In this connection, we consider that the Offer provides the Independent Shareholders with an assured exit at the Offer Price if they wish to realise their investments in Shares.

In addition, it is noted that the closing share price during the Second Review Period has been relatively volatile and that the closing share price as at the Latest Practicable Date of HK\$1.82 exceeded the Offer Price, those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price of Shares

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

#### 4. Comparable companies analysis

In assessing the fairness and reasonableness of the Offer Price, we have also considered analysis on the price-to-earnings ratios, the price-to-book ratios (the “**P/B ratio(s)**”) and price-to-sales ratio (“**P/S ratio(s)**”) of companies which are listed on the Main Board of the Stock Exchange and are engaged in similar businesses to those of the Group for comparison purposes. It is considered that price-to-earnings ratios, the P/B ratios and the P/S ratios are three of the commonly used valuation benchmarks in assessing the valuation of a company as the data for calculating these ratios can be obtained from publicly available information and such reflects the value of the company determined by the open market. However, we noted that the Group recorded a loss attributable to its owners for FY2021, thus the price-to-earnings analysis would not be appropriate for comparison purposes. On this basis, we consider that the P/B ratio and P/S ratio are appropriate benchmarks to assess the fairness and reasonableness of the Offer Price.

Based on the net asset value attributable to owners of the Company of approximately HK\$205.3 million as at 31 March 2021, the revenue of the Group of approximately HK\$162.6 million for FY2021, and the total implied value of the Company under the Offer<sup>1</sup>, being approximately HK\$266.8 million, the implied P/B ratio (the “**Implied P/B Ratio**”) and the implied P/S ratio (the “**Implied P/S Ratio**”) of the Company under the Offer would be approximately 1.30 times and 1.64 times, respectively.

For the purpose of our analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the Main Board of the Stock Exchange; (ii) engages in principal business similar to those of the Group namely, the manufacture and sale of jewellery products contributed over 70% of its total revenue for the latest completed financial year; and (iii) a market capitalisation of not less than HK\$100 million and not more than HK\$800 million as at the Last Trading Day. Based on such criteria, we have identified, to the best of our knowledge, an exhaustive list of nine comparable companies (the “**Comparable Companies**”). The table below sets out the P/B ratio and the P/S ratio of the Comparable Companies as well as the Implied P/B Ratio and the Implied P/S Ratio under the Offer for comparison purposes.

<sup>1</sup> On the basis of the Offer Price of HK\$1.546 per Offer Share and 172,600,000 Shares in issue as at the Latest Practicable Date, the implied value of the Company is calculated to be approximately HK\$266.8 million.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Company name	Stock code	Principal business	Market capitalisation <i>(approximately)</i> <i>HK\$'million</i> <i>(Note 1)</i>	Equity attributable to its owners <i>(approximately)</i> <i>HK\$'million</i>	P/B ratio <i>(approximately)</i> <i>(Note 2)</i>	P/S ratio <i>(approximately)</i>
1	Asia Commercial Holdings Limited	104	principally engaged in sales of watches (retail and wholesale) and property leasing	175.6	413.6	0.42	0.15
2	King Fook Holdings Limited	280	principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling	382.9	660.5	0.58	0.60
3	Tse Sui Luen Jewellery (International) Limited	417	principally engaged in jewellery businesses	264.1	942.2	0.28	0.10
4	Sincere Watch (Hong Kong) Limited	444	distribution of branded luxury watches, timepieces and accessories and property investment	344.5	725.6	0.47	2.53
5	Continental Holdings Limited	513	principally engaged in (i) design, manufacturing, marketing and trading of fine jewellery and diamonds; (ii) property investment and development; (iii) mining operation; and (iv) investment	334.7	2,241.7	0.15	0.62
6	Artini Holdings Limited	789	principally engaged in fashion accessories online platform distribution businesses	119.2	158.2	0.75	1.50
7	China Environmental Energy Investment Limited	986	principally engaged in design, original equipment manufacturing and marketing of jewellery and money lending	157.4	309.4	0.51	1.49
8	Luxxu Group Limited	1327	principally engaged in the manufacture and sales of own-branded watches and jewellery	164.4	219.4 <i>(Note 3)</i>	0.75	2.18

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No.	Company name	Stock code	Principal business	Market capitalisation (approximately) HK\$'million (Note 1)	Equity attributable to its owners (approximately) HK\$'million (Note 3)	P/B ratio (approximately) (Note 2)	P/S ratio (approximately)
9	CSmall Group Limited	1815	principally engaged in the design and sales of gold, silver and other jewellery products	755.1	1,700.5 (Note 3)	0.44	1.81
					Average	0.48	1.22
					Maximum	0.75	2.53
					Minimum	0.15	0.10
					The Company Implied P/B Ratio and Implied P/S Ratio	1.30 (Note 1)	1.64 (Note 1)

*Source: the website of the Stock Exchange and the respective interim/annual report of the listed company*

*Note 1:* In respect of the Comparable Companies, market capitalisation is calculated based on the respective closing price as quoted on the Stock Exchange and the number of issued shares based on published information as at the Last Trading Day. In respect of the Company, implied market capitalisation is calculated based on the Offer Price of HK\$1.546 and 172,600,000 Shares in issue as at the Last Trading Day.

