
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

If you have sold or transferred all your shares in Smart Globe Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer, registered institution in securities, bank, stockbroker 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 and conditions of the Offer contained herein.

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

TeraMetal Holdings Limited
(Incorporated in the British Virgin Islands with limited liability)


SMART GLOBE HOLDINGS LIMITED
竣球控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1481)

COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY ASIAN CAPITAL LIMITED FOR AND ON BEHALF OF TERAMETAL HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SMART GLOBE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY TERAMETAL HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to the Offeror



Independent Financial Adviser



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

A letter from Asian Capital containing, among other things, the details of the terms of the Offer is set out on pages 7 to 15 of this Composite Document. A letter from the Board is set out on pages 16 to 23 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 pages 24 to 25 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Offer is set out on pages 26 to 52 of this Composite Document.

The procedures for acceptance and settlement as well as other related information of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Form of Acceptance should be received by the Registrar, namely Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on Tuesday, 20 June 2023 (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

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 section headed “Overseas Shareholders” in Letter from Asian Capital and the section headed “7. Overseas Shareholders” in Appendix I to this Composite Document before taking any action. It is the responsibility of any Overseas Shareholders wishing to take any action in relation to the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including obtaining all governmental, exchange control or other consents which may be required and compliance with all necessary formalities or legal requirements and the payment of any issue, transfer or other taxes payable by such Overseas Shareholders in respect of the acceptance of the Offer (as applicable) in such jurisdiction. The Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer (as applicable).

This Composite Document is issued jointly by the Offeror and the Company. This Composite Document will remain on the website of the Stock Exchange at www.hkexnews.hk and website of the Company at www.smartglobehk.com as long as the Offer remains open. **In case of any inconsistency, the English language texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.**

30 May 2023

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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 jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all time and date references contained in this Composite Document and the Form of Acceptance refer to Hong Kong time and dates.

Event	Expected time and date
Despatch date of this Composite Document and the Form of Acceptance and commencement date of the Offer (<i>Note 1</i>)	Tuesday, 30 May 2023
Latest time and date for acceptance of the Offer (<i>Notes 3 and 5</i>).	4:00 p.m. on Tuesday, 20 June 2023
Closing Date (<i>Notes 2 and 5</i>)	Tuesday, 20 June 2023
Announcement of the results of the Offer as at the Closing Date to be posted on the website of the Stock Exchange (<i>Notes 2 and 5</i>)	no later than 7:00 p.m. on Tuesday, 20 June 2023
Latest date for posting of remittance for the amounts due under the Offer in respect of valid acceptances received under the Offer (<i>Notes 4 and 5</i>).	Friday, 30 June 2023

Notes:

1. The unconditional Offer, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the section 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 Tuesday, 20 June 2023. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the Offer and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. 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 (set out on page I-2 in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

EXPECTED TIMETABLE

4. Remittances in respect of the cash consideration (after deducting the seller's Hong Kong ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be despatched to the accepting Independent Shareholder(s) by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid, in accordance with the Takeovers Code.
5. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force on the Closing Date or the date for posting of remittances and it has (i) not been cancelled in time for trading on the Stock Exchange to resume in the afternoon, the Closing Date will be postponed to 4:00 p.m. on the next Business Day and the date for posting of remittances will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) been cancelled in time for trading on the Stock Exchange to resume in the afternoon, the Closing Date or the date for posting of remittances will be on the same day.

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting 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 Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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 ascribed to it under the Takeovers Code
“Asian Capital”	Asian Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the exclusive financial adviser to the Offeror in respect of the Offer
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of directors of the Company
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	20 June 2023, Tuesday, being the date stated in this Composite Document as the closing date of the Offer or any subsequent closing date as may be announced by the Offeror and in compliance with the Takeovers Code
“Company”	Smart Globe Holdings Limited, a company incorporated in Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange (Stock Code: 1481)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement

DEFINITIONS

“Composite Document”	this composite offer and response document jointly despatched by the Offeror and the Company in accordance with the Takeovers Code, containing, among other things, details of the Offer, the Form of Acceptance, the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser
“Consideration”	the consideration in the sum of HK\$196,050,000 paid by the Offeror to the Sellers for the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company from time to time
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Existing Business”	the principal business of the Group as at the date of the Sale and Purchase Agreement, being the provision of printing service including the production, distribution and printing of books, novelty and packaging products
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer
“Group”	the Company and the Subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, consisting of Mr. Li Chun Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong, <i>JP</i> , established by the Board to make recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable, and as to acceptance of the Offer

DEFINITIONS

“Independent Financial Adviser” or “GF Capital”	GF Capital (Hong Kong) Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee in relation to the Offer
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement dated 26 April 2023 jointly issued by the Company and the Offeror, in relation to, among other things, the Offer
“Last Trading Day”	26 April 2023, being the last trading day for the Shares immediately prior to the release of the Joint Announcement
“Latest Practicable Date”	25 May 2023, 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange
“Mr. Ng”	Mr. Ng Ho Lun, the ultimate beneficial owner of the Offeror
“Offer”	the mandatory unconditional cash offer made by Asian Capital for and on behalf of the Offeror to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code

DEFINITIONS

“Offer Period”	has the meaning ascribed thereto under the Takeovers Code, being the period commencing from the date of the Joint Announcement up to and including the Closing Date
“Offer Price”	HK\$0.2614 per Offer Share
“Offer Share(s)”	issued Share(s) other than those already owned by the Offeror and parties acting in concert with it
“Offeror”	TeraMetal Holdings Limited, a company ultimately and beneficially wholly-owned by Mr. Ng, incorporated in the British Virgin Islands with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
“Overseas Shareholders”	Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch registrar and transfer office of the Company, being the agent to receive the Form of Acceptance under the Offer
“Relevant Period”	the period from 26 October 2022, 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 share purchase agreement dated 26 April 2023 entered into among Seller I, Seller II, the Sellers’ Guarantors and the Offeror for the sale and purchase of the Sale Shares

DEFINITIONS

“Sale Share(s)”	a total of 750,000,000 Shares comprising the Seller I Sale Shares and Seller II Sale Shares, representing approximately 73.53% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement, sold by the Sellers to the Offeror pursuant to the Sale and Purchase Agreement
“Seller I”	Master Sage Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Lam Tak Ling Derek and Mr. Chan Yee Yeung
“Seller I Sale Shares”	675,000,000 Sale Shares
“Seller II”	Fortune Corner Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Ms. Tse Yuen Shan Ivy
“Seller II Sale Shares”	75,000,000 Sale Shares
“Sellers”	Seller I and Seller II
“Sellers’ Guarantors”	Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung and Ms. Tse Yuen Shan Ivy
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	the subsidiaries (including their representatives or branch offices) of the Company

DEFINITIONS

“Takeovers Code”

the Hong Kong Code on Takeovers and Mergers

“%”

per cent.

LETTER FROM ASIAN CAPITAL



ASIAN CAPITAL LIMITED
Suite 1405-09
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

To: the Independent Shareholders

30 May 2023

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
ASIAN CAPITAL LIMITED FOR AND
ON BEHALF OF TERAMETAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SMART GLOBE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY TERAMETAL HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to the Joint Announcement jointly announced by the Company and the Offeror in relation to, among other things, the Sale and Purchase Agreement and the Offer.

On 26 April 2023 (after trading hours), the Offeror and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Offeror conditionally agreed to purchase, and the Sellers conditionally agreed to sell, in aggregate, 750,000,000 Sale Shares, representing approximately 73.53% of the issued share capital of the Company as at the Latest Practicable Date, at an aggregate consideration of HK\$196,050,000, equivalent to HK\$0.2614 per Sale Share. Completion took place on 2 May 2023.

Immediately following the Completion, the Offeror and parties acting in concert with it own 750,000,000 Shares, representing 73.53% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

LETTER FROM ASIAN CAPITAL

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

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

2. THE OFFER

Asian Capital, for and on behalf of the Offeror, is making the Offer to acquire all of the Offer Shares in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.2614 in cash

The Offer Price of HK\$0.2614 per Offer Share under the Offer equals to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement. The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code.

2.1. Comparison of value

The Offer Price of HK\$0.2614 per Offer Share represents:

- (i) a premium of approximately 2.51% over the closing price of HK\$0.2550 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 17.02% to the closing price of HK\$0.3150 per Share as quoted on the Stock Exchange on 26 April 2023, being the Last Trading Day;
- (iii) a discount of approximately 15.40% to the average closing price of approximately HK\$0.3090 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 13.73% to the average closing price of approximately HK\$0.3030 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day;

LETTER FROM ASIAN CAPITAL

- (v) a discount of approximately 9.65% to the average closing price of approximately HK\$0.2893 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day; and
- (vi) a premium of approximately 102.64% over the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.129 per Share as at 31 December 2022, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$131.6 million as at 31 December 2022 by 1,020,000,000 Shares in issue as at the Latest Practicable Date.

2.2. Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange were HK\$0.410 per Share on 14 November 2022 and 21 November 2022 and the lowest closing price of the Shares as quoted on the Stock Exchange were HK\$0.255 per Share on 3 April 2023, 23 May 2023, 24 May 2023 and 25 May 2023.

2.3. Total value of the Offer

As at the Latest Practicable Date, there were 1,020,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares. Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer and on the basis of the Offer Price at HK\$0.2614 per Share, the entire issued share capital of the Company would be valued at HK\$266,628,000.

Excluding the Sale Shares and assuming there is 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 270,000,000 Shares will be subject to the Offer. Based on the Offer Price of HK\$0.2614 per Offer Share and on the basis of full acceptance of the Offer, the maximum payment obligations payable by the Offeror under the Offer would be HK\$70,578,000.

3. CONFIRMATION ON FINANCIAL RESOURCES

The Offeror intends to finance the maximum payment obligations payable for the Offer by its own internal resources. Asian Capital, the exclusive financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum consideration payable under the Offer.

LETTER FROM ASIAN CAPITAL

4. FURTHER TERMS OF THE OFFER

4.1. Effect of accepting the Offer

Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offer are free from all encumbrances and with all rights now and thereafter attaching thereto including but not limited to all dividends paid, declared or made in respect thereof on or after the date on which the Offer is made, being the date of the despatch of this Composite Document. As at the Latest Practicable Date, the Company confirmed that it has not declared any dividend and the Company does not intend to declare, make or pay any dividend or other distributions prior to the Closing Date.

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

4.2. 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 following the date of receipt of a duly completed acceptance of the Offer. Relevant documents evidencing title must be received by the Offeror (or its agent) to render such acceptance of the Offer complete and valid.

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

4.3. Hong Kong stamp duty

Seller’s Hong Kong ad valorem stamp duty arising in connection with acceptance of the Offer at a rate of 0.13% of the consideration payable by the Offeror in respect of the relevant acceptances, or (if higher) the 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), will be deducted from the amount payable to the Independent Shareholders who accept the Offer. The Offeror will then arrange for payment of the stamp duty on behalf of those Independent Shareholders accepting the Offer. The Offeror will bear the buyer’s ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

LETTER FROM ASIAN CAPITAL

4.4. Taxation advice

Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Company, the Offeror, Asian Capital or parties acting in concert with any of them or any of their respective ultimate beneficial owners, directors, officers 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.

4.5. Overseas Shareholders

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal or regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant overseas 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 Shareholders in respect of such overseas jurisdictions). As at the Latest Practicable Date, based on the record in the register of members of the Company, there is no Overseas Shareholder.

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

4.6. Procedures for acceptance and settlement

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

5. INFORMATION ON THE GROUP

Your attention is drawn to the section headed “Information on the Group” in the “Letter from the Board” and “General Information of the Group” in Appendix III to this Composite Document.

