

21 April 2022

*To: The Independent Board Committee and the Independent Shareholders  
of Heng Hup Holdings Limited*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS  
2022 MASTER PURCHASE AGREEMENTS**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2022 Master Purchase Agreements, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 April 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, the Company entered into the 2019 Master Purchase Agreements on 19 February 2019 in relation to the purchase of scrap ferrous metals, used batteries and/or waste paper by the Group from connected persons (the “**CCTs**”). The 2019 Master Purchase Agreements were effective from the date of listing of the Company on the Stock Exchange and had expired on 31 December 2021. In order to renew the existing CCTs contemplated under the 2019 Master Purchase Agreements, the Company entered into the 2022 Master Purchase Agreements to reflect the terms of the CCTs and the caps of the CCTs for a term of three years commencing from 1 January 2022 to 31 December 2024 (both dates inclusive).

With reference to the Board Letter, the CCTs constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee comprising Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee, being all of the independent non-executive Directors (“INEDs”), has been formed to advise the Independent Shareholders on (i) whether the terms of the CCTs are on normal commercial terms and are fair and reasonable; (ii) whether the CCTs are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of the business of the Company; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the 2022 Master Purchase Agreements at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

## **INDEPENDENCE**

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of a discloseable and connected transaction of the Company as set out in the Company’s circular dated 29 November 2021. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital’s independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

## **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular 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 Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors’ representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the CCTs and the 2022 Master Purchase Agreements. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable

enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider 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, conducted any independent in-depth investigation into the business and affairs of the Company, Long Hin, Lek Seng, Lek Seng Metal Sdn. Bhd., Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd., Soon Lee Metal Sdn. Bhd. or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the CCTs. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the CCTs, we have taken into consideration the following principal factors and reasons:

### **Information on the Group**

With reference to the Board Letter, the Company is an investment holding company and its subsidiaries are principally engaged in trading of scrap ferrous metals, used batteries, waste paper and other scraps in Malaysia.

Set out below are the financial information of the Group for the three years ended 31 December 2021 as extracted from the Company's annual report for the year ended 31 December 2020 (the "2020 Annual Report") and annual results announcement for the year ended 31 December 2021 (the "2021 AR Announcement"):

	For the year ended 31 December 2021 ("FY2021") (audited) RM'000	Change from FY2020 to FY2021 %	For the year ended 31 December 2020 ("FY2020") (audited) RM'000	Change from FY2019 to FY2020 %	For the year ended 31 December 2019 ("FY2019") (audited) RM'000
Revenue	1,418,239	63.33	868,312	(12.35)	990,604
Gross profit	77,574	58.36	48,986	(2.71)	50,352
Net profit and total comprehensive income for the year/period attributable to the owners of the Company	25,485	203.68	8,392	25.78	6,672

With reference to the 2020 Annual Report, the Malaysian economy experienced the full impact of the COVID-19 pandemic from the second quarter of FY2020. Despite extreme challenges, the Group quickly adjusted and maintained focus on disciplining cost control and cash-flow to ensure sustainability.

As illustrated in the above table, the Group's revenue amounted to approximately RM868 million for FY2020, representing a decrease of approximately 12.35% as compared to that for FY2019. The Group's gross profit for FY2020 slightly decreased as compared to that for FY2019. Despite the aforesaid decreases in the Group's revenue and gross profit, the net profit and total comprehensive income attributable to the owners of the Company increased by approximately 25.78% from FY2019 to FY2020. With reference to the 2020 Annual Report and as advised by the Directors, such improvement was mainly due to (i) increased scrap ferrous metal prices and that the Group was able to secure scrap ferrous metal supplies at a better pricing; (ii) better gross profit margin from export sales; and (iii) increase in other income.

The Group's revenue, gross profit and net profit and total comprehensive income attributable to the owners of the Company amounted to approximately RM1,418 million, RM78 million and RM25 million for FY2021, representing increases of approximately 63.33%, 58.36% and 203.68% respectively as compared with those for FY2020. With reference to the 2021 AR Announcement, such increases were mainly due to increase in demand of steel products across the globe, increase in volume sales and better cost control with improved operational efficiency.