*Note 2:* Calculated by dividing the respective market capitalisation by the respective consolidated equity attributable to its owners, as extracted from the latest published financial statements or prospectus as at the Last Trading Day.

*Note 3:* As set out in the latest published financial statements of Luxxu Group Limited, the figures in the financial statements were expressed in RMB. For illustration purpose, an exchange rate of RMB1.00 = HK\$1.20 is used to convert RMB to Hong Kong Dollars.

### *(i) Analysis on P/B ratio*

It is noted from the above table that the P/B ratio of the Comparable Companies ranged from approximately 0.15 times (Continental Holdings Limited) to 0.75 times (Artini Holdings Limited and Luxxu Group Limited), with an average of approximately 0.48 times. Based on their respective latest published financial statements or prospectus, the equity attributable to its owners recorded by the Comparable Companies ranged from approximately HK\$158.2 million (Artini Holdings Limited) to approximately HK\$2,241.7 million (Continental Holdings Limited). The Implied P/B Ratio of the Company of approximately 1.30 times is above the upper range of the P/B ratio of the Comparable Companies and higher than the average of the P/B ratio of the Comparable Companies.

For further analysis, we have also compared the Implied P/B Ratio of the Company of approximately 1.30 times against the Company's historical P/B Ratio, calculated based on (a) the market capitalisation of the Company based on the then closing price per Share; divided by (b) the equity attributable to the Shareholders as

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

at 31 March 2020, 30 September 2020 and 31 March 2021, being approximately 0.84 times, 0.87 times and 0.61 times, respectively (the “**Historical P/B Ratios**”). In this connection, the Implied P/B Ratio, is higher than each of the P/B ratio of the Comparable Companies and the Historical P/B Ratios, and the average of the P/B ratio of the Comparable Companies and the Historical P/B Ratios respectively, which implies that the Offer Price represents a higher valuation as compared to the relevant trading multiples of the Comparable Companies and the Company’s Historical P/B Ratios. Hence, we consider the Offer Price to be fair and reasonable in this regard.

### *(ii) Analysis on P/S ratio*

It is noted from the above table that the P/S Ratios of the Comparable Companies ranged from approximately 0.10 times (Tse Sui Luen Jewellery (International) Limited) to 2.53 times (Sincere Watch (Hong Kong) Limited), with an average of approximately 1.22 times. Based on their respective latest published financial statements, the revenue recorded by the Comparable Companies for the latest completed financial year ranged from approximately HK\$75.4 million (Luxxu Group Limited) to approximately HK\$2,648.6 million (Tse Sui Luen Jewellery (International) Limited). The Implied P/S Ratio of the Company as represented by the Offer Price of approximately 1.64 times is within range and higher than the average of P/S Ratio of the Comparable Companies which implies that the Offer Price represents a higher valuation as compared to the relevant average trading multiples of the Comparables Companies. Hence, we consider the Offer Price to be fair and reasonable in this regard.

### *(iii) Summary*

Having considered that (a) the Offer Price is within the range and above average of the closing price of Shares of approximately HK\$0.96 per Share during the Review Period; (b) the historical trading volume of the Shares is relatively thin, in particular, during the First Review Period; (c) the Implied P/B Ratio, calculated based on the Offer Price, exceeds the upper range and higher than the average of the P/B ratio of the Comparable Companies; (d) the Implied P/S Ratio is within range and higher than the average of the P/S Ratio of the Comparable Companies; and (e) the Company has recorded a loss for the year attributable to its owners for each of the past five financial years ended 31 March 2017, 2018, 2019, 2020 and 2021, such losses ranged from approximately HK\$9.2 million (for the financial year ended 31 March 2017) to approximately HK\$75.0 million (FY2021), we consider the Offer Price under the Offer to be fair and reasonable so far as the Independent Shareholders are concerned.

## **5. Information on the Offeror and the intention of the Offeror in relation to the Group**

The following information of the intention of the Offeror regarding the Group has been extracted from the “Letter from Somerley”.

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### *(a) Information of the Offeror*

As stated in the “Letter from Somerley” contained in the Composite Document, Perfect Gain is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, save for entering into the Sale and Purchase Agreement, Perfect Gain had not engaged in any business activities.

As at the Latest Practicable Date, Perfect Gain was beneficially wholly owned by Dr. So who is also the sole director of the company.

