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## **粵海廣南(集團)有限公司**

**GDH GUANGNAN (HOLDINGS) LIMITED**

*(Incorporated in the Hong Kong with limited liability)*

**(Stock Code: 01203)**

### **MAJOR TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST IN TARGET COMPANY**

#### **EQUITY TRANSFER AGREEMENT**

On 5 December 2022, the Purchaser (being a direct wholly-owned subsidiary of the Company) as purchaser entered into the Equity Transfer Agreement with the Vendor as vendor, the Target Company, Zhuhai Dezhirun, Zhuhai Kaibo, Ms. Yan and Mr. Ma, pursuant to which, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Equity Interest for a total consideration of RMB186,120,000 (equivalent to approximately HK\$202,592,000).

As of the date of this announcement, the entire equity interest in the Target Company is held by the Vendor. Upon Completion, the Target Company will be wholly-owned by the Purchaser, and, accordingly, become an indirect wholly-owned subsidiary of the Company.

#### **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder, and the Company intends to obtain a written approval for the Equity Transfer Agreement and the transactions contemplated thereunder from GDH Limited (the controlling Shareholder of the Company holding 537,198,868 Shares, representing approximately 59.19% of the issued share capital of the Company as at the date of this announcement), it is expected that an extraordinary general meeting of the Company to approve the Equity Transfer Agreement and the transactions contemplated thereunder is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened.

A circular containing, *inter alia*, (i) further information of the Acquisition; (ii) financial information of the Target Group; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; and (iv) the Valuation Report will be despatched to the Shareholders on or before 23 December 2022.

**Shareholders and potential investors should note that Completion is subject to the satisfaction and/or, where applicable, waiver of the Conditions Precedent. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

On 5 December 2022, the Purchaser (being a direct wholly-owned subsidiary of the Company) as purchaser entered into the Equity Transfer Agreement with the Vendor as vendor, the Target Company, Zhuhai Dezhirun, Zhuhai Kaibo, Ms. Yan and Mr. Ma, pursuant to which, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Equity Interest for a total consideration of RMB186,120,000 (equivalent to approximately HK\$202,592,000).

As of the date of this announcement, the entire equity interest in the Target Company is held by the Vendor. Upon Completion, the Target Company will be wholly-owned by the Purchaser, and, accordingly, become an indirect wholly-owned subsidiary of the Company.

## **THE EQUITY TRANSFER AGREEMENT**

A summary of the principal terms of the Equity Transfer Agreement is set out below:

### **Date**

5 December 2022

### **Parties**

- (i) The Purchaser
- (ii) The Vendor
- (iii) Target Company
- (iv) Zhuhai Dezhirun
- (v) Zhuhai Kaibo
- (vi) Ms. Yan; and
- (vii) Mr. Ma

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor, the Target Company, Zhuhai Dezhirun, Zhuhai Kaibo, Ms. Yan and Mr. Ma and its respective ultimate beneficial owners (if applicable) are Independent Third Parties.

### **Asset to be acquired**

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company (being the Equity Interest) from the Vendor in accordance with the terms and conditions of the Equity Transfer Agreement. Please refer to the section headed "Information on the Target Group" in this announcement for details of the Target Group.

### **Consideration and payment terms**

The Consideration for the Acquisition is RMB186,120,000 (equivalent to approximately HK\$202,592,000).

The Consideration shall be paid by the Purchaser in cash from the Group's internal resources in the following manner:

- (a) the first instalment in the amount of RMB55,836,000 (being 30% of the Consideration, the “**First Instalment**”) shall be paid to a bank account designated by the Vendor after the Equity Transfer Agreement becoming effective and the fulfillment (or where applicable, waiver) of all Condition Precedents, and within five (5) Working Days after the provision of the relevant supporting documents and payment application by the Vendor and reviewed and confirmed by the Purchaser;
- (b) the second instalment of the Consideration in the amount of RMB109,884,000 (being approximately 59% of the Consideration, the “**Second Instalment**”) shall be paid to bank accounts designated by the Vendor within ten (10) Working Days from the date of the completion of the Registration Procedures; and
- (c) the balance of the Consideration in the amount of RMB20,400,000 (being approximately 11% of the Consideration) shall be paid to a bank account designated by the Vendor within twenty (20) Working Days after the payment of the Second Instalment.

The net asset value of the Target Group attributable to the shareholder of the Target Company as at the Completion Date based on the consolidated completion accounts of the Target Group to be audited by the accountants appointed by the Purchaser in accordance with CASs and issued within twenty (20) days from the Completion Date shall be no less than an agreed value (determined with reference to the net asset value of the Target Group attributable to the shareholder of the Target Company as at 31 October 2022 based on the audited consolidated accounts of the Target Group prepared in accordance with CASs). In the event of any shortfall, the Vendor shall make up such shortfall in cash to the Target Company within ten (10) days from the issue of such completion accounts.

### **Basis of the Consideration**

The Consideration was agreed between the Vendor and the Purchaser after arm's length negotiations after considering various factors, including:

- (i) the appraised value of the entire interest of the Target Company as at 31 October 2022 in the amount of RMB190,217,000 (equivalent to approximately HK\$207,051,000) according to the Valuation Report;
- (ii) the future business prospects of the Target Group, in particular, the construction of the new slaughterhouse in Doumen, Zhuhai, is expected to be completed in the second half of 2023; and
- (iii) other factors and benefits to the Group as more particularly set out in the section headed “Reasons for and benefits of the Acquisition”.