LETTER FROM ASIAN CAPITAL

6. INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands. As at the Latest Practicable Date, the Offeror is ultimately and beneficially owned as to 100% by Mr. Ng. Mr. Ng, being the founder, sole director and chief executive officer of the Offeror, who is responsible for the strategic development and general management of the Offeror and its subsidiaries. Save as the acquisition of the Sale Shares, none of the Offeror or its subsidiaries (directly or indirectly) held by the Offeror have carried out any businesses up to the Latest Practicable Date. Mr. Ng is also the sole director and chief executive officer of Huachin Mining Limited and Huachin International Trading Limited (“**HIT**”) in Hong Kong. HIT, together with its subsidiary, are engaged in international commodity trading business. Mr. Ng graduated from the University of Southern California in Los Angeles with a Bachelor of Business Administration majoring in Business Finance and Economics and Mr. Ng has no related experience in the Existing Business of the Company.

7. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

The Offeror will continue to support the independent operation of the Company and maintain the Company’s listing status in the Hong Kong capital market. It is the intention of the Offeror that the Company will continue to focus on the development of its Existing Business. The Offeror does not intend to introduce any major changes to the existing operations and business of the Group upon the close of the Offer.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code) or to dispose of or re-allocate the Group’s fixed assets which relate to the ordinary and usual course of business of the Group as a result of the completion of the Offer. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group’s business and operations to optimise the value of the Group. As at the Latest Practicable Date, the Offeror has no intention, understanding, obligation, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of the Existing Business and will ensure that the Existing Business will not be affected. Mr. Ng and the Offeror intend to manage the Existing Business together with the existing key management and the employees of the Group.

LETTER FROM ASIAN CAPITAL

The Offeror intends to review the business activities, operations and financial position of the Group to formulate appropriate business plans and strategies for the future business development of the Group. The Offeror may explore other businesses opportunities for the Group based on its review of the aforementioned items. As at the Latest Practicable Date, the Offeror had no definitive plan or strategy regarding the future development of the Group. As at the Latest Practicable Date, the Offeror had not identified any investment or business opportunity, nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group. As at the Latest Practicable Date, the Offeror was in the course of identifying the person(s) to be appointed as Director(s) of the Board, but had not yet determined the candidate(s).

As at the Latest Practicable Date, no material investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

8. COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the Closing Date.

9. PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

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 at all times, or if the Stock Exchange believes that:

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

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

LETTER FROM ASIAN CAPITAL

The Offeror has no intention to privatise the Company and intends the Company to remain listed on the Stock Exchange following the close of the Offer. The sole director of the Offeror and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, which may include but not limited to placing down of sufficient number of accepted Shares by the Offeror and/or issue of additional Shares by the Company for this purpose. No arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

10. GENERAL

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

The attention of the Overseas Shareholders is drawn to Appendix I to this Composite Document.

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

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as appeared in the register of members of the Company or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the said register of members of the Company. None of the Offeror, parties acting in concert with the Offeror, the Sellers, the Sellers' Guarantors, the Company, Asian Capital, the Independent Financial Adviser, the Registrar, or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

LETTER FROM ASIAN CAPITAL

11. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. You are reminded to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” set out in this Composite Document and to consult your professional advisers as you see fit, before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Asian Capital Limited
Louis HAU
Executive Director

Mr. Louis HAU is a licensed person registered with the SFC and a responsible officer of Asian Capital Limited, who is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 11 years of experience in the corporate finance industry in Hong Kong.

LETTER FROM THE BOARD



SMART GLOBE HOLDINGS LIMITED

竣球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1481)

Executive Directors:

Mr. Lam Tak Ling Derek

Mr. Chan Yee Yeung

Ms. Tse Yuen Shan Ivy

Independent non-executive Directors:

Mr. Li Chun Hung

Mr. Ong Chor Wei

Mr. Yam Kam Kwong, JP

Registered office:

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Principal Place of Business:

Unit 8, 17th Floor, Kodak House II

39 Healthy Street East

North Point, Hong Kong

30 May 2023

To: the Independent Shareholders

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
ASIAN CAPITAL LIMITED FOR AND
ON BEHALF OF TERAMETAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SMART GLOBE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY TERAMETAL HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

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

LETTER FROM THE BOARD

On 26 April 2023 (after trading hours), the Offeror and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Offeror conditionally agreed to purchase, and the Sellers conditionally agreed to sell, in aggregate, 750,000,000 Sale Shares, representing approximately 73.53% of the issued share capital of the Company as at the Latest Practicable Date, for an aggregate consideration of HK\$196,050,000, equivalent to HK\$0.2614 per Sale Share. Completion took place on 2 May 2023.

Immediately following the Completion, the Offeror and parties acting in concert with it own 750,000,000 Shares, representing 73.53% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) the letter from Asian Capital containing details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Offer; and (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer, in particular, as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Li Chun Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong, *JP* has been established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

GF Capital, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, and in particular, as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

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

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE OFFER

As disclosed in the “Letter from Asian Capital” in this Composite Document, Asian Capital, is making the Offer for and on behalf of the Offeror to acquire all of the Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.2614 in cash

As at the Latest Practicable Date, there were 1,020,000,000 Shares in issue and the Company did not have any outstanding options, warrants or derivatives or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

As at the Latest Practicable Date, none of the Offeror or parties acting in concert with it had received any irrevocable commitment to accept or not to accept the Offer. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances and together with all rights attaching thereto, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made.

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

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

The Offer Price

The Offer Price of HK\$0.2614 per Offer Share represents:

- (i) a premium of approximately 2.51% over the closing price of HK\$0.2550 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 17.02% to the closing price of HK\$0.3150 per Share as quoted on the Stock Exchange on 26 April 2023, being the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a discount of approximately 15.40% to the average closing price of approximately HK\$0.3090 per Share based on the daily closing prices as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 13.73% to the average closing price of approximately HK\$0.3030 per Share based on the daily closing prices as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 9.65% to the average closing price of approximately HK\$0.2893 per Share based on the daily closing prices as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day; and
- (vi) a premium of approximately 102.64% over the net asset value per Share of approximately HK\$0.129, calculated based on the Group's audited consolidated net asset value attributable to the Shareholders as at 31 December 2022 of HK\$131.6 million, divided by 1,020,000,000 Shares in issue as at the Latest Practicable Date.

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange were HK\$0.410 per Share on 14 November 2022 and 21 November 2022 and the lowest closing price of the Shares as quoted on the Stock Exchange were HK\$0.255 per Share on 3 April 2023, 23 May 2023, 24 May 2023 and 25 May 2023.

Total value of the Offer

As at the Latest Practicable Date, there were 1,020,000,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer and on the basis of the Offer Price at HK\$0.2614 per Share, the entire issued share capital of the Company is valued at HK\$266,628,000.

Excluding 750,000,000 Shares held by the Offeror and parties acting in concert with it, the number of Shares subject to the Offer is 270,000,000. Based on the Offer Price of HK\$0.2614 per Offer Share, the total value of the Offer would be HK\$70,578,000, which will be the maximum amount payable by the Offeror under the Offer in the event that the Offer is accepted in full.

LETTER FROM THE BOARD

Further details of the Offer

Further details of the Offer, including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the “Letter from Asian Capital” to this Composite Document and the accompanying Form of Acceptance.

SHAREHOLDING STRUCTURE OF THE COMPANY

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

Shareholders	(i) As at the date of the Joint Announcement		(ii) Immediately after Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>approx.%</i>	<i>Number of Shares</i>	<i>approx.%</i>
Offeror	—	—	750,000,000	73.53
Seller I	675,000,000	66.18	—	—
Seller II	75,000,000	7.35	—	—
Public Shareholders	270,000,000	26.47	270,000,000	26.47
Total	1,020,000,000	100.00	1,020,000,000	100.00

Notes:

1. The Offeror is a company ultimately and beneficially wholly-owned by Mr. Ng.
2. The Seller I is ultimately and beneficially owned as to 50% and 50% by Mr. Lam Tak Ling Derek and Mr. Chan Yee Yeung, respectively.
3. The Seller II is ultimately and beneficially wholly-owned by Ms. Tse Yuen Shan Ivy.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Asian Capital” and Appendix III “General Information of the Offeror” to this Composite Document.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of printing services. The Company is principally engaged in production, distribution and printing of books, novelty and packaging products. The Company provides services from pre-press to printing to finishing services, as well as producing customized and value-added printing products.

Set out below is a summary of the audited financial information of the Group for each of the financial years ended 31 December 2020, 2021 and 2022 as extracted from the annual reports of the Company for the years ended 31 December 2020, 31 December 2021 and 31 December 2022, respectively:

	For the year ended/As at 31 December		
	2022	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	131,647	167,899	127,213
(Loss) profit before taxation	(16,500)	2,788	20,196
(Loss) profit for the year	(16,500)	1,649	16,001
Total assets	150,287	159,288	161,516
Total liabilities	18,680	25,407	26,768
Net assets	131,607	133,881	134,748

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

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP AND THE BOARD

Your attention is drawn to the section headed “Intention of the Offeror in relation to the Group” in the “Letter from Asian Capital” to this Composite Document. The Offeror intends to review the business activities, operations and financial position of the Group to formulate appropriate business plans and strategies for the future business development of the Group. The Offeror may explore other businesses opportunities for the Group based on its review of the aforementioned items. As at the Latest Practicable Date, the Offeror had no definitive plan or strategy regarding the future development of the Group. As at the Latest Practicable Date, the Offeror had not identified any investment or business opportunity, nor has the Offeror entered into

LETTER FROM THE BOARD

any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group. As at the Latest Practicable Date, the Offeror was in the course of identifying the person(s) to be appointed as Director(s) of the Board, but had not yet determined the candidate(s). The appointment(s) will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

The Board is pleased to note the Offeror intends to (i) continue the Existing Business of the Group and has no intention to dispose of the Company's businesses immediately following the close of the Offer; and (ii) no intention to discontinue the employment of the employees. The Board is willing to render reasonable cooperation to the Offeror to support its intentions regarding the Group if it considers that it is in the interests of the Company and Independent Shareholders as a whole.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

As mentioned in the "Letter from Asian Capital", the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

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) 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,

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

RECOMMENDATION

Your attention is drawn to (i) "Letter from the Independent Board Committee" as set out on pages 24 to 25 to this Composite Document, which contains its advice and recommendation to the Independent Shareholders in respect of the Offer and (ii) "Letter from the Independent Financial Adviser" as set out on pages 26 to 52 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it before arriving at its recommendation.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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

By Order of the Board
Smart Globe Holdings Limited
Lam Tak Ling Derek
Chairman



SMART GLOBE HOLDINGS LIMITED
竣球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1481)

30 May 2023

To: the Independent Shareholders

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
ASIAN CAPITAL LIMITED FOR AND
ON BEHALF OF TERAMETAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SMART GLOBE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY TERAMETAL HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite document dated 30 May 2023 issued jointly by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

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

GF Capital, with our approval, has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offer, in particular, whether the Offer are fair and reasonable and as to the acceptance of the Offer. Your attention is drawn to the “Letter from the Independent Financial Adviser” set out on pages 26 to 52 of the Composite Document which contains the details of its advice and the principal factors and reasons which it has considered before arriving at its recommendation in respect of the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the “Letter from Asian Capital” set out on pages 7 to 15 of the Composite Document

We, being the members of the Independent Board Committee, have declared that, we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and to make recommendations to the Independent Shareholders.

RECOMMENDATION

Having considered the terms of the Offer and the letter of advice and recommendations from GF Capital, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and therefore we recommend the Independent Shareholders to accept the Offer. The Independent Shareholders are recommended to read the full text of the section headed “Letter from the Independence Financial Adviser” in this Composite Document.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the Offer Period. Should the market price of the Shares exceed the Offer Price during the Offer Period, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

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

Yours faithfully,

For and on behalf of the
Independent Board Committee

Mr. Li Chun Hung
Independent
non-executive Director

Mr. Ong Chor Wei
Independent
non-executive Director

Mr. Yam Kam Kwong, JP
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.