Dr. So Shu Fai, aged 70, is currently the vice-chairman, an executive director and CEO of SJM Holdings Limited (a company principally engaged in casino gaming operations and gaming-related activities and provision of hotel, catering retail and related services in Macau; and listed on the Stock Exchange with stock code 880) and the executive director of China Merchants Land Limited (a company principally engaged in development, sale, lease, investment of properties; assets management; and investment holding; and listed on the Stock Exchange with stock code 978). He is also the chairman of the board of directors of MACAUPORT — Sociedade de Administração de Portos, S.A.

Dr. So graduated with a Bachelor of Science degree from The University of Hong Kong in 1973, and received a doctoral degree in Management Studies from The International Management Centre as validated by Southern Cross University, Australia in 2001. He is currently a Chartered Secretary and a Chartered Governance Professional and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Dr. So is also a fellow member of The Hong Kong Institute of Directors.

### *(b) Intention of the Offeror in relation to the Group*

While the Offeror intends to continue the principal business of the Group and has no intention to dispose of the businesses of the Group immediately after the close of the Offer, the Offeror is considering utilising livestream e-commerce as a new channel for the sale of the Group’s jewellery products and further expanding the Group’s jewellery sales to other overseas countries. Following the close of the Offer, the Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may also consider exploring other business opportunities to diversify the business of the Group with an objective to broaden its income source. However, as at the Latest Practicable Date, no such investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding, intention or negotiation in relation to injection of any asset or business into the Group. As at the Latest Practicable Date, the Offeror had not entered into any agreement, arrangement, understanding, intention or negotiation in relation to redeployment of the employees, disposal and/or redeployment of the assets of the Group, or termination or scaling-down of any business of the Group.

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*(c) Proposed change to the composition of the Board*

As at the Latest Practicable Date, the Board was made up of 11 Directors, comprising three executive Directors, namely Mr. Su Zhiyi, Mr. Xiong Cong and Mr. Cai Si; two non-executive Directors, namely Ms. Mary Ang Mei Lee and Mr. Tom Xie; and six independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui.

It is expected that all executive Directors, Ms. Mary Ang Mei Lee, Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong will resign from the Board with effect from a date no earlier than the date of the close of the Offer or at a date as permitted under the Takeovers Code.

On the other hand, it is intended that (i) Mr. Tom Xie shall be re-designated from the position of non-executive Director to the position of executive Director; and (ii) Mr. Chan Wai Dune shall be appointed as the non-executive Director, both with effect from a date no earlier than the date of the Composite Document or at a date as permitted under the Takeovers Code.

For the biographies of Mr. Tom Xie and Mr. Chan Wai Dune, please refer to the “Letter from Somerley” contained in the Composite Document.

*(d) Public float and maintaining the listing status of the Company*

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The Offeror and the new Directors to be appointed (whose appointment will be effective upon the close of the Offer) will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that not less than 25% of the Shares will be held by the public.

For the avoidance of doubt, the Offer Shares to be tendered by the Independent Shareholders upon valid acceptance of the Offer will be retained by the Offeror. In case there is less than 25% of the Shares held by the public following the close of the Offer, the Offeror will place down the Shares held by it in order that there will be 25% of the issued Shares held by the public.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### RECOMMENDATION

Having considered the abovementioned principal factors and reasons for the Offer, in particular that:

- (i) the Offer Price is within range of the highest and lowest closing price of Shares during the Review Period and represents (a) a discount of approximately 22.70% to the highest closing price of Shares of HK\$2.00 per Share during the Review Period; (b) a premium of approximately 171.23% over the lowest closing price of Shares of HK\$0.57 per Share during the Review Period; and (c) a premium of approximately 61.04% over the average daily closing price of Shares of approximately HK\$0.96 per Share during the Review Period;
- (ii) the Offer Price of HK\$1.546 per Share represents a discount to the closing price per Share as quoted on the Stock Exchange on the Last Trading Day, but a premium of approximately 18.44%, 51.22% and 68.04% over each of the 30-Day Average, the 60-Day Average and the 90-Day Average, respectively;
- (iii) the Offer Price of HK\$1.546 represents a premium of approximately 29.92% over the audited net asset value attributable to the Shareholders per Share of approximately HK\$1.19 as at 31 March 2021;
- (iv) the Implied P/B Ratio under the Offer of approximately 1.30 times is above (a) the upper range of the P/B ratio of the Comparable Companies, being from approximately 0.15 times to approximately 0.75 times; and (b) the average of P/B ratio of the Comparable Companies, being approximately 0.48 times;
- (v) the Implied P/S Ratio under the Offer of approximately 1.64 times is within range of the P/S ratio of the Comparable Companies, being from approximately 0.10 times to approximately 2.53 times, and above the average of P/S ratio of the Comparable Companies, being approximately 1.22 times;
- (vi) the Independent Shareholders shall also consider and monitor the trading volume of Shares during the Offer Period given the thin historical trading volume of the Shares on the Stock Exchange, in particular during the First Review Period, as discussed under the section headed “3. Liquidity of Shares” in this letter, they may experience difficulty in disposing significant number of their Shares in the open market without creating downward pressure on the price of Shares and that there is no assurance on whether the Shares price and liquidity can maintain at the prevailing level beyond the Offer Period. The Offer provides the Independent Shareholders with an assured exit if they wish to realise their investments in Shares; and