Taking into account that the Target Group will continue to run its existing business and the said new slaughterhouse, it is considered that the adoption of the appraised value of the entire interest of the Target Company in the Valuation Report as a basis for determining the Consideration (instead of its net asset value) is appropriate as it better reflects the intrinsic value of the Target Company.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Summary of the Valuation Report**

The appraised value of the entire equity interest of the Target Company is RMB190,217,000 (equivalent to approximately HK\$207,051,000) as at 31 October 2022 as per the Valuation Report, which was prepared by the Valuer partly using income approach, through the use of the discounted cash flow method. As a result, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The principal assumptions are set out as follows:

#### **General assumptions**

1. All assets and liabilities in the valuation are based on the scope of the statement of financial position of the appraised entity, and the valuation is conducted based thereon.
2. The valuation does not consider the impact of possible additional costs and expenses that may be required under special trading methods on the appraised value, nor does it consider the impact of occasional natural forces and other force majeure on the appraised value.
3. The result of the valuation is based on the authenticity, accuracy, completeness, and objectivity of all documents provided by the Vendor.
4. Based on the assumptions and the purpose of the valuation, the prevailing market value methodology is used for the valuation. All price standards used in the valuation are valid price standards and valuation systems on the valuation date.
5. Transaction assumption: it is assumed that the appraised objects are in the transaction process and the Valuer conducts the valuation based on comparable market, such as the trading conditions of the appraised objects. The result of the valuation is the estimate of the most achievable transaction price of the appraised objects.

6. Open market assumption: it is assumed that the assets involved in the valuation target are being traded in the open market, the buyers and sellers are equal in the market with opportunities and time to acquire adequate market information, and transactions of both the buyers and sellers are carried out voluntarily, rationally and under non-mandatory conditions.
7. It is assumed that after the economic behaviour of the valuation purpose has been realised, the assets involved in the appraised objects would continue to be used in situ in accordance with their use and usage method at the valuation date.

### **Special assumptions**

1. It is assumed that there will be no significant changes in the industry and region in which the appraised entity operates and social and economic environment in the PRC, and there will be no significant changes in the prevailing national laws, regulations and social, political and economic policies.
2. Enterprise ongoing concern assumption: firstly, it is assumed that the appraised assets are being used, which includes assets being used and reserved assets; secondly, based on relevant data and information, it is assumed that the assets being used will continuously be used. The assumption of sustainable use explains what market conditions or environment the appraised assets are subject to, and explains the subsisting status of the assets. The principle of continuing to be used as existing usage is adopted for this valuation, which refers to the case when the appraised asset will continue to be used in accordance with the existing usage and form after the ownership is changed or asset business occurs.
3. The prevailing corporate income tax rate for appraised entity is 25% (the corporate income tax rate for certain subsidiaries is 15%). It is assumed that the interest rate, exchange rate, tax base and tax rate, and policy collection fees related to the appraised entity will not undergo major changes except for the known changes and fluctuations on the date of issuance of the report.
4. It is assumed that the operator of the appraised entity is responsible and the management has the capability to take on their duties and responsibilities.
5. It is assumed that the appraised entity fully complies with all the relevant prevailing laws and regulations.
6. It is assumed that there will be no other force majeure and unforeseeable factors that have a material adverse effect on the appraised entity.
7. It is assumed that the accounting policies to be adopted by the appraised entity in the future will be fundamentally consistent in all material aspects with those adopted at the valuation date.

8. Enterprise business model stability assumption, where the operating products and services of the enterprise basically remain unchanged, enables the enterprise to maintain similar business relationships with all major customers and suppliers in recent years, or the changes can be anticipated and may be realised.
9. It is assumed that the cash inflow of the appraised entity is the average inflow, and the cash outflow is the average outflow after the valuation date.

The Valuer is of the view that the assumptions above are present as at the valuation date based on the requirements of the income approach for valuation of partly long term equity investments of the Target Company and reached the conclusion of the valuation based on these assumptions. The result of the valuation will change significantly if there is material change in the future economic environment after the valuation date or if other assumptions become invalid.

### **Review by Reporting Accountants and Financial Adviser**

The Reporting Accountants have been engaged to report on the calculation of the discounted cash flows used in the Valuation Report prepared by the Valuer. The Reporting Accountants have reported that so far as the calculations are concerned, the discounted cash flows have been properly compiled in all material aspects in accordance with the bases and assumptions as set out in the Valuation Report.

The Financial Adviser confirmed that the valuation of the entire equity interest of the Target Company in the Valuation Report, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry by the Directors.

The text of the report issued by the Reporting Accountants in relation to the calculations of the discounted cash flows is set out in Appendix I to this announcement for the purpose under Rule 14.62(2) of the Listing Rules and the letter from the Financial Adviser in compliance with Rule 14.62(3) of the Listing Rules is included in Appendix II to this announcement.

### **Experts and consents**

The qualification of the experts who have given opinion or advice in this announcement is as follows:

<b>Name</b>	<b>Qualification</b>
KPMG	Certified Public Accountants
GF Capital	A corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO
Guangdong Caixing	Independent valuer

As at the date of this announcement, each of the above experts does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group. To the best of the Directors' knowledge, information and belief, each of the above experts is an Independent Third Party.

Each of the above experts has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report and all references to its name in the form and context in which they respectively appear.

### **Effectiveness of the Equity Transfer Agreement**

The Equity Transfer Agreement shall become effective upon the satisfaction of the following conditions:

- (a) approval by the Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained by the Company; and
- (b) the clearance by the Stock Exchange of the circular of the Company in relation to the Acquisition.