30 May 2023

*To: The Independent Board Committee
of Smart Globe Holdings Limited*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
ASIAN CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF THE COMPANY
(OTHER THAN THOSE ALREADY OWNED AND
AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser, as approved by the Independent Board Committee, to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document, of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context of this letter otherwise requires.

On 26 April 2023 (after trading hours), the Offeror and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Offeror has conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, in aggregated, 750,000,000 Sale Shares, representing approximately 73.53% of the issued share capital of the Company as at the Latest Practicable Date, at the aggregate consideration of HK\$196,050,000 (representing HK\$0.2614 per Sale Share). As disclosed in the announcement jointly issued by the Company and the Offeror on 2 May 2023, Completion took place on 2 May 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Prior to Completion, the Offeror and parties acting in concert with it did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion, the Offeror and parties acting in concert with it hold in aggregate 750,000,000 Shares, representing 73.53% of the total issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional general offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

The Independent Board Committee comprising of all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Li Chun Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong, *JP*, has been established in accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We, GF Capital (Hong Kong) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of The Takeovers Code. The appointment of GF Capital (Hong Kong) Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated with any member of the Group, or the Offeror, or any of their respective controlling shareholders or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them. Save for this appointment as the Independent Financial Adviser in respect of the Offer, there were no other engagements between us and the Group or the Offeror in the past two years that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code to act as the Independent Financial Adviser to form our opinion in respect of the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the representations made to us by the Directors, the management of the Company (the “**Management**”) and the Offeror (where applicable). We have assumed that all statements, information and representations provided by the Directors, the Management and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Composite Document, the omission of which make any such statement contained in the Composite Document misleading. We have no reason to suspect 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 Company, the Offeror, their respective advisers, the Directors and/or the director of the Offeror, which have been provided to us. Our opinion is based on the Directors’ representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding between any person on the one hand and the Group and/or the Offeror on the other hand concerning the Offer. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable and there are no reasons to doubt the accuracy and reliability of such public information.

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 Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the sole director of the Offeror) 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 sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Group), 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) 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 in the Composite Document misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our review and analyses were based upon, among others, the information provided by the Company including the announcements and the Composite Document and certain published information from the public domain including trading performance of the Shares on the website of the Stock Exchange, information set out in the Composite Document; the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); and the latest unaudited consolidated results of the Group based on the management accounts for the four months ended 30 April 2023. We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent investigation into the business, affairs, borrowing and financial position or prospects of the Company, the Group or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them, and the parties involved in the Offer.

We have not considered the tax and regulatory implications of the Offer on the Independent Shareholders, since these are particular to their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer.

This letter is issued for the information of the Independent Board Committee 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 FACTORS AND REASONS CONSIDERED

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

1. Background information of the Group

(a) Principal business of the Group

The Group is principally engaged in production, distribution and printing of books, novelty and packaging products. It also provides services from pre-press to printing to finishing services, as well as producing customized and value-added printing products.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Historical financial performance of the Group

Set out in Table 1 below is a summary of the consolidated statements of profit or loss of the Group for the three years ended 31 December 2020 (“FY2020”), 2021 (“FY2021”) and 2022 (“FY2022”) as extracted from the 2021 Annual Report and the 2022 Annual Report:

Table 1: Consolidated statement of profit or loss of the Group

	For the year ended 31 December		
	2020	2021	2022
	<i>(audited)</i> <i>HK\$'000</i>	<i>(audited)</i> <i>HK\$'000</i>	<i>(audited)</i> <i>HK\$'000</i>
Revenue			
— Books products	105,690	155,912	125,006
— Novelty and packaging products	21,523	11,987	6,641
Total Revenue	127,213	167,899	131,647
Cost of sales	(81,250)	(141,397)	(123,978)
Gross profit	45,963	26,502	7,669
Gross profit margin	36.1%	15.8%	5.8%
Other income	695	452	593
Reversal/(Allowance) of allowance for credit losses on trade receivables, net	198	886	(838)
Other gains and losses	(686)	(243)	1,865
Selling and distribution costs	(7,010)	(9,483)	(7,552)
Administrative expenses	(13,060)	(15,020)	(18,057)
Professional fees for transfer of listing	(5,784)	—	—
Finance costs	(120)	(306)	(180)
Profit/(Loss) before taxation	20,196	2,788	(16,500)
Taxation	(4,195)	(1,139)	—
Profit/(Loss) for the year	16,001	1,649	(16,500)

(i) Comparison between FY2022 and FY2021

The Group’s revenue decreased by approximately HK\$36.3 million or 21.6% from approximately HK\$167.9 million in FY2021 to approximately HK\$131.6million in FY2022, which was mainly due to the decrease in sale in the book product segment of approximately HK\$30.9

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

million and decrease in sale in novelty and packaging products segment of approximately HK\$5.3 million. During FY2022, approximately 95.0% of total revenue was contributed by the book products segment amounting to approximately HK\$125.0 million, compared to approximately HK\$155.9 million in FY2021. We have discussed with the Management and were given to understand that the decrease in revenue from the book product segment for FY2022 was mainly due to the decrease in customer orders received from Hong Kong and the United States (the “U.S.”) and the decrease in revenue from the novelty and packaging products segment was mainly due to the decrease in the demand of the customers in Hong Kong for the Group’s products during the year.

The gross profit of the Group was approximately HK\$7.7 million for FY2022, representing a decrease of approximately HK\$257.4 million or 97.1% as compared to approximately HK\$265.0 million for FY2021, while the gross profit margin was approximately 5.8% for FY2022 as compared to the gross profit margin of approximately 15.8% for FY2021. Being in line with the decrease in the Group’s revenue for FY2022, such decrease in both the Group’s gross profit and the gross profit margin was mainly attributable to (i) an increase in paper cost throughout FY2022 and such increment in cost cannot be transferred to customer; and (ii) lower sales volume and lower price was offered to customers due to keen market competition.

The net loss of the Group attributable to owners of the Company was approximately HK\$16.5 million in FY2022 as compared to a net profit of approximately HK\$1.6 million in FY2021. Such turning from profit to loss was mainly due to the combined effect of (i) an increase in paper cost throughout FY2022 and such increment in cost cannot be transferred to customer; (ii) lower sales volume and lower price was offered to customers due to keen market competition; and (iii) an increase in administrative expenses of approximately HK\$3.0 million due to the increase in legal and professional fees of approximately HK\$2.9 million in FY2022.

(ii) Comparison between FY2021 and FY2020

The Group’s revenue increased by approximately HK\$40.7 million or 32.0%, from approximately HK\$127.2 million in FY2020 to approximately HK\$167.9 million in FY2021, which was mainly due to the increase in sale in the book product segment in the U.S. and Hong Kong. During FY2021, approximately 92.9% of total revenue was contributed by the book products segment amounting to approximately HK\$155.9 million, compared to approximately HK\$105.7 million in FY2020. This segment’s revenue increased during the year due to the increase in customer orders received from Hong Kong and the U.S.

The gross profit of the Group was approximately HK\$265.0 million for FY2021, representing an increase of approximately HK\$21.9 million or 476.6% as compared to approximately HK\$46.0 million for FY2020, while the gross profit margin was approximately 15.8% for FY2021 as

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compared to the gross profit margin of approximately 36.1% for FY2020. The decrease in gross profit was mainly due to (i) increase in wages of factory workers during FY2021; (ii) increase in paper cost at the beginning and throughout FY2021; and (iii) change in pricing strategy to capture more market shares during FY2021 as the Group used a more competitive price with lower gross profit margin to attract more customer orders.

The profit of the Group attributable to owners of the Company was approximately HK\$1.6 million in FY2021 as compared to a net profit of approximately HK\$16.0 million in FY2020, representing a decrease of approximately HK\$14.4 million or 89.7%. Such decrease in net profit was mainly due to (i) increase in wages of factory workers during FY2021; (ii) increase in paper cost at the beginning and throughout FY2021; (iii) change in pricing strategy to capture more market shares during FY2021 as the Group used a more competitive price with lower gross profit margin to attract more customer orders; (iv) an increase in selling and distribution cost of approximately HK\$2.5 million due to increase of transportation and freight charges resulting from higher sales volume during the year; and (v) an increase in administrative expenses of approximately HK\$2.0 million due to the increase of office expenses, repair and maintenance expenses, depreciation expenses and PRC other taxes.

(c) Financial position of the Group

Set out in Table 2 below is the summary of the consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 as extracted from the 2021 Annual Report and the 2022 Annual Report:

Table 2: Consolidated statement of financial position of the Group

	As at 31 December 2020 <i>(audited)</i> HK\$'000	As at 31 December 2021 <i>(audited)</i> HK\$'000	As at 31 December 2022 <i>(audited)</i> HK\$'000
Non-current assets	44,236	45,933	43,318
Property, plant and equipment	44,236	45,933	36,318
Deposit paid for potential investment <i>(Note 1)</i>	—	—	7,000

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	As at 31 December 2020 (audited) HK\$'000	As at 31 December 2021 (audited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Current assets	117,280	113,355	106,969
Inventories	22,845	36,230	14,844
Trade and other receivables	43,598	42,350	34,432
Taxation recoverable	—	2,309	608
Bank balances and cash	50,837	32,466	57,085
Current liabilities	22,848	23,564	18,680
Trade and other payables	19,651	20,792	15,587
Contract liabilities	7	121	1,068
Taxation payable	770	451	222
Lease liabilities	2,420	2,200	1,803
Non-current liabilities	3,920	1,843	—
Lease liabilities	3,920	1,843	—
Total assets	159,288	155,993	150,287
Total liabilities	23,564	27,641	18,608
Net current assets	89,791	87,546	88,289
Net assets	133,881	128,352	131,607
Gearing ratio (%) (Note 2)	3.0	2.5	1.4

Notes:

- References are made to the announcements of the Company dated 15 July 2022, 15 August 2022, 12 October 2022, 30 November 2022, 31 January 2023 and 31 March 2023 in respect of the subscription of 30% of the enlarged registered capital of a target company (the "30% Subscription Transaction"). The deposit paid for potential investment during the year represented an advancement of HK\$7,000,000 to the target company to support its working capital needs. The advancement will form part of the subscription amount for the Company under the 30% Subscription Transaction. As at the Latest Practicable Date, the 30% Subscription Transaction was not yet completed.
- Gearing ratio is calculated based on total interest-bearing liabilities divided by total equity as at the respective reporting date).

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With reference to the financial position of the Group, the total assets of the Group slightly decreased by approximately HK\$2.2 million or 1.4% from approximately HK\$161.5 million as at 31 December 2020 to approximately HK\$159.3 million as at 31 December 2021, mainly due to the combined effect of (i) decrease in bank balances and cash; (ii) decrease in trade and other receivables; (iii) increase in inventory; (iii) increase in taxation recoverable, and (iv) increase in property, plant and equipment. The total assets of the Group then further decreased by approximately HK\$9.0 million or 5.7% to approximately HK\$150.3 million as at 31 December 2022, mainly due to the combined effect of (i) decrease in inventory; (ii) decrease in property, plant and equipment; (iii) decrease in trade and other receivables; (iv) increase in cash and bank balances; and (v) increase in deposit paid for potential investment.

The total liabilities of the Group decreased by approximately HK\$1.4 million or 5.1% from approximately HK\$26.8 million as at 31 December 2020 to approximately HK\$25.4 million as at 31 December 2021, mainly due to the combined effect of (i) decrease in lease liabilities; and (ii) increase in trade and other payables. The total liabilities then further decreased by approximately HK\$6.7 million or 26.5% to approximately HK\$18.7 million as at 31 December 2022, mainly due to the combined effect of (i) the decrease of trade and other payables; (ii) decrease in lease liabilities; and (iii) increase in contract liabilities.