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(vii) our analysis on the historical financial performance and position of the Group as set out under paragraph headed “1. Background and outlook of the Group” in this letter, which recorded a loss attributable to its owners for each of the five years ended 31 March 2017, 2018, 2019, 2020 and 2021. It is also noted that while maintaining the listing status of the Company on the Main Board of the Stock Exchange, as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreements, arrangements, understandings, intention or negotiation in relation to injection of any asset or business into the Group,

we are of the opinion that terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. However, in view of the recent volatility of the closing share price during the Second Review Period, 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 advise 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.

**As each individual Independent Shareholder would have different investment objectives and/or circumstances, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Offer and/or the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompanying Forms of Acceptance.**

Yours faithfully,  
For and on behalf of  
**Red Sun Capital Limited**  
**Lewis Lai**  
*Managing Director*

*Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has around 15 years of experience in the corporate finance industry.*

*\* for identification purposes only*



**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 and conditions 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 Offer Shares is/are in your name, and you wish to accept the Offer in respect of your Offer Shares, 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) for the number of Shares in respect of which you intend to accept the Offer, by post or by hand, to the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in an envelope marked "Hifood Group Holdings Co., Limited — Cash Offer", as soon as possible and in any event no later than 4:00 p.m. (Hong Kong time) on 26 November 2021, being the Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (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 Offer 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 holding of Shares (whether in full or in part), you must either:
  - (i) 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 in an envelope marked "Hifood Group Holdings Co., Limited — Cash Offer" 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; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "Hifood Group Holdings Co., Limited — Cash Offer" 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; or
  - (iii) if your Offer 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 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

- (iv) if your Offer Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS phone system or CCASS internet system on or before the deadline set out by HKSCC Nominees Limited.
- (d) If 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 your Offer Share 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 Offer Shares, the Form of Acceptance should nevertheless be completed and delivered in an envelope marked "Hifood Group Holdings Co., Limited — Cash Offer" 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 any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares or that it/they is/are not readily available. If you subsequently find such document(s) or if it/they become(s) available, the relevant share certificate(s) 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 any other document(s) of title, you should report the loss to the Registrar. You should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Offer 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.
- (e) If you have lodged transfer(s) of any of your Offer 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 Offer Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "Hifood Group Holdings Co., Limited — Cash Offer" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of the Offeror and/or Somerley or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise 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.

- (f) Acceptance of the Offer will be treated as valid only if the completed and signed Form of Acceptance is received and recorded by the Registrar by no later than 4:00 p.m. (Hong Kong time) on the Closing Date, and is:
- (i) 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 that/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 (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his/her/its 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 sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange. If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (g) 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) in respect of the Offer Shares will be given.
- (h) If the Offer is invalid, withdrawn or lapses, 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) received by the Registrar will be returned to the Shareholders who have accepted the Offer by ordinary post at the Shareholders' own risk as soon as possible but in any event within 10 days after the Offer has lapsed.

## 2. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Offer is made on Friday, 5 November 2021, being the Despatch Date of this Composite Document, and is capable of acceptance on and from this date.
- (b) Unless the Offer has previously been revised or extended with the consent of the Executive, all Form(s) of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the respective Form of Acceptance and the Offer will be closed on the Closing Date.

- (c) If the Offer is extended, the announcement of such extension will state the next closing date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Independent Shareholders before the Offer is closed. If, in the course of the Offer, the Offeror revises the terms of the Offer, all 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 will be kept open for at least 14 days thereafter.
- (d) If the Closing Date is extended, any references in this Composite Document and the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

### 3. SETTLEMENT OF THE OFFER

- (a) If you accept 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 within seven (7) Business Days following the date of receipt by the Registrar of the duly completed Form of Acceptance together with all valid requisite documents from the Independent Shareholders accepting the Offer in compliance with Note 1 of 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 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 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.

### 4. ANNOUNCEMENTS

- (a) By 6:00 p.m. on 26 November 2021, being 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 on the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating whether the Offer has been revised, extended or closed.
- (b) The results announcement shall specify the total number of Shares:
  - (i) for which acceptances of the Offer have been received;
  - (ii) held, controlled or directed by the Offeror and/or any party acting in concert with it before the Offer Period; and

- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and/or any party acting in concert with it.
- (c) The results announcement shall include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or any party acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.
- (d) The results announcement shall also specify the percentages of the total issued Shares and the percentages of voting rights of the Company represented by these numbers of Shares. In computing the total number or principal amount of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in paragraph headed “1. Procedures for acceptance of the Offer” in this appendix, and which have been received by the Registrar no later than 4:00 p.m. (Hong Kong time) on 26 November 2021 being the Closing Date, unless the Offer is extended or revised with the consent of the Executive, shall be included.
- (e) As required under the Takeovers Code, all announcements in relation to the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

## **5. NOMINEE REGISTRATION**

To ensure the equality of treatment of all Shareholders, registered Shareholders who hold the Share(s) 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 Share(s) whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions of their intentions to the Offer to their respective nominees.

