

30 September 2025

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Company's purchases or procure members of the Group to purchase tea leaves from the Tenfu Group (Samoa) Holdings Company Limited ("**Samoa Company**") and its subsidiaries (the "**Samoa Group**") for the three years commencing on 1 January 2026 to 31 December 2028 pursuant to the Renewed Samoa Master Purchase Agreement (the "**Transactions**"). Details of the Renewed Samoa Master Purchase Agreement and the annual caps (the "**Renewed Annual Caps**") in respect of the transactions contemplated thereunder are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 30 September 2025 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Circular.

Mr. Lee Chia Ling ("**Mr. Lee**") is an executive Director and a Substantial Shareholder of the Company and hence a connected person of the Company under Rule 14A.07 (1) of the Listing Rules. Samoa Company is a company which is held entirely by Mr. Lee. By virtue of Mr. Lee's shareholding in Samoa Company, Samoa Company is therefore also a connected person of the Company and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profit ratio) in respect of the Renewed Samoa Master Purchase Agreement are on an annual basis over 5%, the Renewed Samoa Master Purchase Agreement (including the Renewed Annual Caps) and the transactions contemplated thereunder will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Lee, Mr. Lee Rie-Ho (who is the father of Mr. Lee), Mr. Lee Kuo-Lin (who is the elder brother of Mr. Lee) and their associates are considered to be interested in the Transactions and therefore had abstain from voting in relation to the relevant resolution(s) of the Renewed Samoa Master Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lo Wah Wai, Mr. Lee Kwan Hung, Eddie and Dr. Huang Wei has been established to advise the Independent Shareholders as to whether the terms of the Renewed Samoa Master Purchase Agreement (including the Renewed Annual Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolution in the EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In the last two years from the date of our appointment we did not provide any services to and had no other relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees paid/payable to us in connection with our appointment, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence. We are therefore independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Transactions.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcement of the Company dated 18 August 2025 and the Circular, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the Directors and/or management of the Company. We have been advised by the Directors and/or the management of the Company that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company including the Renewed Samoa Master Purchase Agreement and certain published information from the public domain. We have also discussed with the Directors and/or the management of the Company with respect to the terms of and reasons for the transactions

contemplated under the Renewed Samoa Master Purchase Agreement (including the Renewed Annual Caps), and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Group, Mr. Lee, Mr. Lee Rie-Ho (who is the father of Mr. Lee), Mr. Lee Kuo-Lin (who is the elder brother of Mr. Lee), Samoa Company, Samoa Group and each of their respective associates, and the parties involved in the transactions contemplated under the Renewed Samoa Master Purchase Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the transactions contemplated under the Renewed Samoa Master Purchase Agreement (including the Renewed Annual Caps), we have considered the following principal factors and reasons:

1. Background to and reasons for the entering into of the Renewed Samoa Master Purchase Agreement

The Group is principally engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The key products of the Group are tea leaves, tea snacks and tea ware. According to the annual report of the Company for the year ended 31 December 2024, the Company has been awarded the title of “China’s Tea Industry Comprehensive Top 100 Enterprises” by the China Tea Marketing Association from 2013 to 2024. Pursuant to the data of Chinese Enterprises Brands Research Centre (中國企業品牌研究中心), “Tenfu” (天福) ranked first among 2019 China’s chain stores of tea in terms of brand index, the “Tenfu” brand has one of the highest levels of brand awareness amongst tea product consumers in the PRC.

Products of the Group are sold through a nationwide network of self-owned and third-party owned retail outlets and retail points. As at 31 December 2024, the Group had a total of 1,349 self-owned and third-party owned retail outlets and retail points across 31 provinces, autonomous regions and municipalities in the PRC. In 2024, in face of the multiple risks of the global economy such as rising inflation, geopolitical tensions and fluctuations in energy and commodity prices, the PRC government actively rolled out a series of policies and measures to promote consumption, focusing on expanding domestic demand and unleashing the potential of consumption, leading to the consumer market demonstrated continuing and slow recovery. In order to increase the popularity of the Tenfu tea products and brands in the ultimate markets and distribution channels and maintain its leading position and advantage in the highly competitive Chinese tea market, in 2024, the Group continued to implement a number of significant operational measures to streamline the Group’s organisation structure, adopt active marketing strategy to satisfy customers’ demand and sell tea products together with tea beverage to expand product categories and sales channels.

Samoa Group are engaged in the packaging, marketing and sale of tea leaves as well as the development and sale of tea snacks and tea ware.

The Group has been purchasing tea leaves from Samoa Group as part of the ordinary and usual course of business, although the tea leaves can be easily sourced from other independent third parties even if there is no supply from Samoa Group, as the Company maintains a database of over four hundred independent third parties suppliers which the Group had purchased tea leaves historically. Apart from procuring raw tea leaves from independent suppliers for the Group's processing of the tea products, the Group has purchased processed tea leaves from Samoa Group from time-to-time.