### **Conditions Precedent**

Pursuant to the Equity Transfer Agreement, the payment of the Consideration and Acquisition are conditional upon the fulfillment or, where applicable, waiver in writing by the Purchaser of the following Conditions Precedent:

- (a) the Vendor or other related parties of the Target Group having confirmed the related current balance with the Target Group as at 31 October 2022;
- (b) the audit of the financial statements of the Target Group having been completed by an auditor with relevant qualifications approved by the Purchaser;
- (c) the legal, financial and business due diligence on the Target Group having been completed to the satisfaction of the Purchaser;
- (d) each of the parties to the Equity Transfer Agreement having obtained approval of all internal decision-making procedures and other necessary approvals, permits, consents and filings (if any) from external parties (including without limitation, governmental authorities, creditors or other third parties) required for the execution of the Equity Transfer Agreement;
- (e) within five (5) Working Days from the date of the Equity Transfer Agreement becoming effective, the Target Company and Zhuhai Dezhirun having provided the Purchaser with the original documents such as the directors' resolutions and shareholders' resolutions in relation to the Acquisition or corporate governance adjustments (as the case may be), amended articles of association or resolutions of such amendments and the register of



shareholders of the Target Company made in accordance with the Equity Transfer Agreement, and the relevant documents and contents having been approved in writing by the Purchaser;

- (f) the amended articles of association of Zhuhai Dezhirun, the updated register of shareholders and the application documents required for the Registration Procedures having been duly signed by the Purchaser, the Target Company, the Vendor, Zhuhai Dezhirun or other relevant parties;
- (g) each of the Target Group and the Vendor having complied with the relevant laws, regulations, rules and other normative legal documents, and no investigations or penalties having been imposed on any of them by the competent authorities;
- (h) except for the changes agreed in the Equity Transfer Agreement, according to the reasonable judgment of the Purchaser, there having been (i) no material adverse change on the asset structure and status of any Target Group Company; (ii) no events that may have a material adverse impact on the financial position, prospects, assets or obligations of any Target Group Company; (iii) no circumstances that may cause any Target Group Company to cease operation; (iv) no mortgages, pledges, seizures, freezes or any other encumbrances on or third-party claims against the equity interest in any Target Group Company; (v) no other material adverse change in the Target Group and the Vendor; and (vi) no other circumstances that have caused or may cause any material adverse impacts on the Acquisition;
- (i) each of the Vendor, the Target Company, Zhuhai Dezhirun, Zhuhai Kaibo, Ms. Yan and Mr. Ma having complied with the obligations as set out in the Equity Transfer Agreement, and each of the representations and warranties under the Equity Transfer Agreement being true, complete and accurate in all material respects;
- (j) as of any payment date under the Equity Transfer Agreement, there having been no act or proceeding by any governmental authority that restricts, restrains, prohibits, nullifies or otherwise prevents or seeks to prevent the completion of the Acquisition; and
- (k) any other conditions as may be reasonably required by the Purchaser prior to any payment date.

The Vendor shall use its best endeavours to procure the fulfilment of all of the Conditions Precedent under the Equity Transfer Agreement within three months from the date of the Equity Transfer Agreement. The Vendor shall give written notice to Purchaser within five (5) days after the fulfilment of all Conditions Precedent under the Equity Transfer Agreement and shall at the same time provide the Purchaser with supporting documents evidencing that all such Conditions Precedent have been fulfilled.

As at the date of this announcement, Conditions Precedents under paragraphs (a) to (d) have been fulfilled.

## **Completion**

Within five (5) Working Days from the date of payment of the First Instalment, the Vendor and the Target Company shall complete the Registration Procedures and provide to the Purchaser the notice of approval of registration issued by the relevant industrial and commercial registration authority in the PRC and the new business license of the Target Company. Completion shall occur on the date of completion of the Registration Procedures.

## **Termination of the Equity Transfer Agreement**

The Equity Transfer Agreement shall be terminated if:

- (a) the Vendor, the Target Company, Zhuhai Dezhirun, Zhuhai Kaibo, Ms. Yan or Mr. Ma violates any of the Conditions Precedent or if there is any material adverse change in the assets and liabilities, business operation or financial position of the Target Group prior to the Completion Date;
- (b) agreed in writing by the parties to the Equity Transfer Agreement;
- (c) the Equity Transfer Agreement cannot be performed due to force majeure;
- (d) the non-defaulting party to the Equity Transfer Agreement terminates the Equity Transfer Agreement in accordance with the terms of the Equity Transfer Agreement when the other party(ies) to the Equity Transfer Agreement is/are in default;
- (e) the Target Company, Zhuhai Dezhirun or any of the Target Group Companies is dissolved, declared bankrupt by the court, or has its business license revoked by the competent company registration authority or is otherwise disqualified from operating prior to the Completion Date;
- (f) the Equity Transfer Agreement is determined to be invalid or rescinded by a court in accordance with law; or
- (g) there are other reasons as provided for by other laws or regulations or in accordance with the terms of the Equity Transfer Agreement.

## **Post-Completion undertaking**

The Vendor, Zhuhai Kaibo, Ms. Yan and Mr. Ma undertake that they shall procure and ensure Zhuhai Runhehe to obtain the qualification for fixed-point slaughtering of pigs, cattle and sheep, animal epidemic prevention conditions permit, food business license, sewage permit and all other qualifications and permits necessary for carrying out slaughtering and meat processing and related business within thirty (30) Working Days after the completion of examination of the new slaughterhouse of the Target Group to be constructed in Doumen, Zhuhai. In the event that the said permits and qualifications cannot be obtained within sixty (60) Working Days after the completion of the aforesaid examination, the Vendor and Ms. Yan shall pay an amount of RMB76,000,000 to the Purchaser within ten (10) Working Days,

provided that if such qualifications are obtained within sixty (60) Working Days thereafter, the Purchaser shall return such amount (after deduction of the relevant costs and loss) without interest to the Vendor.

The financial funds for the construction of the new slaughterhouse of the Target Group in Doumen, Zhuhai after Completion shall be satisfied by shareholders' loan or third party financing.

### **Corporate Governance of Zhuhai Dezhirun**

Zhuhai Dezhirun shall have a board of directors comprising three (3) directors. The Target Company is entitled to appoint two (2) directors while Zhuhai Kaibo is entitled to appoint one (1) director. The chairman of the board of directors of Zhuhai Dezhirun shall be served by the director appointed by the Target Company. Zhuhai Dezhirun shall have one (1) general manager to be appointed by the Target Company and several deputy general managers, among which Zhuhai Kaibo is entitled to appoint one (1) deputy general manager while the Target Company is entitled to appoint the rest of the deputy general managers. The Target Company is also entitled to appoint the chief financial officer and other senior management of Zhuhai Dezhirun.