The Group's gearing ratio decreased from approximately 4.7% as at 31 December 2020 to approximately 3.0% as at 31 December 2021. The Group's gearing ratio further decreased to approximately 1.4% as at 31 December 2022, which was calculated as total interest-bearing liabilities divided by total equity as at the relevant reporting date.

2. Prospects and outlook of the Group

According to the 2022 Annual Report, the Group's revenue was mainly contributed by the book products segment, which accounted for approximately 94.96% of its total revenue for the year ended 31 December 2022. The remaining revenue was derived from the novelty and packaging products. The majority of the Group's revenue was generated from Hong Kong and the U.S., representing approximately 43.99% and 20.34% of the Group's total revenue for the year ended 31 December 2022. The majority of the Group's customers are international publishers mainly headquartered in the U.S., the U.K. and Europe and book traders mainly located in Hong Kong with customers around the World.

Overview on printing industry in Hong Kong

According to an article titled "Printing industry in Hong Kong" published by Hong Kong Trade Development Council ("**HKTDC**") on 13 January 2023 (the "**HKTDC's Article**"), the export business for the printing industry in Hong Kong is mainly attributable to orders received

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directly from overseas countries. This also includes orders from major international publishers in Hong Kong. However, the value of domestic export and total export of printed matter in Hong Kong had been fluctuating over the four years from 2019 to 2022.

Performance of Hong Kong's exports on printed matter

<i>(HK\$ million)</i>	2019		2020		2021		2022	
	<i>Value</i>	<i>YoY %</i>	<i>Value</i>	<i>YoY %</i>	<i>Value</i>	<i>YoY %</i>	<i>Value</i>	<i>YoY %</i>
Domestic exports	1,374	+31.0	1,053	-23.4	945	-10.2	684	-27.6
Re-exports	15,735	+0.8	12,804	-18.6	14,824	+15.8	9,213	-37.8
Total Exports	<u>17,109</u>	<u>+2.7</u>	<u>13,857</u>	<u>-19.0</u>	<u>15,769</u>	<u>+13.8</u>	<u>9,897</u>	<u>-37.2</u>

Note: “YoY” denotes year on year.

Source: the HKTDC's Article and the 2022 annual statistic extracted from the official website of the Hong Kong Census and Statistic Department (<https://www.censtatd.gov.hk>)

Total export of printed matter by category

<i>(HK\$ million)</i>	2019		2020		2021		2022	
	<i>Value</i>	<i>YoY %</i>	<i>Value</i>	<i>YoY %</i>	<i>Value</i>	<i>YoY %</i>	<i>Value</i>	<i>YoY %</i>
Total Exports								
— Printed books, brochures etc.	7,431.6	-7.5	5,898.9	-20.6	6,840.6	+16.0	3,681.5	-46.2
— Boxes, paperboard and other packing containers etc.	1,905.4	-18.3	1,486.4	-22.0	1,938.7	+30.4	1,200.9	-38.1

Note: “YoY” denotes year on year.

Source: the annual statistic extracted from the official website of the Hong Kong Census and Statistic Department (<https://www.censtatd.gov.hk>)

From the above tables, it is noted that the exports of printed matter in Hong Kong were severely affected by the Covid-19 pandemic in 2020. Hong Kong's domestic exports of printed matter fell 23.4% to approximately HK\$1,052 million in 2020 and the re-exports fell 18.6% to approximately HK\$12,804 million. The domestic export fell another 10.2% to approximately HK\$945 million in 2021 whereas the re-exports restored to approximately HK\$14,823 million,

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which was approximately 94.2% of the pre-pandemic level. However, several around outbreaks of Covid-19 in 2022 had further impacted Hong Kong's exports of printed matter. The value of Hong Kong's total exports fell 37.2% to approximately HK9,897 million in 2022.

Further to the above table, we observed that both of the export of printed books and brochure category, and boxes paperboard and packing containers category exhibited a decreasing trend from 2019 to 2020. Notwithstanding the revitalisation of both categories in 2021, the value of the total exports (by category) of printed book, brochure and etc. decreased by approximately 46.2% from HK\$6,840.6 million in 2021 to HK\$3,681.5 million in 2022 and the total value (by category) of boxes, paperboard and other packing containers, etc. decreased by approximately 38.1% to HK\$1,200.9 million in 2022. According to the 2021 Annual Report and 2022 Annual Report, the decrease in the Group's profit in FY2021 was partly due to change in pricing strategy to capture more market shares as the Group used a more competitive price with lower gross profit margin to attract more customer orders; and one of the reasons for the loss of the Group for FY2022 was lower sales volume and lower price offered to customers due to keen competition. Given the impact of Covid-19 pandemic and the shrinking market demand from overseas as discussed above, it is inevitable for the industry players to offer a competitive price in order to attract and retain the customers. Therefore, it is considered that the decrease in the Group's revenue was general in line with the overall performance of printing industry in Hong Kong. Moreover, the total export value of printed matter exhibited a decreasing trend and there is no significant improvement in respect of the export demand in 2022 after the relaxation of the overseas COVID restriction, it is expected that the Group might continue to operate in a challenging environment.

The continuous trend of rising costs

According to 2021 Annual Report and 2022 Annual Report, the Group recorded a loss of approximately HK\$16.5 million for FY2022 as compared to the profit of approximately HK\$1.6 million for FY2021, and profit of approximately HK\$16.0 million for FY2020. Such deterioration was mainly attributable, among others, to (i) the increase in wages of factory workers for FY2021; and (ii) increase in raw material costs, mainly paper cost for FY2021 and FY2022. It is also noted that the Group currently has one production site located at Heyuan, Guangdong Province, the PRC and there were 306 employees working at the production site as at 31 December 2022. The Group also had 145 approved suppliers in the PRC during FY2022. We have discussed with the Management and were given to understand that the Group's suppliers are mainly paper trading and paper processing companies located in the PRC and among the Group's key raw material, paper (including related processing) is the major component, the cost of which accounted for approximately 60-70% of the Group's total cost of sales.

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According to the China National Bureau of Statistics, the year-on-year growth of the average annual wages of labour in manufacturing sector increased at a compound annual growth rate (“CAGR”) by approximately 6.25% from RMB63,946 in 2019 to RMB67,352 in 2022. Furthermore, the producer price indices for paper and paper products rose by approximately 2.3% in 2020 and 7.9% in 2021 respectively; and subsequently dropped by approximately 2.0% in 2022. It is expected that the labour cost will continue to rise in China, due primarily to rising costs of living and income levels at the economy grows and moves up the value chain. Should there is any significant increases in the paper costs and/or labour wages, and the Group is unable to pass on such increased costs to its customers, the Group’s profitability may be materially affected.

The potential investment in respect of the 30% Subscription Transaction

References are made to the announcements of the Company dated 15 July 2022, 15 August 2022, 12 October 2022, 30 November 2022, 31 January 2023 and 31 March 2023 in respect of the 30% Subscription Transaction (the “**Subscription Announcements**”). On 15 July 2022 (after trading hours), the Company entered into an agreement with the target company, pursuant to which the subscriber (being the Company) has conditionally agreed to subscribe for the subscription amount, representing 30% of the enlarged registered capital of the target company upon completion, at the subscription price of HK\$30,000,000. The target company is a company established in the PRC and principally engaged in pharmaceutical research and development, and manufacturing and sales of drugs. It mainly focuses on the production and sales of active pharmaceutical ingredient (“API”) natural “Paclitaxel API”, the semi-synthetic prostate cancer anticancer drug “Cabazitaxel API” and the by-product “10-Deacetylbaccatine III”. The target company is currently in the process of evaluating the consistency of generic drugs (the “**New Drugs**”) of paclitaxel injection and cabazitaxel injection. Subject to the consistency evaluation of the New Drugs, the target company intends to market and commercialise the New Drugs in global market by the end of 2023.

According to a report titled “Paclitaxel Injection Market Size, Share, Report 2022-2030” published in February 2021 by Precedence Research, a market research and consulting organisation, the global paclitaxel injection market size was valued at approximately US\$4.51 billion in 2021 and is expected to reach approximately US\$11.16 billion in 2030, representing a CAGR of approximately 10.6%. The growing incidence of cancer is one of the most important factors that are driving the progress of paclitaxel injection market. Further to the “Global Bulk Paclitaxel Market” published in January 2023 by Research and Markets, a global market research company, the paclitaxel market in the U.S. is estimated at US\$28.8 million in 2022. The PRC, the world’s second largest economy, is forecast to reach a projected market size of US\$45.5 million by the year 2030 trailing a CAGR of approximately 12.5% over the analysis period 2022 to 2030.

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Despite the expected growth in both of the global and Chinese paclitaxel markets, the target company is still in the process of evaluating the consistency of the New Drugs of paclitaxel injection and cabazitaxel injection. If the target company is unable to successfully obtain regulatory approval and commercialise the New Drugs by end of 2023, it may continue to incur substantial expenditures for the evaluation and commercialisation of the New Drugs. Moreover, as noted from the Subscription Announcements, the Company and the target company agreed to further extend the time limit for the completion of due diligence investigation on the business, financial, legal and all other aspects of the target company by the Company. The completion of the 30% Subscription Transaction is conditional upon, among others, with the satisfaction of due diligence results by the Company. We have discussed with the Management and are given to understand that the due diligence investigation is still in the progress; and the New Drugs has not been commercialised as at the Latest Practicable Date. In view of the above, we consider that the completion of the 30% Subscription Transaction is currently still uncertain; and it is uncertain as to whether the Company might be able to realize its investment returns from the target company in the short-to-mid-term should the 30% Subscription Transaction be completed.

Our view

Having considered that (i) the Group's financial performance has worsened in the recent financial years as a result of largely the Covid-19 pandemic and the surging costs attributable to paper costs and labour costs; (ii) the Group might continue to operate in a challenging environment given the total export value of printed matter exhibited a decreasing trend and there is no significant improvement in 2022 after the relaxation of the overseas COVID restriction; (iii) lower price offered to customer due to keen market competition, which may suggest the shrinking trend in the Group's profit margin and hence its overall financial results; (iv) the continuous trend of rising costs, in particular the paper costs and labour costs; (v) the printing industry in Hong Kong may lack strong driving force to achieve rapid growth in the medium-term; and (vi) the Subscription Transaction may or may not proceed to the completion and whether the Company is able to realise its investment return in short-to-mid-term is uncertain; it is concluded that uncertainties exist in the market which the Group is operating in and we remain cautious about the prospects and outlook of the Group. Therefore, we are of the opinion that the Offer provides an opportunity for Independent Shareholders to realise their investment in the Company for cash at the Offer price should the performance of the Group be negatively impacted by the uncertainties.

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3. Principal terms of the Offer

As disclosed in the “Letter from Asian Capital”, Asian Capital, is making the Offer for and on behalf of the Offeror to acquire all of the Shares (other than those already owned or agreed to be acquired by the Offeror and parties in concert with it) in compliance with the Takeovers Code and on the basis of HK0.2614 in cash for each Offer Share.

The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the Composite Document.