## **6. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “4. Announcements” in this appendix above, the Executive may require 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 the requirements set out in that section are met.

## **7. HONG KONG STAMP DUTY AND TAXATION**

- (a) Seller’s ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.13% of the amount payable in respect of relevant acceptances by the Independent Shareholders, or the market value of the Shares as determined by the

Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), whichever is higher, will be deducted from the cash amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer.

- (b) 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 Offeror, its parties acting in concert, the Company, Somerley and their respective directors, officers, 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.

## **8. OVERSEAS INDEPENDENT SHAREHOLDERS**

The Offer is available to all Independent Shareholders, including those who are residents outside Hong Kong. The making of the Offer to persons who are not residents in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are residents. Overseas Independent 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 Independent 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 by such overseas Independent Shareholders in respect of such jurisdictions).

Any acceptance by any Independent Shareholder who is not resident in Hong Kong will be deemed to constitute a representation and warranty from such Independent Shareholder to the Offeror that the local laws and requirements have been complied with. All such Independent Shareholders should consult their professional advisers if in doubt.

As at the Latest Practicable Date, there was no Independent Shareholder whose registered address as shown in the register of members of the Company was outside Hong Kong.

## **9. GENERAL**

- (a) All communications, notices, Forms of Acceptance, share certificates, transfer receipts, other documents 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, Somerley and any of their respective directors nor the

Registrar or other parties involved in the Offer or any of their respective agents accept any liability for any loss or delay 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 the accompanying Form of Acceptance 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, 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 and the Company:
  - (i) that such Offer Shares acquired under the Offer are sold by the Shareholders free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights accruing or attaching thereto on the Closing Date or subsequently becoming attached to them, including, without limitation, in the case of the Shares, the rights to receive all future dividends and/or other distributions declared, paid or made, if any, on or after the Closing Date; and
  - (ii) that if such Shareholder accepting the Offer is an overseas Independent Shareholder, he/she/it has observed the laws of all relevant territories, obtained all requisite governmental, exchange control or other consents, complied with all requisite formalities or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her/it in connection with such acceptance in any territory, that he/she/it has not taken or omitted to take any action which will or may result in the Offeror, the Company, Somerley 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/its acceptance thereof, and is permitted under all applicable laws to accept the Offer and any revision thereof, 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) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (i) The Offer is made in accordance with the Takeovers Code.
- (j) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text.
- (k) Should any Shareholder have any enquiry concerning administrative matters, such as dates, documentation and procedures relating to the Offer, such Shareholder may contact the Registrar at its hotline at (852) 2980 1333 during the period from Friday, 5 November 2021 to Friday, 26 November 2021 (being the Closing Date) (both days inclusive) between 9:00 a.m. and 4:00 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays). Only administrative matters will be answered and no information or other advice relating to the Offer will be given.

## 10. INTERPRETATIONS

- (a) A reference in this Composite Document to a Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Offer Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.
- (b) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (c) A reference in this Composite Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.



## 1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 31 March 2019, 2020 and 2021, respectively, as extracted from the relevant published annual report of the Company for the relevant years.

### Results

	<b>For the year ended 31 March</b>		
	<b>2021</b> (Audited) <i>HK\$'000</i>	<b>2020</b> (Audited) <i>HK\$'000</i>	<b>2019</b> (Audited) <i>HK\$'000</i>
<b>REVENUE</b>	162,644	154,038	219,286
Cost of sales	<u>(155,625)</u>	<u>(145,153)</u>	<u>(191,839)</u>
Gross profit	7,019	8,885	27,447
Other income	713	356	599
Selling expenses	(4,380)	(4,283)	(21,362)
Administrative expenses	(22,033)	(25,269)	(49,818)
Reversal of impairment losses/(impairment losses) on financial assets, net	1,341	(2,614)	—
Other gains, net	815	3,071	—
Other (losses)/gains, net	(57,778)	(46,533)	28,752
Finance costs	(356)	(941)	(1,034)
Share of loss of a joint venture	<u>(13)</u>	<u>(8)</u>	<u>(27)</u>
<b>LOSS BEFORE TAX</b>	(74,672)	(67,336)	(15,443)
Income tax expense	<u>(326)</u>	<u>(358)</u>	<u>(1,693)</u>
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>	<u><u>(74,998)</u></u>	<u><u>(67,694)</u></u>	<u><u>(17,136)</u></u>

*Note:* There was no dividend declared during each of the three years ended 31 March 2019, 2020 and 2021.