The Target Company is entitled to appoint two (2) supervisors of Zhuhai Dezhirun.

Resolutions passed at any meeting of the board of directors of Zhuhai Dezhirun shall be decided by a simple majority of votes, save that certain reserved matters concerning the increase or reduction of the registered capital of Zhuhai Dezhirun, amendments to the articles of association of Zhuhai Dezhirun, and merger, demerger, change of corporate form, dissolution or winding up of Zhuhai Dezhirun shall be passed by the vote of more than two-third (2/3) of the directors.

Resolutions passed at any general meeting of Zhuhai Dezhirun shall be decided by a simple majority of votes, save that certain reserved matters concerning the increase or reduction of the registered capital of Zhuhai Dezhirun, amendments to the articles of association of Zhuhai Dezhirun, and merger, demerger, change of corporate form or dissolution of Zhuhai Dezhirun shall be passed by the vote of more than two-third (2/3) of the shareholders.

### **Share pledge over certain equity interest in Zhuhai Dezhirun**

Pursuant to the Equity Transfer Agreement and the respective equity pledge agreements dated 5 December 2022, each of Zhuhai Kaibo, Ms. Yan and Mr. Ma has agreed to pledge its respective equity interest in an aggregate of 34% in Zhuhai Dezhirun in favour of the Purchaser to secure the payment obligations of the Vendor, Zhuhai Kaibo, Ms. Yan and Mr. Ma under the Equity Transfer Agreement. The registration of the said equity pledges shall be completed within five (5) Working Days from the date of the Equity Transfer Agreement becoming effective.

## **INFORMATION ON THE GROUP AND THE PURCHASER**

The Group is principally engaged in the distribution and trading of fresh and live foodstuffs and provision of slaughtering service, manufacturing and sales of tinplate products and property leasing.

The Purchaser is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

## **INFORMATION ON THE VENDOR AND OTHER PARTIES**

The Company understands that the Vendor is a company established on 11 March 2020 in the PRC with limited liability and is principally engaged in general cargo transportation, warehousing services, logistics intermediary services, loading and unloading. The Company understands that as of the date of this announcement, 60% and 40% of the equity interests in the Vendor are registered in the name of Wang Zhuokang and Zhang Pengju, respectively, and held on behalf of Ms. Yan as beneficial owner.

As at the date of this announcement, the Target Company is the holding company of Zhuhai Dezhirun, which is the principal holding company in the Target Group. For details, please refer to the section headed “Information on the Target Group” in this announcement below.

Zhuhai Kaibo is a company established in the PRC with limited liability and is principally engaged in investment holding. It is the owner of approximately 17.33% equity interest in Zhuhai Dezhirun as at the date of this announcement. The Company understands that, as at the date of this announcement, the equity interest in Zhuhai Kaibo is owned as to 50% by Zhuhai Kaiqi and 50% by Zhuhai Bo Yuan Xin. Zhuhai Kaiqi is principally engaged in the retail and wholesale of agricultural products, poultry slaughtering and breeding, and feed production and sales and its equity interest is registered in the name of Guo Zimin and Fan Ting as to 70% and 30%, respectively, and held on behalf of Ms. Yan as beneficial owner. Zhuhai Bo Yuan Xin is principally engaged in acquisition of livestock and agricultural products, and retail and wholesale of food and its equity interest is registered in the name of Ling Juan and Fu Chenglin as to 60% and 40%, respectively, and held on behalf of Ms. Yan as beneficial owner.

Ms. Yan is the owner of approximately 11.67% equity interest in Zhuhai Dezhirun as at the date of this announcement.

Mr. Ma is the registered owner of 5% equity interest in Zhuhai Dezhirun who holds such equity interest on behalf of Ms. Yan as beneficial owner as at the date of this announcement.

In summary, the equity interest in the Target Company and Zhuhai Kaibo, and the equity interest held by Mr. Ma in Zhuhai Dezhirun are all ultimately beneficially owned by Ms. Yan.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Vendor, Zhuhai Kaibo, Ms. Yan, Mr. Ma, Wang Zhuokang, Zhang Pengju, Zhuhai Kaiqi, Zhuhai Bo Yuan Xin, Guo Zimin, Fan Ting, Ling Juan and Fu Chenglin and its respective ultimate beneficial owners (if applicable) are Independent Third Parties.

## INFORMATION ON THE TARGET GROUP

### Target Company

The Target Company is a company established in the PRC with limited liability on 26 September 2022 with a registered capital of RMB55,000,000 and a paid-up capital of RMB39,600,000. As at the date of this announcement, the entire equity interest in the Target Company is held by the Vendor. It is principally engaged in investment holding.