Comparison of value

The Offer Price of HK\$0.2614 per Offer Share represents:

- (a) a premium of approximately 2.51% over the closing price of HK\$0.2550 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 17.02% to the closing price of HK\$0.3150 per Share as quoted on the Stock Exchange on 26 April 2023, being the Last Trading Day;
- (c) a discount of approximately 15.40% to the average closing price of approximately HK\$0.3090 per Share based on the daily closing prices as quoted on the Stock Exchange for five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 13.73% to the average closing price of approximately HK\$0.3030 per Share based on the daily closing prices as quoted on the Stock Exchange for ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 9.65% to the average closing price of approximately HK\$0.2893 per Share based on the daily closing prices as quoted on the Stock Exchange for thirty (30) consecutive trading days immediately prior to and including the Last Trading Day; and

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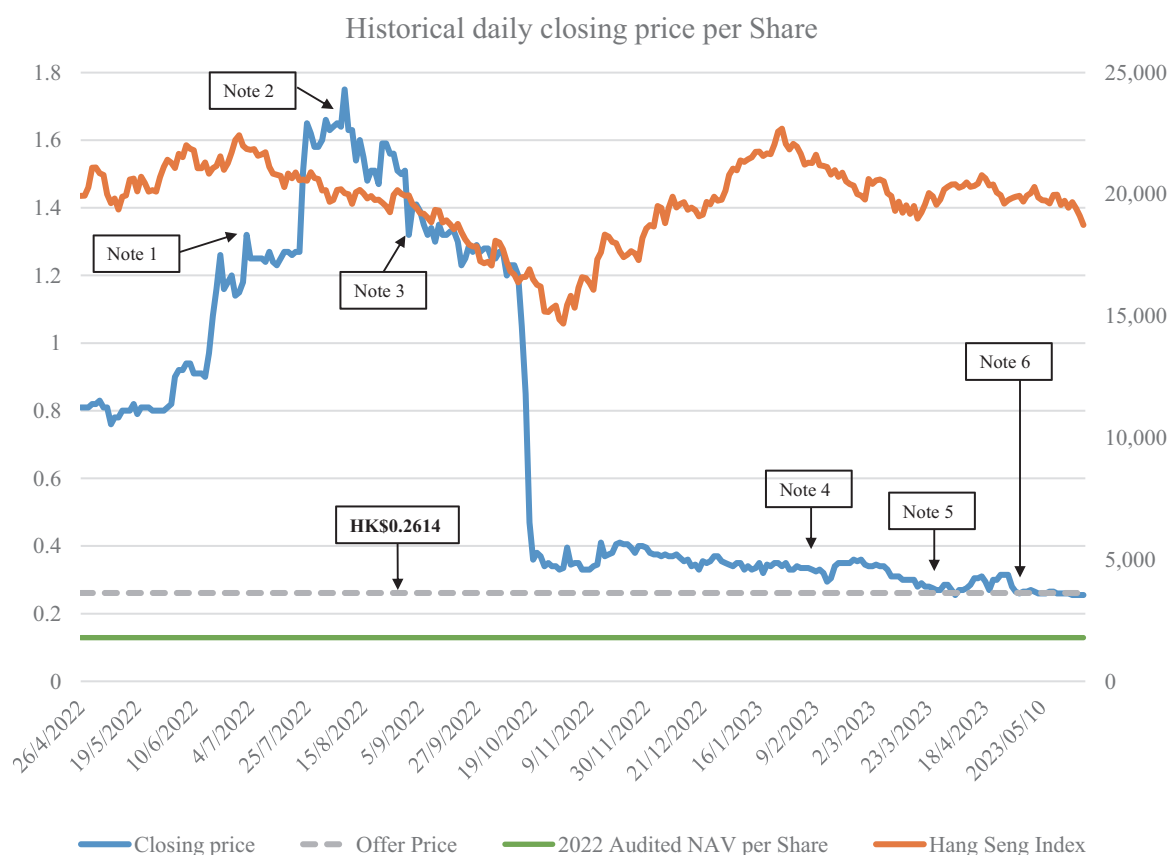
- (f) a premium of approximately 102.64% over the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.129 per Share as at 31 December 2022 (“**2022 Audited NAV per Share**”), calculated by dividing the Group’s audited consolidated net assets attributable to the Shareholders of approximately HK\$131.6 million as at 31 December 2022 by 1,020,000,000 Shares in issue as at the Latest Practicable Date.

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4. Analysis of the price performance and trading liquidity of the Shares

(a) Historical Share price performance

Set out below is a chart showing the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 26 April 2022, being the date which is 12 months prior to the Last Trading Day, and up to and including the Latest Practicable Date (the “Review Period”). We consider that the Review Period of around one year, (i) is reasonably long enough and adequate to provide sufficient market data for the purpose of illustrating the historical trend and level of movement of the daily closing price of the Shares; (ii) is appropriate to avoid any short-term fluctuation in the Share price; and (iii) is sufficient and a common market practice. The comparison of the daily closing price of the Shares and the Offer Price is illustrated as follows:



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

Notes:

1. Publication of the announcement in relation to the proposed placing of new Shares under general mandate on 29 June 2022.

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2. Publication of the announcements in relation to (i) the completion of the placing of new Share under general mandate; and (ii) the acquisition of 51% equity interests in a target company which is engaged in operating vending machine in the PRC, on 5 August 2022.
3. Publication of the announcements in relation to (i) interim result of the Company for the six months ended 30 June 2022; and (ii) the termination of 51% Acquisition (as defined below), on 31 August 2022.
4. Publication of the profit warning announcement on 3 February 2023.
5. Publication of the annual result announcement for FY2022 on 20 March 2023.
6. Publication of the Joint Announcement on 27 April 2023.

As illustrated from the chart above, the closing prices of the Shares have fluctuated between a range from HK\$0.255 per Share to HK\$1.75 per Share recorded with an average closing price of the Share of approximately HK\$0.736 per Share during the Review Period (the “**Average Closing Price**”). The Offer Price represents a discount of approximately 64.51% to the Average Closing Price.

We noted that the daily closing prices of the Shares have been on an increasing trend from the beginning of the Review Period and rose to HK\$1.18 on 29 June 2022. We have discussed with the Management regarding the increasing trend of the Share price and were advised that they are not aware of any particular reason that led to the increase in the price of the Shares. The closing price of the Share then surged to HK\$1.32 per Share on 30 June 2022, being the first trading day immediately after the Company published the announcement in relation to the proposed placing of new Shares under general mandate. The closing price of the Shares then traded within the range from HK\$1.23 per Share to HK\$1.66 per Share during the period from 4 July 2022 to 5 August 2022. During such period, we noted that the Company announced a voluntary announcement in relation to the 30% Subscription Transaction on 15 July 2022; and a profit warning announcement on 2 August 2022. The closing price of the Shares then reached its peak of HK\$1.75 per Share on 8 August 2022, being the first trading day immediately after the Company published the announcements in relation to (i) the completion of placing of new Shares as aforesaid; and (ii) the possible acquisition of 51% equity interests in a target company engaging in vending machines business in the PRC (the “**51% Acquisition**”). After that, the closing price of the Shares exhibited a general downward trend from HK\$1.63 per Share on 9 August 2022 to HK\$0.85 on 17 October 2022. We have discussed with the Management regarding the downward trend of the Share price and were advised that save for the publication of (i) the announcements in relation to, among others, the proposed and termination of placing of new Shares under general mandate on 9 August 2022, 10 August 2022, 19 August 2022 and 29 August 2022; (ii) the supplemental announcements in relation to 30% Subscription Transaction on 15 August 2022 and 12 October 2022; (iii) the interim result announcement on 31 August 2022; (iv) the termination announcement in relation to the 51% Acquisition on 31 August 2022; and (v) the announcements in relation to the acquisition of 5% shareholding interests in a target company (the “**5% Acquisition**”) on 14 September 2022

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and 15 September 2022, they are not aware of other particular reason that led to the decreasing trend of the Share price. The closing price of the Share slumped to HK\$0.47 per Share on 18 October 2022 and fluctuated between HK\$0.33 per Share and HK\$0.38 per Share during the rest of October 2022. We have enquired with the Management and were advised that save for the publication of supplemental announcement regarding the 5% Acquisition on 27 October 2022, they are not aware of any particular reason for the price movement. We noted that during the period from August 2022 to October 2022, the Hang Seng Index dropped constantly with its lowest being 14,687.02 on 31 October 2022 and the decline in the Share price was generally in line with that of the Hang Seng Index; and hence we consider that the drop in the Share price might due to the then undesirable market sentiment.

After that, the closing price of the Shares generally fluctuated between the range of HK\$0.27 per Share and HK\$0.41 per Share during the period from 1 November 2022 and up to 31 March 2023. During such period, we noted that the Company published the announcements in relation to (i) time extension for the completion of due diligence on 30% Subscription Transaction on 30 November 2022, 31 January 2023 and 31 March 2023; (ii) the second supplemental agreement relating to the 5% Acquisition on 20 January 2023; (iii) profit warning on 3 February 2023; (iv) the annual results for FY2022 on 20 March 2023; and (v) termination of the 5% Acquisition on 31 March 2023. The Share price subsequently hit the lowest of HK\$0.255 on 3 April 2023, being the first trading day immediately after the Company published the announcements regarding the time extension of 30% Subscription Transaction; and the termination of the 5% Acquisition. Since then and up to the Last Trading Day, the closing price of the Shares range from HK\$0.27 and HK\$0.315 per Share, with an average of approximately HK\$0.295 per Share. Upon the release of the Joint Announcement, the closing price of the Shares fluctuated between HK\$0.255 and HK\$0.28 and closed at HK\$0.255 as at the Latest Practicable Date.

Given the closing price of the Shares has remained to be fluctuated at a level close to the Offer Price since the publication of the Joint Announcement and up to the Latest Practicable Date, should the Shares continue to trade above the Offer Price, the Independent Shareholders may dispose of their Shares in the open market at a higher price than the Offer Price instead of accepting the Offer. The Independent Shareholders should consider the overall perspective of the various factors contained in different sections of this letter before making their decision on the acceptance of the Offer.

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(b) Liquidity of the Shares

Table 3 below sets out the monthly statistics of the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares and total number of issued Shares held by public Shareholders respectively during the Review Period:

Table 3: Historical trading volume of the Shares

Month	Total trading volume of Shares	Number of trading days in the month <i>(days)</i>	Average daily trading volume of the Shares <i>(Note 1)</i>	Percentage of average daily trading volume to total Shares <i>(Note 2)</i> <i>Approximate</i> %	Percentage of average daily trading volume to total number of Shares held by public Shareholders <i>(Note 3)</i> <i>Approximate</i> %
2022					
April	2,370,000	4	592,500	0.06	0.22
May	24,620,000	20	1,231,000	0.12	0.46
June	33,510,000	21	1,595,714	0.16	0.59
July	45,735,899	20	2,286,795	0.22	0.85
August	76,980,000	22	3,499,091	0.34	1.30
September	64,310,000	21	3,062,381	0.30	1.13
October	189,770,000	20	9,488,500	0.93	3.51
November	83,490,000	22	3,795,000	0.37	1.41
December	55,910,000	20	2,795,500	0.27	1.04
2023					
January	48,900,000	18	2,716,667	0.27	1.01
February	51,290,000	20	2,564,500	0.25	0.95
March	20,300,000	23	882,609	0.09	0.33
April	23,150,000	17	1,361,765	0.13	0.50
May (up to and including the Latest Practicable Date)	40,310,000	18	2,239,444	0.22	0.83

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

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Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period, as applicable.
2. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each month/period or as at the Latest Practicable Date, as applicable.
3. The total number of Shares held by the public Shareholders is calculated based on the number of total Shares excluding those held by the Offeror and its Concert Parties as at the end of each month/period or as at the Latest Practicable Date, as applicable.

As illustrated in Table 3 above, the average daily trading volume of Shares during the Review Period was low with a range from approximately 592,500 Shares to approximately 9,488,500 Shares, representing approximately 0.06% to approximately 0.93% of the total number of the Shares in issue and approximately 0.22% to approximately 3.51% of the total number of Shares held by public Shareholders as at the end of each month/period.

During the month of October in 2022, we noted that the average trading volume of the Share had increased to approximately 3.51% of the total number of Shares held by the public Shareholders. The percentage of the average trading volume of the Shares for the month of October 2022 was relatively high as compared to that of the rest of the other months ranged from approximately 0.22% to 1.41% during the Review Period. We have discussed with the Management regarding the relatively high trading volume of the Shares and were advised that they are not aware of any particular reason that led to the unusual trading volume movement. As discussed in the sub-section headed “Historical Share price performance” above, the Hang Seng Index dropped constantly and hit its lowest in October 2022; and hence the unusual trading volume movement might due to the then undesirable market sentiment. Other than the average daily trading volume of Shares increased significantly in October 2022, being the maximum volume during the Review Period, the average daily trading volume of Shares remained at a low level throughout the Review Period.