	<b>For the year ended 31 March</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(Audited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>
<b>OTHER COMPREHENSIVE INCOME/ (LOSS)</b>			
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	<u>2,025</u>	<u>(1,511)</u>	<u>(4,129)</u>
<i>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</i>	<u>2,025</u>	<u>(1,511)</u>	<u>(4,129)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>	<u>(72,973)</u>	<u>(69,205)</u>	<u>(21,265)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
— Basic and diluted	<u>HK\$(0.43)</u>	<u>HK\$(0.39)</u>	<u>HK\$(0.10)</u>
<b>Assets and liabilities</b>			
	<b>At 31 March</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(Audited)	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	116,065	22,555	20,674
Current assets	112,441	286,912	357,195
Current liabilities	(22,369)	(30,048)	(30,358)
Non-current liabilities	<u>(804)</u>	<u>(1,113)</u>	<u>—</u>
Total equity	<u>205,333</u>	<u>278,306</u>	<u>347,511</u>
Attributable to the equity holders of the Company	<u>205,333</u>	<u>278,306</u>	<u>347,511</u>

The consolidated financial statements of the Group for the two years ended 31 March 2019 and 2020 were audited by PricewaterhouseCoopers, while the consolidated financial statements of the Group for the year ended 31 March 2021 were audited by Ernst & Young. No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the three years ended 31 March 2019, 2020 and 2021.

## **2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED 31 MARCH 2019, 2020 AND 2021**

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2021 (the “**2021 Financial Statements**”), (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the “**2020 Financial Statements**”) and (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the “**2019 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2021 Financial Statements are set out from page 86 to page 167 in the 2021 Annual Report of the Company, which was published on 21 July 2021. The 2021 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.ktl.com.hk>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0721/2021072100232.pdf>

The 2020 Financial Statements are set out from page 85 to page 167 in the 2020 Annual Report of the Company, which was published on 30 June 2020. The 2020 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.ktl.com.hk>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0630/2020063000053.pdf>

The 2019 Financial Statements are set out from page 73 to page 155 in the 2019 Annual Report of the Company, which was published on 2 July 2019. The 2019 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.ktl.com.hk>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0702/ltn20190702049.pdf>

The 2021 Financial Statements, the 2020 Financial Statements and 2019 Financial Statements (but not any other parts of the 2021 Annual Report, 2020 Annual Report or 2019 Annual Report in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

**3. INDEBTEDNESS STATEMENT**

As at the close of business on 31 August 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Composite Document, the Group had lease liabilities of approximately HK\$798,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, normal trade payables and other payables in the ordinary course of business, at the close of business on 31 August 2021, the Group did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, material contingent liabilities or guarantees outstanding at the close of business on 31 August 2021.

**4. MATERIAL CHANGE**

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2021, being the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

Dr. So, being the sole director of the Offeror, accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Directors, the Vendor, the Joint Receivers (who accept full responsibility for the information of or relating to themselves) and Option Best) 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 the Directors and the Joint Receivers (who accept full responsibility for the opinions expressed by themselves)) 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 contained in this Composite Document misleading.

The Joint Receivers accept full responsibility for the accuracy of the information relating to themselves contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by themselves in this Composite Document have been arrived at after due and careful consideration and there are no other facts relating to the Joint Receivers not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

## 2. DEALINGS AND INTERESTS IN THE COMPANY'S SECURITIES

Save for the Sale Shares under the Sale and Purchase Agreement, none of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them had dealt in the Shares or other options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

## 3. OTHER ARRANGEMENTS OR AGREEMENTS

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save for the Sale Shares, none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them held, owned or had control or direction over any voting rights or rights over any Shares, convertible securities, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company;
- (ii) there was no outstanding derivative in respect of the securities in the Company which is entered into by the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them;
- (iii) 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 Company and which might be material to the Offer;

- (iv) save for the Sale and Purchase Agreement, there was no agreement or arrangement to which the Offeror 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;
- (v) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them had borrowed or lent;
- (vi) none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them had received any irrevocable commitment(s) to accept or reject the Offer;
- (vii) there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (viii) save for the Consideration paid by the Purchaser to the Joint Receivers under the Sale and Purchase Agreement, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Purchaser or any party acting in concert with it to the Joint Receivers or any party acting in concert with any of them in connection with the sale and purchase of the Sale Shares;
- (ix) save for the Sale and Purchase Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them on one hand, and (a) the Joint Receivers and/or parties acting in concert with any of them and (b) the Company and its subsidiaries on the other hand;
- (x) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, its ultimate beneficial owner and/or parties acting in concert with it on one hand, and the Shareholders (including the Vendor) on the other hand; and
- (xi) save as the proposed re-designation of Mr. Tom Xie (who is not a Shareholder) from the position of non-executive Director to the position of executive Director, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders which had any connection with or dependence upon the Offer.