### Zhuhai Dezhirun

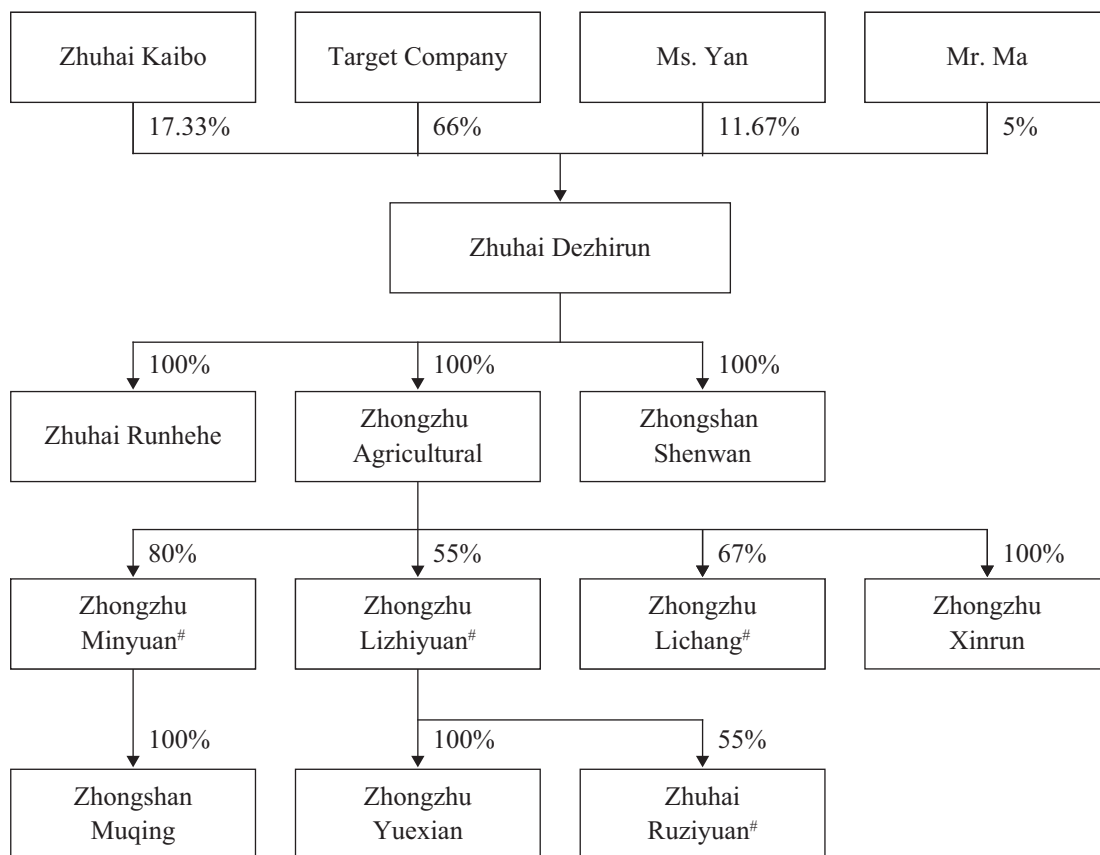
Zhuhai Dezhirun is a company established in the PRC with limited liability on 26 November 2019. As at the date of this announcement, Zhuhai Dezhirun is owned as to 66% by the Target Company while the remaining approximately 17.33%, approximately 11.67% and 5% equity interests in Zhuhai Dezhirun are held by Zhuhai Kaibo (on behalf of Ms. Yan), Ms. Yan and Mr. Ma (on behalf of Ms. Yan), respectively. It is principally engaged in investment holding and through its subsidiaries, engaged in slaughterhouse operation, food processing, cold chain logistics and food product sales mainly in Zhuhai and Zhongshan, the PRC.

Zhuhai Dezhirun and its subsidiaries (the “**Zhuhai Dezhirun Group**”) has undergone certain restructuring (the “**Restructuring**”) in October 2022 including rationalising its capital structure in preparation for the Acquisition. The Restructuring includes the following steps:

1. Zhuhai Runhehe sold approximately 98.18% equity interest in Zhuhai Food at the consideration of RMB227,000,000 to an Independent Third Party and received dividend distribution of RMB69,210,000 from Zhuhai Food.
2. The Target Company subscribed for 66% of equity interest in Zhuhai Dezhirun at the consideration of RMB39,600,000 in October 2022, after which Zhuhai Dezhirun became a non-wholly owned subsidiary of the Target Company, and the remaining shareholders of Zhuhai Dezhirun injected capital in the aggregate amount of RMB20,400,000 into Zhuhai Dezhirun.
3. Zhuhai Dezhirun Group settled the debt in the amount of approximately RMB378,067,000 in order to scale down the debt level.
4. Zhuhai Dezhirun acquired 5% equity interest of Zhuhai Runhehe at the consideration of RMB5,000,000 from minority shareholders of Zhuhai Runhehe (being Independent Third Parties), after which Zhuhai Runhehe became a wholly-owned subsidiary of Zhuhai Dezhirun.

5. Zhongzhu Lizhiyuan sold 55% equity interest in 珠海潤悅食品有限公司 (Zhuhai Runyue Food Co., Ltd.\*) at the consideration of approximately RMB239,000 to an Independent Third Party.

The following diagram represents a simplified illustration of the corporate structure of the Target Group as at the date of this announcement:



# The remaining equity interests in such companies are held by Independent Third Party(ies).

### **Zhuhai Runhehe**

Zhuhai Runhehe is a company established in the PRC with limited liability. As at the date of this announcement, Zhuhai Runhehe is a direct wholly-owned subsidiary of Zhuhai Dezhirun. It is principally engaged in the operation of a transfer station for live pigs supplied to Macau. It is contemplated that it will operate a new slaughterhouse in Doumen, Zhuhai which is currently under construction and obtain the slaughtering license after the examination is expected to complete in the second half of 2023.

### **Zhongshan Shenwan**

Zhongshan Shenwan is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Zhuhai Dezhirun as at the date of this announcement. It is principally engaged in pig slaughtering, pigpen leasing, fresh meat wholesale counter leasing and plant and office building leasing. It operates a slaughterhouse possessing a fixed-point slaughtering licence in Zhongshan (Southern Area).

### **Zhongzhu Agricultural**

Zhongzhu Agricultural is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Zhuhai Dezhirun as at the date of this announcement. It is principally engaged in investment holding.

### **Zhongzhu Minyuan**

Zhongzhu Minyuan is a company established in the PRC with limited liability. As at the date of this announcement, Zhongzhu Minyuan is owned as to 80% and 20% by Zhongzhu Agricultural and 珠海華川農產品有限公司 (Zhuhai Huachuan Agricultural Products Company Limited\*) (an Independent Third Party), respectively. It is principally engaged in the wholesale of live pigs, pork sorting and distribution to supermarkets and self-operated stores, and provision of management service to the fresh meat wholesale center.