Given the low historical trading volume of the Shares as aforesaid, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of their Shares in the open market, especially those with large volume of Shares, without depressing the Share price. Accordingly, the market trading prices of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market and therefore the Offer may represent an opportunity for the Independent Shareholders, particularly for those who hold a large volume of Shares, to dispose of part or all of their Shares at the Offer Price if they so wish.

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Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the closing price of the Shares may increase or decrease during the period between the Latest Practicable Date and the close of the Offer.

5. Comparable analysis

Given the Group was loss-making for FY2022, the historical price-to-earnings ratio (“**P/E ratio**”) analysis is therefore not applicable. In assessing the fairness and reasonableness of the Offer Price, we attempted to compare the price-to-book ratio (“**P/B ratio**”) represented by the Offer Price against the market valuation of other listed companies in Hong Kong which are of similar business nature and size to that of the Group, which is a commonly used benchmark in valuing a company. Taking into account the business nature of the Company and the tangible assets of the Company represented over 80% of its total assets as at 31 December 2022, therefore P/B ratio is an appropriate valuation method. We have also adopted the price-to-sale ratio (“**P/S ratio**”), which is commonly used to value non-profit companies as the revenue is the top-level parameter of a company’s financial performance and particular for companies in the same industry, it is less susceptible to accounting manipulations. Therefore, P/S ratio, as an alternative to P/E ratio, is also appropriate valuation method.

Based on our research on a best-effort basis, we have conducted a search of companies based on the criteria that (i) the company is listed and trading on the Stock Exchange; (ii) the company is principally engaged in the books and/or paper-related printing products (“**Similar Business**”); (iii) over 50% of the company’s revenue was derived from the Similar Business as disclosed in the latest published financial results; and (iv) the companies with market capitalisation of below HK\$1,000 million which is considered as of similar size as compared with the Company. We have identified a complete and exhaustive list of four companies (“**Comparable Companies**”) based on the abovementioned selection criteria. We consider that while the Company and the Comparable Companies are not closely in terms of, among others, financial performance, financial position and market capitalisation, the principal activities of such companies are in general affected by similar macro-economic factors including but not limited to, economy and outlook and the demand from customers. Based on the foregoing, we consider the Comparable Companies as fair and representative comparable, the analysis of which is useful for assessing the fairness and reasonableness of the Offer Price.

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The following table sets out the details of the Comparable Companies, computed based on the closing share prices of the Comparable Companies as at the Last Trading Day and their published audited financial information for the most recent financial year as disclosed in their respective latest annual reports:

Company name (Stock code)	Principal business	Market capitalisation <i>Approximate HK\$ million (Note 1)</i>	Closing share price on the Last Trading Day <i>HK\$</i>	P/B ratio <i>Times (Note 2)</i>	P/S ratio <i>Times (Note 3)</i>
Lion Rock Group Limited (1127)	the provision of printing service; and involved in the production and distribution of books and publications	900.9	1.17	0.66	0.36
Sun Hing Printing Holdings Limited (1975)	the provision of printing service, which includes printing solution consultation, pre-press, offset printing, post-press to delivery	412.8	0.86	0.88	0.63
Eprint Group Limited (1884)	the provision of printing service; and the provision of solutions on advertisement, bound books and stationeries	286.0	0.52	1.14	0.93
Prosperous Printing Company Limited (8385)	the provision of printing service; and its printing products include leisure and lifestyle books; educational textbooks and learning materials; children's books; and other paper-related products	24.0	0.03	0.42	0.14
			Minimum	0.42	0.14
			Maximum	1.14	0.93
			Average	0.78	0.51
			Median	0.77	0.49
The Company	production, distribution and printing of books, novelty and packaging products	266.6 <i>(Note 4)</i>	0.2614	2.03 <i>(Note 5)</i>	2.03 <i>(Note 6)</i>

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

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Notes:

1. The market capitalisation of the Comparable Companies was calculated based on the closing share prices and the total issued shares of the Comparable Companies as at the Last Trading Day.
2. The P/B ratio was based on the then market capitalisation of the Comparable Companies as at the Last Trading Day, divided by the net asset value attributable to the shareholders of the Comparable Companies as stated in their respective latest available interim/annual reports.
3. The P/S ratio was based on the then market capitalisation of the Comparable Companies as at the Last Trading Day, divided by the revenue of the Comparable Companies as stated in their respective latest available annual reports.
4. The market capitalisation of the Company is computed based on the Offer Price and the total number of Shares in issue as at the Latest Practicable Date.
5. The implied P/B Ratio of the Company is calculated based on the market capitalisation of the Company represented by the Offer Price and the audited net asset value attributable to equity holders of the Company on 31 December 2022 as extracted from the 2022 Annual Report.
6. The implied P/S Ratio of the Company is calculated based on the market capitalisation of the Company represented by the Offer Price and the audited revenue of the Group for FY2022 as extracted from the 2022 Annual Report.

As illustrated in the table set out above, the P/B ratio of the Comparable Companies ranged from approximately 0.42 times to approximately 1.14 times, with an average of 0.78 times and median of approximately 0.77 times. Accordingly, the implied P/B ratio of the Offer Price of approximately 2.03 times is (i) higher than all of the Comparable Companies' P/B ratio; and (ii) higher than the upper range, the average and median of the P/B ratio presented by the Comparable Companies. Furthermore, the P/S ratio of the Comparable Companies ranged from approximately 0.14 times to approximately 0.93 times, with an average of 0.51 times and median of approximately 0.49 times. The implied P/S ratio of the Offer Price of approximately 2.03 times is higher than the P/S ratios of all of the Comparable Companies. Accordingly, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

6. Information and intention of the Offeror

(a) Information of the Offeror

As stated in the "Letter from Asian Capital" contained in this Composite Document, the Offeror is an investment holding company incorporated in the British Virgin Islands. As at the Latest Practicable Date, the Offeror is ultimately beneficially owned as to 100% by Mr. Ng Ho Lun ("**Mr. Ng**"). Mr. Ng, being the founder, sole director and chief executive officer of the Offeror, is responsible for the strategic development and general management of the Offeror and its subsidiaries. Save as the acquisition of the Sale Shares, none of the Offeror or its subsidiaries (directly or indirectly) held by the Offeror have carried out any businesses up to the Latest Practicable Date. Mr. Ng is also the sole director and chief executive officer of Huachin Mining

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Limited and Huachin International Trading Limited (“HIT”) in Hong Kong. HIT, together with its subsidiary, are engaged in international commodity trading business. Mr. Ng graduated from the University of Southern California in Los Angeles with a Bachelor of Business Administration majoring in Business Finance and Economics and Mr. Ng has no related experience in the Existing Business of the Company.

(b) Intention of the Offeror

The Offeror will continue to support the independent operation of the Company and maintain the Company’s listing status in the Hong Kong capital market. It is the intention of the Offeror that the Company will continue to focus on the development of its Existing Businesses. The Offeror does not intend to introduce any major changes to the existing operations and business of the Group upon the close of the Offer.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for a proposed change to the members of the Board at a time no earlier than that permitted under the Listing Rules and the Takeovers Code) or to dispose of or re-allocate the Group’s fixed assets which relate to the ordinary and usual course of business of the Group as a result of completion of the Offer. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group’s business and operations to optimise the value of the Group. As at the Latest Practicable Date, the Offeror has no intention, understanding, obligation, negotiation or arrange (concluded or otherwise) to downsize, cease or dispose of the Existing Business and will ensure that the Existing Business will not be affected. Mr. Ng and the Offeror intend to manage the Existing Business together with the existing key management and the employees of the Group.

The Offeror intends to review the business activities, operations and financial position of the Group to formulate appropriate business plans and strategies for the future business development of the Group. The Offeror may explore other businesses opportunities for the Group based on its review of the aforementioned items. As at the Latest Practicable Date, the Offeror had no definitive plan or strategy regarding the future development of the Group. As at the Latest Practicable Date, the Offeror had not identified any investment or business opportunity, nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group. As at the Latest Practicable Date, the Offeror was in the course of identifying the person(s) to be appointed as Director(s) of the Board, but had not yet determined the candidate(s).

As at the Latest Practicable Date, no material investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

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Notwithstanding the Offeror intends to focus on the development of the Existing Business, having considered the facts that (i) Mr. Ng's past business experience and exposure was primarily focused on the area of international commodity trading business; and does not have direct relevant experience in the printing industry; (ii) the Offeror may explore other business for the Group, yet as at the Latest Practicable Date no investment or business opportunities had been identified; (iii) the Offeror was in the course of identifying new candidates to the Board and had not reached any decision as to the Board composition as at the Latest Practicable Date; (iv) the prospect for the printing industry, in which the Group is currently engaged in, will remain uncertain as discussed in the section headed "Prospects and outlook of the Group" above; and (v) the completion of the Subscription Transaction remains uncertain as the Company is still in the process of conducting due diligence investigation on the target company as discussed in the section headed "Prospects and outlook of the Group" above, we are of the opinion that the principal business of the Group may be expanded and the senior management team of the Company may change after the Offer; and there remains uncertainty in the future performance of the Group.

7. Maintaining the listing status of the Company

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 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 dealings in the Shares.

As stated in the "Letter from Asian Captial" in this Composite Document, the Offeror has no intention to privatise the Company and intends the Company to remain listed on the Stock Exchange following the close of the Offer. The sole director of the Offeror and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, which may include but not limited to placing down of sufficient number of accepted Shares held by the Offeror or issue of additional Shares by the Company for this purpose. No arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

OPINION AND RECOMMENDATION

Having taking into account the principal factors and reasons as discussed above, and in summary as follows (which should be read in conjunction with and interpreted in the full context of this letter):

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- (a) the Group was in a loss-making position for FY2022 and there are uncertainties in the future performance and prospects of the Group as discussed in the section headed “Prospectus and outlook of the Group” above;
- (b) despite the closing prices of the Shares was above the Offer Price during the majority of the Review Period, there was a general downward trend of the closing price of the Shares since August 2022 and the trading price of the Shares fluctuated at a level close to the Offer Price after the release of the Joint Announcement; and hence there is no guarantee on whether the trading price of the Shares could be sustained at a level higher than the Offer Price during and after the Offer Period;
- (c) the Shares had been consistently traded at a closing price above the net asset value per Share during the Review Period and the Offer Price represents a premium of approximately 102.64% to the 2022 Audited NAV per Share. It can be seen that the trading price of the Shares does not correlate with the net asset value attributable to Shareholders. This may indicate that investors might not have valued the Shares based solely on the underlying value of the Group’s assets;
- (d) the implied P/B ratio and P/S ratio of the Offer Price of approximately 2.03 times and 2.03 times respectively, which are higher than that of the Comparable Companies’ P/B ratio and P/S ratio, and are higher than the respective average presented by the Comparable Companies; and
- (e) save for the unusual trading volume movement of the Shares in October 2022, the trading volume of the Shares was relatively low with a range from 0.22% to 1.41% of the total number of Shares held by public Shareholders during the rest of the Review Period, and it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price;

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

For those Independent Shareholders who intend to accept the Offer, we would remind them to closely monitor the market price and liquidity of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Offer.

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For those Independent Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the market prices of the Shares as a result of the thin trading in the Shares.

For those Independent Shareholders who consider to retain their Shares, in full or in part, we would remind them that there is no guarantee that the prevailing Share price will sustain at a level higher than the Offer Price during and after the Offer Period.

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we would recommend the Independent Shareholders who may require advice in relation to any aspect of 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, Independent Shareholders read carefully the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompany Forms of Acceptance.