#### 4. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualifications of the expert which has given opinions or advices which are contained or referred to in this Composite Document:

Somerley	Somerley Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
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As at the Latest Practicable Date, Somerley had given and had not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter, advice and/or references to its name in the form and context in which it is included.

#### 5. GENERAL

As at the Latest Practicable Date:

- (a) the registered office of the Offeror was situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands; and the correspondence address of the Offeror is 18th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong;
- (b) the sole director and the sole shareholder was Dr. So;
- (c) the principal activity of the Offeror was investment holding;
- (d) the registered office of Somerley was situated at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong; and
- (e) in the event of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

## 1. RESPONSIBILITY STATEMENTS

At as the date of this Composite Document, the Board comprises Mr. Su Zhiyi, Mr. Xiong Cong and Mr. Cai Si as executive Directors; Ms. Mary Ang Mei Lee and Mr. Tom Xie as non-executive Directors; and Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui as independent non-executive Directors. 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 Joint Receivers (who accept full responsibility for the information of or relating to themselves), the Purchaser, the Offeror, the sole director of the Offeror and the nominee Director of the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the sole director of the Offeror and the Joint Receivers (who accept full responsibility for the opinions expressed by themselves)) in this Composite Document 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.

The Joint Receivers accept full responsibility for the accuracy of the information relating to themselves contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by themselves in this Composite Document have been arrived at after due and careful consideration and there are no other facts relating to the Joint Receivers not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK\$0.005 each as at the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>2,000,000,000 Shares</u>	<u>10,000,000</u>
<i>Issued</i>	
<u>172,600,000 Shares</u>	<u>863,000</u>

All issued Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital. Since 31 March 2021, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, the Company has not issued any Shares.

Other than the Shares in issue, as at the Latest Practicable Date, the Company had no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue as at the Latest Practicable Date.

### 3. MARKET PRICES

The table below sets out the closing price of the Shares on the Stock Exchange on (1) the last business day of each of the calendar months during the Relevant Period, (2) the Last Trading Date, and (3) the Latest Practicable Date:

<b>Date</b>	<b>Closing price of each Share (HK\$)</b>
30 September 2019	2.00
31 October 2019	1.74
29 November 2019	1.30
31 December 2019	0.99
31 January 2020	1.08
28 February 2020	1.13
31 March 2020	1.35
29 April 2020	0.94
29 May 2020	0.98
30 June 2020	0.95
31 July 2020	0.85
31 August 2020	1.18
30 September 2020	0.95
30 October 2020	0.90
30 November 2020	1.11
31 December 2020	0.86
29 January 2021	0.85
26 February 2021	0.80
31 March 2021	0.72
30 April 2021	0.85
31 May 2021	0.75
30 June 2021	0.57
30 July 2021	0.84
31 August 2021	1.50
30 September 2021	2.00
29 October 2021	1.68
24 September 2021 (Last Trading Date)	2.00
3 November 2021 (Latest Practicable Date)	1.82

During the Relevant Period, the highest and the lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.08 per Share on 25 September 2019 and HK\$0.57 per Share on 30 June 2021 and 2 July 2021.



#### 4. DISCLOSURE OF INTERESTS

##### Interests of the Directors in the Shares

As at the Latest Practicable Date, the interest and short positions of the Directors, chief executives and their associates had in any Shares, underlying Shares of equity derivatives or debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for securities transaction by Director of Listed Issuers set out in Appendix 10 to the Listing Rules or as required to be disclosed under the Takeovers Code, were set out as follows:

Name of Director/ Chief Executive	Capacity	Total Number of Interested Shares	Approximate % of interest
Mr. Su Zhiyi	Beneficial owner	30,000 (L)	0.02

*L — long position*

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, no other persons or entities (other than the Directors and the chief executives of the Company) had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

#### 5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) save as disclosed in the paragraph headed “4. Disclosure of interests” in this Appendix IV, none of the Directors was interested within the meaning of Part XV of the SFO in the Shares or any warrants, options, convertible securities or derivatives in respect of any Shares;
- (b) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding any exempt principal trader and exempt fund managers, owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (c) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between 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, or any of the Company's associates by virtue of classes (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person;
- (d) no fund managers (other than exempt fund managers) connected with the Company had managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis;
- (e) Mr. Su Zhiyi, the executive Director and Chairman of the Board, intends to accept the Offer and no other Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer;
- (f) none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares;
- (g) no benefit (save for statutory compensation required under applicable laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (h) save for the proposed re-designation of Mr. Tom Xie from the position of non-executive Director to the position of executive Director with effect from a date no earlier than the date of this Composite Document or a date as permitted under the Takeovers Code; and all executive Directors, Ms. Mary Ang Mei Lee, Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong will resign from the Board with effect from a date no earlier than the date of the close of the Offer or at a date as permitted under the Takeovers Code, 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 with the Offer; and
- (i) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

## **6. DISCLOSURE OF INTERESTS IN THE SECURITIES OF THE OFFEROR BY THE COMPANY**

As at the Latest Practicable Date:

- (a) the Company did not own any shares, convertible securities, warrants, options, or derivatives in respect of any shares in the Offeror; and
- (b) none of the Directors had any interest within the meaning of Part XV of the SFO in the shares, convertible securities, warrants, options, or derivatives in respect of any shares in the Offeror.