### **Zhongzhu Lizhiyuan**

Zhongzhu Lizhiyuan is a company established in the PRC with limited liability. As at the date of this announcement, Zhongzhu Lizhiyuan is owned as to 55% by Zhongzhu Agricultural while the aggregate of the remaining 45% equity interest in Zhongzhu Lizhiyuan is held by two Independent Third Parties, namely, 珠海利之人諮詢服務有限公司 (Zhuhai Lizhiren Consulting Service Company Limited\*) and 珠海市利源農畜產品有限公司 (Zhuhai Liyuan Agricultural and Livestock Products Company Limited\*) as to 35% and 10%, respectively. It is principally engaged in the sales of beef and beef-related products.

### **Zhongzhu Lichang**

Zhongzhu Lichang is a company established in the PRC with limited liability. As at the date of this announcement, Zhongzhu Lichang is owned as to 67% and 33% by Zhongzhu Agricultural and 珠海市仁德食品有限公司 (Zhuhai Rende Food Company Limited\*) (an Independent Third Party), respectively. It is principally engaged in the operation of the online sales platform.

### **Zhongzhu Xinrun**

Zhongzhu Xinrun is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Zhongzhu Agricultural as at the date of this announcement, which is principally engaged in cold chain logistics transportation business.

### **Zhongshan Muqing**

Zhongshan Muqing is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of Zhongzhu Minyuan as at the date of this announcement. It is principally engaged in food production and operation, including, without limitation, modified atmosphere packaging of fresh meat.

### **Zhongzhu Yuexian**

Zhongzhu Yuexian is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of Zhongzhu Lizhiyuan as at the date of this announcement. It is principally engaged in beef sorting and sales.

### **Zhuhai Ruziyuan**

Zhuhai Ruziyuan is a company established in the PRC with limited liability. As at the date of this announcement, Zhuhai Ruziyuan is owned as to 55% and 45% by Zhongzhu Lizhiyuan and 中山市儒子牛餐飲管理有限公司 (Zhongshan Ruziniu Catering Management Company Limited\*) (an Independent Third Party), respectively. It is principally engaged in the production and sale of prefabricated dishes.

The shareholding of Zhuhai Dezhirun and its subsidiaries above shall remain the same upon Completion.

### **Financial information of the Target Group**

Since the Target Company was established only on 26 September 2022, set out below is a summary of the combined financial information of the Target Group, which includes the principal subsidiaries (including Zhuhai Runhehe, Zhongzhu Agricultural and Zhongshan Shenwan) for the two financial years ended 31 December 2020 and 2021 prepared in accordance with HKFRSs.



	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) before taxation	8,443	(3,810)
Profit/(loss) after taxation	7,993	(2,613)

The net asset value of the Target Group as at 30 June 2022 was approximately RMB12,771,000 on the basis of the combined financial information of the Target Group prepared in accordance with HKFRSs.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the distribution and trading of fresh and live foodstuffs and provision of slaughtering service, the manufacturing and sales of tinsplate products and property leasing. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. The Board considers that the Acquisition represents a strategic deployment of the Group in the slaughtering business by expanding its business map in Guangdong Province. The Acquisition would better facilitate the implementation of the strategies and grasping the development opportunities of the food processing industry in the Guangdong-Hong Kong-Macao Greater Bay Area for the following reasons:

### **1. Core values of Zhuhai Dezhirun**

The Zhuhai Dezhirun Group has been engaging in pig slaughtering and food processing business. The core values it possesses are beneficial to the Group's development in the upstream and downstream slaughtering businesses, namely, the resources, regional markets and sales network for implementing fixed-point slaughtering, a certain cluster scale of self-operated business; and the wholesale and retail centre in Zhuhai and Zhongshan, which will pave way for the future expansion of the incremental market in the new slaughterhouse in Doumen, Zhuhai.

### **2. Merits of fixed-point slaughtering license**

With continuous development of fixed-point slaughtering policy in China, fixed-point slaughtering licences have become scarce resources as only a limited number of licences would be issued in each city, and no slaughterhouse can be operated without such a licence under the relevant PRC laws and regulations. In the long run, the Group's position in the slaughtering industry will be strengthened with the ownership of more fixed-point slaughtering licenses in the cities of the Greater Bay Area. It is expected that through the Acquisition, the Group would obtain fixed-point slaughtering licenses for two cities,

namely, Zhongshan (Southern Area), Zhuhai (Doumen) and, together with the license currently owned by the Group in Foshan (Nanhai), the Group would possess fixed-point slaughtering licenses in three cities in the Greater Bay Area.

### **3. Increase in market share of slaughtering business in western regions of the Greater Bay Area**

The Company believes that through the Acquisition, the Group would benefit from the expansion of market share in view of the enlarged business scale of the Group, with the Group's existing slaughterhouse in Foshan, and the acquisition of the Zhongshan slaughterhouse and the new slaughterhouse in Doumen, Zhuhai. By deploying its business in the western regions of the Greater Bay Area, it is expected that the Group would enhance its influence in this area with a relatively loyal customer base, which would also be conducive to stabilizing the Group's slaughtering business and increasing its market share in the industry.

The Board (including the independent non-executive Directors) considers that the terms and conditions of the Acquisition are fair and reasonable and the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

No Director has any material interest in the Acquisition and was required to abstain from voting on the Directors' resolutions approving the Acquisition and the entering into of the Equity Transfer Agreement by the Purchaser.

### **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder, and the Company intends to obtain a written approval for the Equity Transfer Agreement and the transactions contemplated thereunder from GDH Limited (the controlling Shareholder of the Company holding 537,198,868 Shares, representing approximately 59.19% of the issued share capital of the Company as at the date of this announcement), it is expected that an extraordinary general meeting of the Company to approve the Equity Transfer Agreement and the transactions contemplated thereunder is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened.

## DESPATCH OF CIRCULAR

A circular containing, *inter alia*, (i) further information of the Acquisition; (ii) financial information of the Target Group; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; and (iv) the Valuation Report will be despatched to the Shareholders on or before 23 December 2022.