As advised by the Directors, the COVID-19 pandemic is expected to remain a challenge. However, steel consumption and demand for steel products remain strong, thus the scrap metal price has not been affected. The Group will continue to leverage off on its core competitive advantages and continue to strengthen its market leading position in the Malaysian scrap ferrous metal trading industry, by expanding its supplier and customer bases and increasing its business volume of scrap ferrous metals in the market.

#### **Information on the counterparties to the 2022 Master Purchase Agreements**

Detailed information of the counterparties to the 2022 Master Purchase Agreements is set out under the section headed “INFORMATION ABOUT THE PARTIES” of the Board Letter. With reference to the Board Letter, all of the counterparties to the 2022 Master Purchase Agreements are connected persons of the Company.

#### **Reasons for and benefits of the CCTs**

With reference to the Board Letter, in view of the strong demand of scrap materials of the end customers, the Company would source scrap materials from suppliers in the market so long as they are able to deliver the required scrap materials for the Group. Given that there has been no material interruption in the supply of scrap materials by the relevant counterparties of the 2022 Master Purchase Agreements, the transactions were on arm’s length basis, and the purchase prices payable and the payment terms granted by the relevant counterparties of the 2022 Master Purchase Agreements to the Group were comparable to those payable and granted to independent suppliers, the Directors consider the relevant counterparties of the 2022 Master Purchase Agreements to be reliable sources of supply of scrap materials and it is in the interests of the Group and the Shareholders as a whole that the Group continues to purchase scrap materials from the relevant counterparties of the 2022 Master Purchase Agreements.

As illustrated under the section headed “Information on the Group” above, the Group’s financial performance was improved in FY2021 as compared to that for FY2020. According to the 2021 AR Announcement, sales volume of the scrap ferrous metal for FY2021 was 701,846 tonnes, representing an increase of approximately 9.7% as compared to that for the corresponding period in 2020.

Having considered (i) the Group’s business expansion and development strategy to increase its business volume of scrap ferrous metals; and (ii) that trading of scrap ferrous metals, used batteries, waste paper and other scraps in Malaysia is the principal business of the Group, we concur with the Directors that the CCTs are conducted in the ordinary and usual course of the business of the Company and in the interests of the Company and its Shareholders as a whole.

### Principal terms of the 2022 Master Purchase Agreements

Summarised below are the principal terms for the 2022 Master Purchase Agreements, details of which are set out in the Board Letter.

	<b>2022 Long Hin Master Purchase Agreement</b>	<b>2022 Lek Seng Master Purchase Agreement</b>	<b>2022 Chye Seng Huat Trading Master Purchase Agreement</b>
<b>Date:</b>	7 March 2022	7 March 2022	7 March 2022
<b>Parties:</b>	The Company; and Long Hin	The Company; Lek Seng; and Lek Seng Metal Sdn. Bhd.	The Company; Chye Seng Huat Trading; Chye Seng Huat Sdn. Bhd.; and Soon Lee Metal Sdn. Bhd.
<b>Subject matter:</b>	Pursuant to the 2022 Long Hin Master Purchase Agreement, the Group may, but is not obliged to, purchase scrap ferrous metals and used batteries from Long Hin, subject to the annual caps of RM100,000 for each of the three years ending 31 December 2022, 2023 and 2024.	Pursuant to the 2022 Lek Seng Master Purchase Agreement, the Group may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and/or Lek Seng Metal Sdn. Bhd., subject to the annual caps of RM50 million, RM50 million and RM55 million for each of the three financial years ending 31 December 2022, 2023 and 2024.	Pursuant to the 2022 Chye Seng Huat Trading Master Purchase Agreement, the Group may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and/or Soon Lee Metal Sdn. Bhd., subject to the annual caps of RM50 million, RM55 million and RM60 million for each of the three financial years ending on 31 December 2022, 2023 and 2024.