**7. DEALINGS IN THE SHARES BY THE COMPANY**

- (a) During the Relevant Period, save for Mr. Su Zhiyi's purchases of 20,000 Shares at HK\$0.63 on 17 August 2021, 3,000 Shares at HK\$0.70 on 19 August 2021 and 7,000 Shares at HK\$0.70 on 23 August 2021, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of any Shares;
- (b) During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" in the Takeovers Code but excluding exempt principal traders and exempt fund managers had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (c) During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares; and
- (d) During the period beginning from the date of the Joint Announcement up to the Latest practicable Date, no person between whom there is arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code and the Company, or any person who is presumed to be acting in concert with the Company virtue of classes (1), (2), (3) and (5) of the definition of acting in concert, or any of the Company's associates by virtue of classes, (2), (3) or (4) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

**8. DEALINGS IN THE SECURITIES OF THE OFFEROR BY THE COMPANY**

During the Relevant Period, neither the Company nor any of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of any shares in the Offeror.

**9. LITIGATION**

As at the Latest Practicable Date, none of the Company or any of its subsidiaries or any of its associates was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 10. MATERIAL CONTRACTS

As at the Latest Practicable Date, there was no material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) entered into by the Group within the two years before the commencement of the Offer Period and ending on the Latest Practicable Date and are or may be material.

## 11. EXPERT AND CONSENT

The following are the qualifications of the expert contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Red Sun Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the Independent Financial Adviser to the Independent Board Committee in respect of the Offer

Red Sun has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and the references to its name in the form and context in which they appears herein.

## 12. DIRECTORS' SERVICE CONTRACTS

Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui, each an independent non-executive Director, have accepted letters of appointment issued by the Company on 11 May 2021 for an initial term of one year and fixed remuneration of approximately HK\$120,000 per annum.

Mr. May Ang Mei Lee and Mr. Tom Xie, each a non-executive Director, have accepted letters of appointment issued by the Company on 9 July 2021 for an initial term of one year and fixed remuneration of approximately HK\$240,000 per annum.

Mr. Su Zhiyi, an executive Director, has entered into a supplemental service agreement with the Company on 10 June 2021, pursuant to which, Mr. Su's monthly salary has been increased from nil to HK\$157,000 with effect from 1 April 2021.

Mr. Xiong Cong, an executive Director, has entered into a supplemental service agreement with the Company on 10 June 2021, pursuant to which, Mr. Xiong's monthly salary has been increased from nil to HK\$100,000 with effect from 1 April 2021.

Save as disclosed above as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) has been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) is a continuous contract with a notice period of 12 months or more; or (iii) is a fixed-term contract with more than 12 months to run irrespective of the notice period.

**13. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and its principal office in Hong Kong is located at Unit 1705-07, 17/F, K11 Atelier, Victoria Dockside, 18 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (b) As at the Latest Practicable Date, the Board comprised three executive Directors, namely Mr. Su Zhiyi, Mr. Xiong Cong and Mr. Cai Si; two non-executive Directors, namely Ms. Mary Ang Mei Lee and Mr. Tom Xie; and six independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui.
- (c) The registered office of Independent Financial Adviser, Red Sun Capital Limited, is situated at Room 3303, 33/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.
- (d) The English text of this Composite Document shall prevail over their respective Chinese text in case of inconsistency.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 1705-07, 17/F, K11 Atelier, Victoria Dockside, 18 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong; (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) on the website of the Company ([www.ktl.com.hk](http://www.ktl.com.hk)) from the date of this Composite Document onwards for so long as the Offer remain open for acceptance:

- (a) the memorandum of association and articles of association of the Company;
- (b) the memorandum of association and articles of association of the Offeror;
- (c) the annual report of the Company for the year ended 31 March 2021;
- (d) the supplemental announcement dated 15 September 2021 in relation to the annual report of the Group for the year ended 31 March 2021;
- (e) the letter from Somerley, the text of which is set out in this Composite Document;
- (f) the letter from the Board, the text of which is set out in this Composite Document;
- (g) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (h) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (i) the written consents referred to in the paragraph headed “4. Qualifications and consent of expert” in Appendix III and the paragraph headed “11. Expert and consent” in Appendix IV to this Composite Document;
- (j) the service agreements or letters of appointment (as the case may be) referred to in the paragraph headed “12. Directors’ service contracts” in Appendix IV to this Composite Document; and
- (k) this Composite Document.