Yours faithfully,
For and on behalf of
GF Capital (Hong Kong) Limited

Erica Law
Director

Ms. Erica Law is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of GF Capital (Hong Kong) Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 14 years of experience in corporate finance industry.

1. 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 instructions form part of the terms of the Offer. You should insert the total number of Shares for which the Offer is accepted. If no number is inserted in the box titled “Number of Shares to be transferred” or the number inserted is greater than the number of Shares held by you or is greater or smaller than the number of Shares represented by the certificate for Shares tendered for acceptance of the Offer and you have signed the form, the form will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Registrar on or before the latest time for acceptance of the Offer. Your Shares sold to the Offeror by way of acceptance of the Offer will be registered under the name of the Offeror or its nominee.

You warrant to the Offeror, the Company, Asian Capital, the Registrar or parties acting in concert with any of them or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer that you have not taken or omitted to take any action which will or may result in the Offeror, the Company, Asian Capital, the Registrar or parties acting in concert with any of them or any of their respective ultimate beneficial owners, directors, officers, 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 your acceptance thereof.

- (i) 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 Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in an envelope marked “**Smart Globe Holdings Limited — Offer**” as soon as possible, and in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

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- (ii) 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 Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:
- (a) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed 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
 - (b) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed 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
 - (c) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). 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 processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (d) if your 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 by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed

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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.

- (iii) 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 Share(s) 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 Share(s), the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Share(s) in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) or evidence of title is/are not readily available and/or is/are lost will be taken up by the Offeror.
- (iv) If you have lodged transfer(s) of any of your Share(s) 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 Share(s), you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Asian Capital and/or the Offeror 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 certificate(s) to the Registrar as if it was/they were delivered to the Registrar together with the Form of Acceptance.
- (v) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant document(s) as required under this paragraph have been so received, and is:

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- (a) 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 the share certificate(s) and/or transfer receipt(s) is/are not in your name, such other document(s) (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Share(s); or
 - (b) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share(s) which are not taken into account under another subparagraph of this paragraph (v)); or
 - (c) certified by the Registrar or the Stock Exchange.
- (vi) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (vii) In Hong Kong, the Seller's ad valorem stamp duty payable by the relevant Independent Shareholders in connection with the acceptance of the Offer at the rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (viii) 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 your Share(s) will be given.

2. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Acceptance, together with 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 the relevant Offer Shares are valid,

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complete and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Offer Shares tendered under the Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save in respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Acceptance, 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 Independent Shareholder.

Cheque(s) not presented for payment within six (6) months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

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

3. ACCEPTANCE PERIOD AND REVISIONS

- (i) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date. The Offer is unconditional.
- (ii) The Offeror and the Company will jointly issue an announcement in accordance with the Takeovers Code through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.
- (iii) In the event that the Offeror decides to extend the Offer, at least fourteen (14) days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.

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- (iv) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.
- (v) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

4. ANNOUNCEMENT

- (i) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.

Such announcement must state the total number of Shares and rights over Shares:

- (a) for which acceptances of the Offer have been received;
- (b) held, controlled or directed by the Offeror or any the Offeror and parties acting in concert with it before the Offer Period; and
- (c) acquired or agreed to be acquired by the Offeror or any the Offeror and parties acting in concert with it during the Offer Period.

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

- (ii) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

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- (iii) As required by the Takeovers Code and the Listing Rules, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.smartglobehk.com).

5. NOMINEE REGISTRATION

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

6. RIGHT OF WITHDRAWAL

- (i) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (ii) below.
- (ii) If the Offeror is unable to comply with the requirements set out in the paragraph headed “4. ANNOUNCEMENT” in this Appendix, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptances of the Offer, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code are met.

In such case, when the Independent Shareholders withdraw their acceptances, the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Shares lodged with the Form(s) of Acceptance to the relevant Independent Shareholders at their own risk.

7. EFFECT OF ACCEPTANCE OF THE OFFER

As at the Latest Practicable Date, the Company has not declared any dividend and the Company confirms that it does not intend to declare, make or pay any dividend or other distributions prior to the Closing Date.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offer are free from all encumbrances and with all rights now and thereafter attaching thereto including but not limited to all dividends paid, declared or made in respect thereof on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

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

8. OVERSEAS SHAREHOLDERS

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should fully observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions). As at the Latest Practicable Date, based on the record in the register of members of the Company, there is no Overseas Shareholder.

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

9. TAXATION ADVICE

The receipt of cash pursuant to the Offer may be a taxable transaction in the jurisdiction in which the Independent Shareholders are located or registered and for PRC tax purposes under applicable tax laws. It is emphasised that none of the Offeror, the Company, Asian Capital, any concert parties (and presumed concert parties) of any of them, the Sellers, the Sellers' Guarantors, the Independent Financial Adviser and the Registrar, or any of their respective agents or advisers or any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer. All Independent Shareholders and/or beneficial owners of the Shares shall be solely responsible for their liabilities (including tax liabilities) in relation to the Offer, regardless of whether or not they have submitted the PRC tax declaration form to the Offeror.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer.

This Composite Document does not include any information in respect of overseas taxation. Independent Shareholders who may be subject to overseas tax are recommended to consult their tax advisers regarding the implications in the relevant jurisdictions of owning and disposing of Shares.

10. GENERAL

- (i) All communications, notices, Forms of Acceptance, 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 Independent 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, the Offeror and parties acting in concert with it, Asian Capital, the Company, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts any liability for any loss or delay in postage or any other liabilities whatsoever which may arise as a result thereof.
- (ii) Acceptance of the Offer by any Independent Shareholder will constitute a warranty by such person to the Offeror and Asian Capital that all Offer Shares to be sold by such person under the Offer are fully paid and free from all encumbrances whatsoever together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the Latest Practicable Date.
- (iii) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror and Asian Capital that the number of Offer Shares in respect of which it has indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (iv) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable, except as permitted under the Takeovers Code.
- (v) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.

APPENDIX I FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (vi) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (vii) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (viii) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Asian Capital and/or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares in respect of which such person has accepted the Offer.
- (ix) The Offer is made in accordance with the Takeovers Code.
- (x) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders and with registered address(es) outside Hong Kong or whom the Offeror or Asian Capital knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (xi) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the accompanying Form of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, the Offeror and parties acting in concert with it, Asian Capital, the Company, the Independent Financial Adviser or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.
- (xii) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.
- (xiii) References to the Offer in this Composite Document and the Form of Acceptance shall include any extension and/or revision thereof.
- (xiv) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the financial information of the Group for each of the financial years ended 31 December 2020, 2021 and 2022, respectively, as extracted from the annual reports of the Company for the years ended 31 December 2020, 31 December 2021 and 31 December 2022, respectively.

	For the year ended 31 December		
	2022	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	131,647	167,899	127,213
Cost of sales	(123,978)	(141,397)	(81,250)
Gross profit	7,669	26,502	45,963
Other income	593	452	695
(Allowance) reversal of allowance for credit losses on trade receivables, net	(838)	886	—
Other gains and losses	1,865	(243)	198
Selling and distribution costs	(7,552)	(9,483)	(7,010)
Administrative expenses	(18,057)	(15,020)	(13,060)
Finance costs	(180)	(306)	(120)
(Loss) Profit before taxation	(16,500)	2,788	20,196
Taxation	—	(1,139)	(4,195)
(Loss) Profit for the year	(16,500)	1,649	16,001
(Loss) Profit for the year attributable to:			
Owners of the Company	(16,500)	1,649	16,001
Non-controlling interests	—	—	—
Other comprehensive (expense) income	(6,459)	2,484	3,425
Total comprehensive (expense) income for the year	(22,959)	4,133	19,426
(Loss) earnings per share	(1.64)	0.16	1.60

The auditor of the Company for the year ended 31 December 2020 was Deloitte Touche Tohmatsu and the auditors of the Company for the years ended 31 December 2021 and 2022 were Baker Tilly Hong Kong Limited. Their opinions on the consolidated financial statements of the Group for each of the years ended 31 December 2020, 2021 and 2022 were neither modified nor qualified.

There was no change in the Group's accounting policy during each of the years ended 31 December 2020, 2021 and 2022 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

There were no items of any income or expense which are material in respect of the consolidated financial results of the Group for each of the aforesaid periods.

The Board recommended the payment of a final dividend of HK\$0.5 cent per Share, amounting to an aggregate of HK\$5.0 million for the year ended 31 December 2020 to the Shareholders whose names appeared on the Company's register of members at the close of business on 14 May 2021. An ordinary resolution was passed in the annual general meeting of the Company held on 7 May 2021 to declare such dividend and such dividend was paid on 6 June 2021.

Save as disclosed, no dividend was paid or proposed by the Company during each of the years ended 31 December 2020, 2021 and 2022.

2. AUDITED ANNUAL FINANCIAL STATEMENTS

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 the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**2020 Financial Statements**"), 31 December 2021 (the "**2021 Financial Statements**"), and 31 December 2022 (the "**2022 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 2020 Financial Statements are set out from page 61 to page 114 in the annual report of the Company for the year ended 31 December 2020, which was published on 31 March 2021. (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0331/2021033101094.pdf>)

The 2021 Financial Statements are set out from page 62 to page 115 in the annual report of the Company for the year ended 31 December 2021, which was published on 7 April 2022. (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0407/2022040700528.pdf>)

The 2022 Financial Statements are set out from page 68 to page 121 in the annual report of the Company for the year ended 31 December 2022, which was published on 14 April 2023. (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0414/2023041400466.pdf>)

The auditors of the Company (i) for the year ended 31 December 2020, Deloitte Touche Tohmatsu and (ii) for the years ended 31 December 2021 and 31 December 2022, Baker Tilly Hong Kong Limited, did not issue any modified opinion nor any emphasis of matter or material

uncertainty related to going concern contained in their respective auditors' report (i) for year ended 31 December 2020 and (ii) for the years ended 31 December 2021 and 31 December 2022, respectively.

There was no significant change in the Group's accounting policy during the years ended 31 December 2020, 2021 and 2022 which would have a material impact on the Group's financial positions and performance and/or on the disclosures set out in its consolidated financial statements.

3. INDEBTEDNESS

As at the close of business on 30 April 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Composite Document, the indebtedness of the Group are as follows:

Lease liabilities

As at 30 April 2023, the Group had lease liabilities of approximately HK\$1,916,000.

Contingent liabilities

As at 30 April 2023, the Group had no material contingent liability.

Apart from the intra-group liabilities, as at the close of business on 30 April 2023, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than under normal trade bills) or acceptance credits, debt securities (whether issued and outstanding or authorised or otherwise created but unissued), guarantees or other material contingent liabilities.

The Directors confirmed that there had been no material changes in the indebtedness and contingent liabilities of the Group since 30 April 2023, up to and including the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL OF THE COMPANY

(a) Authorised and issued share capital

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

Authorised share capital:	<i>HK\$</i>
2,000,000,000 ordinary shares of HK\$0.01 each	20,000,000
Issued and fully paid share capital:	
1,020,000,000 ordinary shares of HK\$0.01 each	10,200,000

All of the Shares currently in issue are fully paid and rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or securities carrying conversion or subscription rights that would affect the issued share capital of the Company.

(b) Listing

The Shares are listed and traded on the Main Board of the Stock Exchange. No part of the Shares is listed or dealt in, nor in any listing or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

3. DISCLOSURE OF INTERESTS**(a) Interests of the Directors and chief executives of the Company in securities of the Company and associated corporations of the Company**

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were deemed or taken to have under the provisions of the SFO); (b) to be entered in the register required to be kept pursuant to section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed pursuant to the requirements of the Takeovers Code.

(b) Interests of the Substantial Shareholders in the securities of the Company

As at the Latest Practicable Date, save as disclosed below, so far as was known to the Board, no persons (not being a director, supervisor or chief executive of the Company) had an interest or a short position in the shares or underlying shares and debentures of the Company which would fall to be disclosed to the Company 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.