	<b>2022 Long Hin Master Purchase Agreement</b>	<b>2022 Lek Seng Master Purchase Agreement</b>	<b>2022 Chye Seng Huat Trading Master Purchase Agreement</b>
<b>Duration:</b>	Subject to the fulfillment of the conditions precedent of the 2022 Long Hin Master Purchase Agreement, the 2022 Long Hin Master Purchase Agreement shall be for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive) unless terminated earlier by agreement signed between the parties thereto.	Subject to the fulfillment of the conditions precedent of the 2022 Lek Seng Master Purchase Agreement, the 2022 Lek Seng Master Purchase Agreement shall be for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive) unless terminated earlier by agreement signed between the parties thereto.	Subject to the fulfillment of the conditions precedent of the 2022 Chye Seng Huat Trading Master Purchase Agreement, the 2022 Chye Seng Huat Trading Master Purchase Agreement shall be for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive) unless terminated earlier by agreement signed between the parties thereto.
<b>Pricing:</b>	The prices payable by the Group under the 2022 Long Hin Master Purchase Agreement will be determined after arm's length negotiations between the parties with reference to market prices and be on normal commercial terms (or on terms better to the Group than those available to Independent Third Parties).	The prices payable by the Group under the 2022 Lek Seng Master Purchase Agreement will be determined after arm's length negotiations between the parties with reference to market prices and be on normal commercial terms (or on terms better to the Group than those available to Independent Third Parties).	The prices payable by the Group under the 2022 Chye Seng Huat Trading Master Purchase Agreement will be determined after arm's length negotiations between the parties with reference to market prices and be on normal commercial terms (or on terms better to the Group than those available to Independent Third Parties).
	Further pricing basis is set out in the Board Letter.	Further pricing basis is set out in the Board Letter.	Further pricing basis is set out in the Board Letter.

*Assessment on pricing*

With reference to the Board Letter, to ensure the fairness and reasonableness of the terms of the 2022 Master Purchase Agreements, the Company will from time to time contact with other independent suppliers and its customers to keep abreast of the market conditions. Further, before the Company agrees on the purchase prices with the relevant counterparties of the 2022 Master Purchase Agreements, the Group will obtain the pricing information from other independent suppliers to ensure that the Group only source scrap materials from suppliers who are willing to offer them competitive prices.

With reference to the Board Letter, to ensure that the transactions contemplated under the 2022 Master Purchase Agreements are conducted on normal commercial terms, fair and reasonable, and no less favourable than those available from independent third parties, the Group has adopted the internal control procedures as set out under the section headed “INTERNAL CONTROL PROCEDURES” of the Board Letter to determine the pricings and terms of the transactions.

For our due diligence purpose, we obtained a list of CCTs conducted under the 2019 Master Purchase Agreements from the Company and randomly selected one transaction with Long Hin in FY2019, one transaction with Lek Seng/Lek Seng Metal Sdn. Bhd. (as a group) for each of FY2019, FY2020 and FY2021, and one transaction with Chye Seng Huat Trading/Chye Seng Huat Sdn. Bhd./Soon Lee Metal Sdn. Bhd. (as a group) for each of FY2019, FY2020 and FY2021, from the list. We consider the aforesaid sampling basis to be justifiable as it covered the transactions under each of the 2019 Master Purchase Agreements for each of FY2019, FY2020 and FY2021. The Company provided us with transaction records on the selected transactions together with transaction record on a comparable transaction with Independent Third Parties for each of the selected transaction. We consider that it is acceptable for the Company to provide us with transaction records on comparable transactions with Independent Third Parties after taking into account product comparability, instead of a random sampling basis. We noted from the aforesaid transaction records that the unit prices payable by the Group to connected persons for the same products were not higher than the unit prices payable by the Group to Independent Third Parties.

With reference to the 2020 Annual Report and as confirmed by the Directors, the INEDs have reviewed, among other things, the CCTs for FY2020 and confirmed, among other things, that the CCTs for FY2020 were generated during the Group’s ordinary and usual course of business on normal commercial terms (or more favorable than normal commercial terms available for the Group), and that the terms of such transactions are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

With reference to the 2020 Annual Report and as confirmed by the Directors, the Company’s auditor was engaged to report on, among other things, the CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong



Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing its findings and conclusions in respect of, among other things, the CCTs in accordance with Rule 14A.56 of the Listing Rules.