Since 2011, the Company and Samoa Company entered into the master purchase agreement, pursuant to which the Group agreed to purchase the tea leaves from Samoa Group for a term of three years, such master purchase agreement has been renewed every three years or supplemented when necessary thereafter. As the latest effective agreement in place, the 2022 Samoa Master Purchase Agreement, will expire by the end of 2025, on 18 August 2025, the Company and Samoa Company entered into the Renewed Samoa Master Purchase Agreement to continue to govern the on-going connected transactions with the Samoa Group and as well as to set annual caps for the three years ending 31 December 2028.

The Directors consider that the Renewed Samoa Master Purchase Agreement provides flexibility, but not an obligation, to the Group or to the Samoa Group to engage each other in their respective business operation whenever their respective management consider appropriate. Furthermore, the Directors are of the view that, given the Samoa Group had been providing tea leaves to the Group for over 10 years and has been able to understand the quality requirements of the Group and sustained a stable supply, the management of the Group believes that by maintaining a number of stable quality suppliers of tea leaves are of utmost importance to the Group's current and future operation and the entering into the Renewed Samoa Master Purchase Agreement provide an opportunity to the Group to continue to collaborate with the Samoa Group as and when necessary. Since the prices of tea leaves shall be determined through good faith negotiations between the Company and the Samoa Group by reference to the prevailing market rate of similar products, and the terms of sale shall be no less favorable than those made available to independent third parties following the internal policies and procedures to determine if the price and terms offered by the Samoa Group are fair and reasonable and comparable to those offered by the independent third parties, the Directors considered that the procurement of tea leaves from Samoa Group is beneficial to the Group.

Having considered that the transactions contemplated under the Renewed Samoa Master Purchase Agreement between the Group and the Samoa Group have been and will be carried out in their respective ordinary and usual course of business, we consider that the entering into of the Renewed Samoa Master Purchase Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and Shareholders as a whole.

2. Principal terms of the Renewed Samoa Master Purchase Agreement

On 18 August 2025, the Company and Samoa Company entered into the Renewed Samoa Master Purchase Agreement, pursuant to which the Company agrees to purchase or procure members of the Group to purchase the tea leaves from Samoa Group for a fixed term of three years commencing on 1 January 2026 to 31 December 2028. Set out below are the principal terms of the Renewed Samoa Master Purchase Agreement:

- Date:* 18 August 2025
- Parties:* (i) the Company; and
- (ii) Samoa Company, a company incorporated in Samoa, which is engaged in the manufacturing and processing of tea leaves in the PRC through its PRC subsidiaries and is wholly owned by Mr. Lee Chia Ling.
- Subject:* Pursuant to the Renewed Samoa Master Purchase Agreement, the Group agreed to purchase or procure members of the Group to purchase tea leaves from Samoa Group.
- Term:* The Renewed Samoa Master Purchase Agreement has a fixed term of three years commencing on 1 January 2026 to 31 December 2028 (both days inclusive).

Renewed annual cap

The renewed annual caps under the Renewed Samoa Master Purchase Agreement for the three years ending 31 December 2028 will not exceed RMB80,000,000, RMB93,000,000 and RMB106,000,000, respectively. The renewed annual caps have been determined based on the projected approximately 16.25% and 13.98% increase in demand of tea leaves by the Group for each of the year ending 31 December 2027 and 2028, respectively, with reference to the market rates for tea leaves, which the Group purchased from independent third parties. The Group projects an increase in demand for tea leaves from Samoa Group of approximately 16.25% and 13.98% for the years ending 31 December 2027 and 2028, respectively. These projections are underpinned by the sustained positive outlook for tea consumption in China, supported by long-term market trends. Although revenue of the Group experienced declining trend in the past couple of years, the Group anticipates a recovery in tea leaf demand beginning in 2026, with procurement volumes expected to return to levels comparable to the historical transaction amounts recorded during the three years ended 31 December 2024. According to data published by the Research Network for China Agricultural Brand (中國農業品牌研究網), the PRC tea market is forecasted to expand at a compound annual growth rate (CAGR) of 8.62% from 2023 to 2028. This growth is driven by evolving consumer preferences, particularly the increasing demand for premium and specialty teas, as well as broader consumption trends across the market.

In response to anticipated market growth and to enhance its operational capacity, the Group commenced operations of a new white tea packaging facility in Xiapu County, Fujian Province, PRC in April 2025. This facility began generating revenue in May 2025, contributing approximately RMB4.79 million from May to August 2025. The Group expects this expansion to support increased procurement of tea leaves from 2026 onwards, aligning with its strategy to meet rising market demand and capture growth opportunities in the premium tea segment.

In arriving at the renewed annual caps, the Directors have considered (i) the actual transaction in the amount of RMB81,118,000 for the purchase of tea leaves from Samoa Group for the three years ended 31 December 2024; (ii) the expected purchase amount for the year ending 31 December 2025 estimated based on the historical proportion of the actual purchase amount of RMB38,658,896 for the seven months ended 31 July 2025 to that for the full year ending 31 December 2025 with expected market recovery; and (iii) the expected recovery of consumer market by a CAGR of 8.62% from 2023 to 2028 and growing demand of the Group's tea leaves in next few years; and (iv) the possible production requirement of the new packaging facilities in Xiapu County may contribute to additional procurement of tea leaves.