**Shareholders and potential investors should note that Completion is subject to the satisfaction and/or, where applicable, waiver of the Conditions Precedent. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Acquisition”	the acquisition of the Equity Interest by the Purchaser from the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement;
“Board”	the board of Directors;
“CASs”	China Accounting Standards;
“Company”	GDH Guangnan (Holdings) Limited (粵海廣南(集團)有限公司), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement;
“Completion Date”	the date of the Completion;
“Conditions Precedent”	the conditions precedent to payment of the Consideration and Acquisition pursuant to the Equity Transfer Agreement;
“Consideration”	the consideration for the Acquisition, which is RMB186,120,000 (equivalent to approximately HK\$202,592,000);
“Director(s)”	the directors of the Company;
“Equity Interest”	the entire equity interest in the Target Company held by the Vendor as of the date of this announcement and to be acquired by the Purchaser pursuant to the Equity Transfer Agreement;

“Equity Transfer Agreement”	the equity transfer agreement dated 5 December 2022 entered into between the Purchaser as purchaser, the Vendor as vendor, the Target Company, Zhuhai Dezhirun, Zhuhai Kaibo, Ms. Yan and Mr. Ma in relation to the Acquisition;
“Financial Adviser” or “GF Capital”	GF Capital (Hong Kong) Limited, a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO;
“First Instalment”	has the meaning ascribed to it under the section headed “The Equity Transfer Agreement — Consideration and payment terms” in this announcement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRSs”	all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or its connected persons (as defined in the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Ma”	Mr. Ma Xifeng (馬西峰先生);
“Ms. Yan”	Ms. Yan Dandan (顏丹丹女士);
“PRC”	the People’s Republic of China;
“Purchaser”	廣東粵海廣南投資有限公司 (GDH Guangnan Investment Company Limited*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Company;
“Registration Procedures”	the relevant registration procedures with the relevant industrial and commercial registration authority in the PRC in respect of the transfer of the Equity Interest;
“Reporting Accountants” or “KPMG”	KPMG, Certified Public Accountants, Hong Kong;

“Restructuring”	has the meaning ascribed to it under the section headed “Information on the Target Group — Zhuhai Dezhirun” in this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Instalment”	has the meaning ascribed to it under the section headed “The Equity Transfer Agreement — Consideration and payment terms” in this announcement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the share(s) of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules;
“Target Company”	珠海粵廣豐投資有限公司 (Zhuhai Yue Guang Feng Investment Company Limited*), a company established in the PRC with limited liability, the entire equity interest of which is held by the Vendor as of the date of this announcement;
“Target Group”	collectively, the Target Company, Zhuhai Dezhirun, Zhuhai Runhehe, Zhongshan Shenwan, Zhongzhu Agricultural, Zhongzhu Minyuan, Zhongzhu Lizhiyuan, Zhongzhu Lichang, Zhongzhu Xinrun, Zhongshan Muqing, Zhongzhu Yuexian and Zhuhai Ruziyuan; and each a “ <b>Target Group Company</b> ”;
“Valuation Report”	the valuation report dated 21 November 2022 prepared by the Valuer in the entire shareholders’ equity interest of the Target Company;
“Valuer” or “Guangdong Caixing”	廣東財興資產評估土地房地產估價有限公司 (GuangDong Caixing Assets & Real Estate Appraisal Co., Ltd.), an independent valuer appointed by the Company;
“Vendor”	湖南夢雄運輸服務有限責任公司 (Hunan Mengxiong Transportation Service Company Limited*), a company established in the PRC with limited liability;
“Working Day(s)”	a day other than Saturday, Sunday or a public holiday in the PRC;
“Zhongshan Muqing”	中山市牧清食品有限公司 (Zhongshan Muqing Food Company Limited*), a company established in the PRC with limited liability;

- “Zhongshan Shenwan” 中山市神灣鎮龍發食品有限公司 (Zhongshan Shenwan Longfa Food Company Limited\*), a company established in the PRC with limited liability;
- “Zhongzhu Agricultural” 珠海中珠農貿有限公司 (Zhuhai Zhongzhu Agricultural Trading Company Limited\*), a company established in the PRC with limited liability;
- “Zhongzhu Lichang” 珠海中珠利昌食品有限公司 (Zhuhai Zhongzhu Lichang Food Company Limited\*), a company established in the PRC with limited liability;
- “Zhongzhu Lizhiyuan” 珠海中珠利之源農產品有限公司 (Zhuhai Zhongzhu Lizhiyuan Agricultural Products Company Limited\*), a company established in the PRC with limited liability;
- “Zhongzhu Minyuan” 珠海中珠民源食品有限公司 (Zhuhai Zhongzhu Minyuan Food Company Limited\*), a company established in the PRC with limited liability;
- “Zhongzhu Xinrun” 珠海中珠鑫潤食品有限公司 (Zhuhai Zhongzhu Xinrun Food Company Limited\*), a company established in the PRC with limited liability;
- “Zhongzhu Yuexian” 珠海中珠粵鮮食品有限公司 (Zhuhai Zhongzhu Yuexian Food Company Limited\*), a company established in the PRC with limited liability;
- “Zhuhai Bo Yuan Xin” 珠海市博元鑫商貿有限公司 (Zhuhai Bo Yuan Xin Trading Company Limited\*), a company established in the PRC with limited liability;
- “Zhuhai Dezhirun” 珠海德之潤實業有限公司 (Zhuhai Dezhirun Industrial Company Limited\*), a company established in the PRC with limited liability;
- “Zhuhai Dezhirun Group” has the meaning ascribed to it under the section headed “Information on the Target Group — Restructuring” in this announcement;
- “Zhuhai Food” 珠海市食品有限公司 (Zhuhai Food Company Limited\*), a company established in the PRC with limited liability;
- “Zhuhai Kaibo” 珠海市凱博農牧有限公司 (Zhuhai Kaibo Farming Company Limited\*), a company established in the PRC with limited liability;
- “Zhuhai Kaiqi” 珠海凱奇農牧有限公司 (Zhuhai Kaiqi Farming Company Limited\*), a company established in the PRC with limited liability;

- “Zhuhai Runhehe” 珠海市潤和合食品有限公司 (Zhuhai Runhehe Food Company Limited\*), a company established in the PRC with limited liability; and
- “Zhuhai Ruziyuan” 珠海市儒子源食品有限公司 (Zhuhai Ruziyuan Food Company Limited\*), a company established in the PRC with limited liability.