Having considered the above, we consider the pricing of the CCTs is fair and reasonable.

*Assessment on annual caps*

*Proposed Long Hin Caps*

Set out below are (i) historical annual caps (the “**Historical Long Hin Cap(s)**”) and historical amount of the CCTs under the 2019 Long Hin Master Purchase Agreement for the three years ended 31 December 2021; and (ii) the proposed annual caps (the “**Proposed Long Hin Cap(s)**”) under the 2022 Long Hin Master Purchase Agreement:

	<b>For the year ended 31 December 2019 RM</b>	<b>For the year ended 31 December 2020 RM</b>	<b>For the year ended 31 December 2021 (“FY2021”) RM</b>
Historical amount	11,802	Nil	Nil
Historical annual cap	400,000	500,000	600,000
Utilisation rate (approximate %)	3	Nil	Nil
	<b>For the year ending 31 December 2022 RM</b>	<b>For the year ending 31 December 2023 RM</b>	<b>For the year ending 31 December 2024 RM</b>
Proposed annual cap	100,000	100,000	100,000

With reference to the Board Letter, in arriving at the Proposed Long Hin Caps above, the Company has taken into account: (a) the Group’s aggregate costs of purchase of the materials from Long Hin during the historical period; (b) the anticipated demand of the customers of the Group for the materials for the three financial years ending 31 December 2022, 2023 and 2024; (c) the Group’s expected business growth; and (d) the market overview of the scrap material trading market. Whilst the Group did not have transaction with Long Hin for the two years ended 31 December 2021, it was noted that the Group had transactions with Long Hin in FY2019. Without the 2022 Long Hin Master Purchase Agreement, this will hinder the Group to source from Long Hin in the event that Long Hin can supply materials at favourable terms to the Company. As such, the relatively small annual caps under the 2022 Long Hin Master Purchase Agreement will serve the purpose.

As depicted from the above table, the utilisation rate of the Historical Long Hin Cap for FY2019 was very low and there was no utilisation of the Historical Long Hin Caps for FY2020 and FY2021. Nevertheless, the Company does not rule out the possibility of purchase from Long Hin in future given the business growth of the Group. Accordingly, the Company set the Proposed Long Hin Caps for the three years ending 31 December 2024 at lower levels as compared to the Historical Long Hin Caps for the three years ended 31 December 2021.

Having considered the above, we are of the view that the Proposed Long Hin Caps are fair and reasonable.

*Proposed Lek Seng Caps*

Set out below are (i) historical annual caps (the “**Historical Lek Seng Cap(s)**”) and historical amount of the CCTs under the 2019 Lek Seng Master Purchase Agreement for the three years ended 31 December 2021; and (ii) the proposed annual caps (the “**Proposed Lek Seng Cap(s)**”) under the 2022 Lek Seng Master Purchase Agreement:

	<b>For the year ended 31 December 2019 RM'million</b>	<b>For the year ended 31 December 2020 RM'million</b>	<b>For the year ended 31 December 2021 RM'million</b>
Historical amount	27.513	24.588	37.039
Historical annual cap	40	45	50
Utilisation rate (approximate %)	69	55	74
	<b>For the year ending 31 December 2022 RM'million</b>	<b>For the year ending 31 December 2023 RM'million</b>	<b>For the year ending 31 December 2024 RM'million</b>
Proposed annual cap	50	50	55

With reference to the Board Letter, in arriving at the Proposed Lek Seng Caps above, the Company has taken into account: (a) the Group’s aggregate costs of purchase of the materials from Lek Seng and Lek Seng Metal Sdn. Bhd., during the historical period; (b) the anticipated demand of the customers of the Group for the materials for the three financial years ending 31 December 2022, 2023 and 2024; (c) the Group’s expected business growth; and (d) the market overview of the scrap material trading market.