In the Shares:

Name	Number of Shares	Nature of interest	Approximate percentage of issued share capital
The Offeror	750,000,000	Beneficial owner	73.53%

4. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY AND THE OFFEROR

As at the Latest Practicable Date:

- (a) the Company was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror, and the Company had not dealt for value in the shares or relevant securities of the Offeror during the Relevant Period;

- (b) save for the Sale and Purchase Agreement, none of the Directors was interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror, and none of the Directors had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror during the Relevant Period;
- (c) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Offer Period and up to the Latest Practicable Date;
- (d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with 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 who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and none of such persons had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Offer Period and up to the Latest Practicable Date;
- (e) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers (excluding any exempt fund managers) connected with the Company, and none of them had dealt for value in any relevant securities in the Company during the Offer Period and up to the Latest Practicable Date;
- (f) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer;
- (g) none of the Company or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (h) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders and the Company, its subsidiaries or associated companies.

5. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) 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
- (c) there is no material contract entered into by the Offeror in which any Director has a material personal interest.

6. SERVICE CONTRACTS OF DIRECTORS

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) had been entered into, or amended within six months before the date of commencement of the Offer Period; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

7. MATERIAL CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, the members of the Group had not entered into any material contracts (being a contract not entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) after the date two years before the commencement of the Offer Period up to and including the Latest Practicable Date, which are or may be material:

- (i) the placing agreement dated 29 June 2022 entered into between the Company and I Win Securities Limited and Yuzhou Financial Holdings Limited (as placing agents) in respect of the proposed placing, where the placing agents agreed to procure placees, on a best effort basis, to subscribe for a total of up to a maximum of 80,000,000 placing shares at the placing price of HK\$1.05 per placing share with a placing commission of 1.5% of the amount equal to the placing price multiplied by the actual number of the placing shares successfully placed by such placing agent;

- (ii) (a) the subscription agreement dated 15 July 2022 (the “**Subscription Agreement**”) entered into between the Company and Hubei Kang Shi Zhen Yi Yao Technology Co., Ltd.* (湖北康時珍醫藥科技有限公司) (the “**Hubei Company**”) in respect of the subscription, where the Company agreed to subscribe for 30% of the enlarged registered capital of the Hubei Company at a subscription price of HK\$30,000,000; (b) the supplemental deed dated 15 August 2022 entered into between the Company and the Hubei Company in relation to the advancement of HK\$7,000,000 by the Company to the Hubei Company with an interest amount of 5% per annum to the advancement; (c) the supplemental agreement dated 12 October 2022 entered into between the Company and the Hubei Company in relation to the extension of the time limit for the completion of the due diligence investigation as stipulated in the Subscription Agreement; (d) the supplemental agreement dated 30 November 2022 entered into between the Company and the Hubei Company in relation to the further extension of the time limit for the completion of the due diligence investigation as stipulated in the Subscription Agreement; (e) the supplemental agreement dated 31 January 2023 entered into between the Company and the Hubei Company in relation to the further extension of the time limit for the completion of the due diligence investigation as stipulated in the Subscription Agreement; and (f) the supplemental agreement dated 31 March 2023 entered into between the Company and the Hubei Company in relation to the further extension of the time limit for the completion of the due diligence investigation as stipulated in the Subscription Agreement;
- (iii) (a) the equity transfer agreement dated 5 August 2022 (the “**WSL Acquisition Agreement**”) entered into among the Company (as purchaser), 武漢純正飲品有限公司 (Wuhan Pure Beverage Co., Ltd.*) (“**Wuhan Pure Beverage**”) (as vendor), 武漢秀生活超級市場有限公司 (Wuhan Show Life Supermarket Co., Ltd.*) (“**WSL Supermarket**”) and 武漢秀生活便利店有限公司 (Wuhan Show Life Convenience Store Co., Ltd.*) (“**WSL Convenience Store**”) in respect of the acquisition, where the Company agreed to acquire and Wuhan Pure Beverage agreed to sell 51% equity interests in WSL Convenience Store at the consideration of HK\$300 million, which was to be satisfied by the allotment and issue of a total of 80,000,000 consideration shares by the Company at the issue price of HK\$1.8 per share and two zero interest promissory notes to be issued by the Company in the original principal amount of HK\$67,860,000 and HK\$88,140,000, respectively; and (b) the termination agreement dated 31 August 2022 entered into among the Company, Wuhan Pure Beverage, WSL Supermarket and WSL Convenience Store in respect of the termination of the WSL Acquisition Agreement;
- (iv) (a) the placing agreement dated 9 August 2022 (the “**Placing Agreement**”) entered into between the Company and I Win Securities Limited and Yuzhou Financial Holdings Limited (as placing agents) (together the “**Placing Agents**”) in respect of the proposed

placing, where the placing agents agreed to procure placees, on a best effort basis, to subscribe for a total of up to a maximum of 100,000,000 placing shares at the placing price of HK\$1.31 per placing share with a placing commission of 1.5% of the amount equal to the placing price multiplied by the actual number of the placing shares successfully placed by such placing agent and HK\$600,000; (b) the letter of confirmation dated 19 August 2022 and entered into among the Company and the Placing Agents in relation to the extension of the long stop date for completion of the Placing Agreement; and (c) the deed of termination dated 29 August 2022 entered into among the Company and the Placing Agents in relation to the termination of the Placing Agreement; and

- (v) (a) the sale and purchase agreement dated 14 September 2022 (the “**Veivo Acquisition Agreement**”) entered into between the Company (as purchaser) and Delta Investment Holding Group Limited (“**Delta Investment**”)(as vendor) in respect of the acquisition, where the Company agreed to acquire and Delta Investment agreed to sell 5% shareholding interests in Veivo Web Technology Limited at the consideration of HK\$300 million, which was to be satisfied by a combination of issuance of a total of 180,000,000 consideration shares by the Company at the issue price of HK\$1.8 per share and payment in cash; (b) the supplemental agreement dated 27 October 2022 entered into between the Company and Delta Investment in relation to, among other matters, revision of the consideration, amendment of the payment method of the consideration and revision of the long stop date; (c) the second supplemental agreement dated 20 January 2023 entered into between the Company and Delta Investment in relation to the further revision of the long stop date; and (d) the letter of termination dated 31 March 2023 issued by the Company to Delta Investment to terminate the Veivo Acquisition Agreement.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, no litigation or claims of material importance is pending or threatened by or against the Company or any of its subsidiaries.

9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its report, opinion or advice which are contained in this Composite Document:

Name	Qualification
GF Capital	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

GF Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and references to its name, in the form and context in which they are included.

10. GENERAL

- (a) The registered office of the Company is at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business in Hong Kong of the Company is at Unit 8, 17th Floor, Kodak House II, 39 Healthy Street East, North Point, Hong Kong.
- (c) The company secretary of the Company is Mr. Cheung Sum Chin.
- (d) The Hong Kong branch Registrar of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The registered office of GF Capital, the Independent Financial Adviser, is at 29-30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (f) The English texts of this Composite Document and the Form of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

11. DOCUMENTS ON DISPLAY

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 Flat 8, 17/F., Kodak House II, 39 Healthy Street East, North Point, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (<http://www.smartglobehk.com>) during the period from the Latest Practicable Date onwards for as long as the Offer remains open for acceptance:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual report of the Company for the financial year ended 31 December 2020;
- (c) the annual report of the Company for the financial year ended 31 December 2021;
- (d) the annual report of the Company for the financial year ended 31 December 2022;
- (e) the letter from the Board, the text of which is set out on pages 16 to 23 of this Composite Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this Composite Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 26 to 52 of this Composite Document;
- (h) the material contracts referred to in the section headed “7. MATERIAL CONTRACTS” in this Appendix;
- (i) the letter of consent referred to in the section headed “9. QUALIFICATION AND CONSENT OF EXPERT” in this Appendix; and
- (j) the Composite Document.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES OF THE COMPANY

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

- (i) save for 750,000,000 Shares (representing approximately 73.53% of the existing issued share capital of the Company) currently owned by the Offeror, neither the Offeror, the directors of the Offeror nor any person acting in concert with the Offeror owned or had control or direction over any voting rights or rights over the Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities;
- (ii) save for the acquisition of 750,000,000 Sale Shares from the Sellers, neither the Offeror, the director of the Offeror nor any person acting in concert with the Offeror had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (iii) save for the Sale and Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (iv) neither the Offeror nor any person acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

- (v) neither the Offeror nor any person acting in concert with it has received any irrevocable commitment to accept the Offer;
- (vi) no one giving an irrevocable undertaking to accept or reject the Offer, owned or had control or direction over any voting rights or rights over the Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities;
- (vii) save for the Sale and Purchase Agreement, no one giving an irrevocable undertaking to accept or reject the Offer, had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities or exercise any options during the Relevant Period;
- (viii) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror or any person acting in concert with it;
- (ix) save for the consideration for the Sale Shares under the Sale and Purchase Agreement, there is no other consideration, compensation or benefits in whatever form paid or to be paid by any member of the Offeror and parties acting in concert with it to any of the Sellers or any party acting in concert with any of them in connection with the sale and purchase of the Sale Shares under the Sale and Purchase Agreement;
- (x) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Sellers and parties acting in concert with them on one hand, and the Offeror, its ultimate beneficial owner or parties acting concert with any of them;
- (xi) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholders; and (b) (i) the Offeror, its ultimate beneficial owner or parties acting in concert with any of them, or (b) (ii) the Company, its Subsidiaries or associated companies;

- (xii) there was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offer;
- (xiii) save for the Sale and Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any party acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependent upon the Offer;
- (xiv) save for the Sale and Purchase Agreement, there is no agreement or arrangement to which the Offeror or any person acting in concert with it, 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; and
- (xv) there was no agreement, arrangement or understanding that the Offer Shares acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

3. QUALIFICATION 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:

Name	Qualification
Asian Capital	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the exclusive financial adviser to the Offeror in respect of the Offer

As at the Latest Practicable Date, Asian Capital has given and has 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.

4. MARKET PRICES

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

Date	Closing price per Share (HK\$)
31 October 2022	0.335
30 November 2022	0.395
30 December 2022	0.355
31 January 2023	0.330
28 February 2023	0.345
31 March 2023	0.270
26 April 2023 (the Last Trading Day)	0.315
28 April 2023	0.265
25 May 2023 (the Latest Practicable Date)	0.255

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange were HK\$0.410 per Share on 14 November 2022 and 21 November 2022; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange were HK\$0.255 per Share on 3 April 2023, 23 May 2023, 24 May 2023 and 25 May 2023.

5. MISCELLANEOUS

As at the Latest Practicable Date,

- (i) the Offeror is incorporated in the British Virgin Islands with limited liability and its registered office is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The principal place of business in Hong Kong of the Offeror is Suite 5705–08, 57/F One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong. The ultimate beneficial owner and the sole director of the Offeror is Mr. Ng;

- (ii) the correspondence address of Mr. Ng is Suite 5705-08, 57/F., One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong;
- (iii) Asian Capital is the exclusive financial adviser to the Offeror and its registered office is situated at 14th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong; and
- (iv) the English text of this Composite Document and the accompanying Form of Acceptance shall prevail over the Chinese text in case of inconsistency.

6. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); (ii) the website of the Company (<http://www.smartglobehk.com>); and (iii) at the principal place of business of the Company at Flat 8, 17/F, Kodak House II, 39 Healthy Street East, North Point, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays), from the Latest Practicable Date up to and including the Closing Date:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the written consents as referred to in the section headed “Qualification and Consent of Expert” in this appendix;
- (iii) the letter from Asian Capital, the text of which is set out on pages 7 to 15 of this Composite Document; and
- (iv) the Sale and Purchase Agreement.