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.0885 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.*

*\* The English translation of the Chinese name of the relevant company included in this announcement is prepared for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.*

By order of the Board  
**Chen Benguang**  
Chairman

Hong Kong, 5 December 2022

*As at the date of this announcement, the Board is composed of three executive Directors, namely Mr. Chen Benguang, Mr. Yang Zhe and Mr. Chau Wang Kei; one non-executive Director, namely Mr. Wang Longhai; and three independent non-executive Directors, namely Mr. Gerard Joseph McMahon, Mr. Li Kar Keung, Caspar and Dr. Wong Yau Kar, David.*

## APPENDIX I — REPORT FROM THE REPORTING ACCOUNTANTS

*The following is the text of a report from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.*



### REPORT ON THE CALCULATION OF DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF ZHUHAI YUE GUANG FENG INVESTMENT COMPANY LIMITED

#### TO THE BOARD OF DIRECTORS OF GDH GUANGNAN (HOLDINGS) LIMITED

We refer to the discounted future cash flows on which the valuation (“**the Valuation**”) dated 21 November 2022 prepared by 廣東財興資產評估土地房地產估價有限公司 in respect of the appraisal of the fair value of Zhuhai Yue Guang Feng Investment Company Limited (“**the Target Company**”) as at 31 October 2022 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **Directors’ Responsibilities**

The directors of GDH Guangnan (Holdings) Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **Our Independence and Quality Control**

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

Our firm applies Hong Kong Standard on Quality Control (HKSQC) 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



## **Reporting Accountants' Responsibilities**

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

## **Basis of Opinion**

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

## **Opinion**

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

## **Other matters**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

## **KPMG**

*Certified Public Accountants*

Hong Kong

5 December 2022

## APPENDIX II — LETTER FROM THE FINANCIAL ADVISER

*As the Valuation Report is partly based on discounted cashflow method, it is deemed to be a profit forecast under the Listing Rules. The following is the full text of a letter from the Financial Adviser in relation to the Valuation Report, for the purpose of, among other things, incorporation into this announcement.*



**GF Capital (Hong Kong) Limited**  
29–30/F, Li Po Chun Chambers,  
189 Des Voeux Road Central  
Hong Kong

The Board of Directors  
**GDH Guangnan (Holdings) Limited**  
Units 2905–08, 29th Floor  
Shui On Centre  
6–8 Harbour Road,  
Wanchai  
Hong Kong

5 December 2022

Dear Sirs/Madams,

We refer to the valuation report dated 21 November 2022 (the “**Valuation Report**”) in respect of the valuation of the entire equity interest in 珠海粵廣豐投資有限公司 (Zhuhai Yue Guang Feng Investment Company Limited\*, the “**Target Company**”) as at 31 October 2022, prepared by 廣東財興資產評估土地房地產估價有限公司 (GuangDong Caixing Assets & Real Estate Appraisal Co., Ltd.\*, the “**Independent Valuer**”). The Target Company is principally engaged in investment holding and it is in control of 珠海德之潤實業有限公司 (Zhuhai Dezhirun Industrial Company Limited\*) and its subsidiaries (collectively with the Target Company, the “**Target Group**”). The Target Group is principally engaged in slaughtering, food production and operation including pork and beef. Capitalised terms used herein, unless otherwise defined, shall have the same meanings as defined in the announcement of GDH Guangnan (Holdings) Limited (the “**Company**”) dated 5 December 2022 in connection with, among others, major transaction in relation to acquisition of the entire equity interest in Target Company (the “**Announcement**”).

We understand that the Valuation Report has been provided to you and we note that the Valuation Report has been prepared partly based on, among other things, the income approach, an appraisal approach to identify the value of the target of evaluation by discounted cash flows, and is therefore regarded as profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”).

We are not reporting on the arithmetical calculations of the Forecast and the adoption of the accounting policies thereof, and our work does not constitute any valuation or fairness opinion of the entire equity interest in the Target Company. We have assumed, without independent verification, the accuracy of the parameters stated in the Valuation Report.

We have undertaken reasonableness checks to assess the relevant experience and expertise of the Independent Valuer and are satisfied that reliance could fairly be placed on the Independent Valuer's work.

We have reviewed the Forecast included in the Valuation Report, for which you as the Directors are solely responsible. We have attended discussions involving the management of the Target Group with the Company and Independent Valuer, where (i) the historical performance of the Target Group, (ii) the calculations of the Forecast, and (iii) the qualifications, bases and assumptions set out in the Valuation Report were discussed. We have also considered the report addressed solely to and for the sole benefit of the Directors from KPMG dated 5 December 2022, the text of which is set out in Appendix I to the Announcement regarding the calculations of the discounted future cash flows on which the Forecast is based. The Forecast is based on a number of bases and assumptions. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the businesses of the Target Group may or may not achieve as expected and the variation may be material. Accordingly, we express no opinion as to how the actual cash flow will eventually correlate with the Forecast.

Based on the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Independent Valuer, for which the Independent Valuer and the Company are responsible, we are satisfied that the Forecast included in the Valuation Report, for which you as the Directors are solely responsible, has been made after due and careful enquiry by you.

The work undertaken by us in giving the above view has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work or this letter.

Yours faithfully,  
For and on behalf of  
**GF Capital (Hong Kong) Limited**  
**Erica Law**  
*Director, Responsible Officer*

\* *The English translation of the Chinese name of the relevant company included in this letter is prepared for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.*