As depicted from the above table, the utilisation rates of the Historical Lek Seng Caps for the three years ended 31 December 2021 were over 50% and the utilisation rate of the Historical Lek Seng Cap for FY2021 was approximately 74%.

Given the above and that the Historical Lek Seng Cap for FY2021 was not fully utilised, we consider that it is reasonable for the Company to set the Proposed Lek Seng Caps for the two years ending 31 December 2023 at the same level with the Historical Lek Seng Cap for FY2021. Having also considered the Group's business growth as represented by the substantial increase in revenue for FY2021 as compared to that for FY2020, we are of the view that it is reasonable for the Company to incorporate a moderate annual increase of approximately 10% when determining the Proposed Lek Seng Cap for the year ending 31 December 2024.

Having considered the above, we are of the view that the Proposed Lek Seng Caps are fair and reasonable.

#### *Proposed CSH Caps*

Set out below are (i) historical annual caps (the “**Historical CSH Cap(s)**”) and historical amount of the CCTs under the 2019 Chye Seng Huat Master Purchase Agreement for the three years ended 31 December 2021; and (ii) the proposed annual caps (the “**Proposed CSH Cap(s)**”) under the 2022 Chye Seng Huat Master Purchase Agreement:

	<b>For the year ended 31 December 2019 <i>RM'million</i></b>	<b>For the year ended 31 December 2020 <i>RM'million</i></b>	<b>For the year ended 31 December 2021 <i>RM'million</i></b>
Historical amount	29.437	24.046	43.383
Historical annual cap	35	40	45
Utilisation rate (approximate %)	84	60	96
	<b>For the year ending 31 December 2022 <i>RM'million</i></b>	<b>For the year ending 31 December 2023 <i>RM'million</i></b>	<b>For the year ending 31 December 2024 <i>RM'million</i></b>
Proposed annual cap	50	55	60

With reference to the Board Letter, in arriving at the Proposed CSH Caps above, the Company has taken into account: (a) the Group's aggregate costs of purchase of the materials from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and/or Soon Lee Metal Sdn. Bhd. during the historical period; (b) the anticipated demand of the customers of the Group for the materials for the three financial years ending 31 December 2022, 2023 and 2024; (c) the Group's expected business growth; and (d) the market overview of the scrap material trading market.

As depicted from the above table, the utilisation rates of the Historical CSH Caps for the three years ended 31 December 2021 were over 60% and the utilisation rate of the Historical CSH Cap for FY2021 was approximately 96%.

Having considered the above, the substantially utilised Historical CSH Cap for FY2021 and the Group's business growth as represented by the substantial increase in revenue for FY2021 as compared to that for FY2020, we consider that it is reasonable for the Company to incorporate moderate annual increases of approximately 11%, 10% and 9% when determining the Proposed CSH Caps for the three years ending 31 December 2024.

Having considered the above, we are of the view that the Proposed CSH Caps are fair and reasonable.

Shareholders should note that as the above proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of costs arising from the CCTs. Consequently, we express no opinion as to how closely the actual costs arising from the CCTs will correspond with the above proposed annual caps.

Having considered the above, including the principal terms of the 2022 Master Purchase Agreements and the corresponding proposed annual caps, we are of the view that the terms of the CCTs are fair and reasonable so far as the Independent Shareholders are concerned.

### **Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the CCTs must be restricted by the proposed annual caps; (ii) the terms of the 2022 Master Purchase Agreements for the CCTs (together with the corresponding proposed annual caps) must be reviewed by INEDs annually; and (iii) details of the INEDs' annual review on the terms of the 2022 Master Purchase Agreements (together with the corresponding proposed annual caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the CCTs (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the proposed annual caps. In the event that the total

amounts of the CCTs are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the 2022 Master Purchase Agreements for the CCTs, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the CCTs and thus the interest of the Independent Shareholders would be safeguarded.

## **RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the CCTs are on normal commercial terms and are fair and reasonable; and (ii) the CCTs are conducted in the ordinary and usual course of the business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the 2022 Master Purchase Agreements and the CCTs and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**



**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.