Pricing policy

The price of the tea leaves shall be determined through good faith negotiations between the Company and the Samoa Group by reference to the prevailing market rate of similar products, and the terms of sale shall be no less favourable than those made available to independent third parties.

The Renewed Samoa Master Purchase Agreement further detailed the mechanism that for every purchase of tea leaves, the Group follows its internal policies and procedures for obtaining quotations from both Samoa Group and at least two other independent suppliers of tea leaves in similar quality and quantity to determine if the price and terms offered by Samoa Group are fair and reasonable and comparable to, i.e., at a lower price than, or at least equal to, those offered by the independent third parties.

Samoa Group, same as other suppliers of tea leaves, is under the bidding process, or procedures for obtaining quotations, to supply tea leaves to the Company and the Company confirmed that there is no any actual circumstance under which the supply of tea leaves to the Company by Samoa Group is not under bidding process, or procedures for obtaining quotations. The tea leaves purchase department of the Group will request Samoa Group to participate in the tea leaves bidding processes and invite at least two other independent suppliers to provide tea leaves quotations in similar quality and quantities with the sample tea leaves to determine if the price and terms offered by Samoa Group are fair and reasonable and comparable to those offered by the independent third parties, in order to summarise their findings and report to senior management of the Group for them to decide the purchase orders with the selected suppliers. The senior management of the Group will report to the Board in relation to their assessment of tea leaves procurement. The Board will continuously monitor if the procurement with Samoa Group complies with relevant procedures, assessment criteria and approval process for the purpose of internal control of the continuing connected transactions under the Renewed Samoa Master Purchase Agreement.

In view of the above, as Samoa Group is only one of the participants in the bidding process or in providing quotations, with comparable chances as the independent third parties suppliers in winning the bid, we consider that the tea leaves supply arrangement with Samoa Group is fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Details of the internal control procedures in relation to governing the pricing policy of the Renewed Samoa Master Purchase Agreement are set out in the paragraph headed “Internal control” below.

Payment

The payment for the purchase of tea leaves under the Renewed Samoa Master Purchase Agreement will be as stated in the relevant purchase orders from the Group or as agreed from time to time. Payment shall be made by telegraphic transfer or other payment methods generally acceptable in the PRC. As agreed between the Company and Samoa Company, the purchase price is payable by the Group within 90 days from the delivery of the tea leaves, which is better than the usual payment terms of around 30 days offered by the independent suppliers.

Save as disclosed, other terms of the Renewed Samoa Master Purchase Agreement are materially the same as the 2022 Samoa Master Purchase Agreement.

3. Internal control

The Group adopted the following internal control procedures to ensure that the transactions with Samoa Group will be conducted on normal commercial terms going forward:

- (i) where applicable and commercially sensible, the Group will continue to request Samoa Group to provide the tea leaves through a bidding process, on arm’s length basis and on the best available terms, with reference to the prevailing market prices;
- (ii) as part of the internal control measures, the implementation of the Renewed Samoa Master Purchase Agreement and the actual number and amount of tea leaves will be monitored and reviewed by the Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions with the independent third parties;
- (iii) the relevant operational divisions of the Group will report regularly to senior management with respect to the actual performance of the transactions of purchase of tea leaves with Samoa Group;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transactions shall abstain from voting in respect of the resolutions;

- (v) the Group shall use the best endeavour to comply with the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the continuing connected transactions;
- (vi) the Company will engage its auditor to report on the continuing connected transactions between the Group and Samoa Group contemplated under the Renewed Samoa Master Purchase Agreement every year in accordance with Rule 14A.56 of the Listing Rules; and
- (vii) the Group will duly disclose in the annual reports and accounts the transactions of purchase of tea leaves with Samoa Group during each financial period, together with the conclusions (with basis) drawn by the independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Taking into account the above mentioned internal control measures, we concurred with the Board's view that adequate internal control procedures for governing on-going transactions (including the determination of the purchase price of tea leaves) are in place.

Furthermore, we have also reviewed the letter issued by the auditor of the Company regarding the continuing connected transactions of the Company for the year ended 31 December 2024, pursuant to which nothing has come to the attention of the auditor of the Company that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Company.

In light of the above conditions, we are of the view that appropriate measures are in place to ensure that the Transaction will be conducted on normal commercial terms and to safeguard the interests of the Independent Shareholders.

4. Comparison of terms with independent third parties

Since the Group has a number of independent suppliers for tea leaves, we have discussed with the management of the Company and reviewed sample copies of: (i) the sales invoices of various types of tea leaves issued by the Samoa Group to the Group covering each quarter from the financial years ended 31 December 2022 to 2024 and also during the seven months ended 31 July 2025 (the "**Review Period**"); and (ii) the sales invoices of the same types of tea leaves issued by independent tea products suppliers to the Group covering each quarter, if available, (if no invoice from independent tea suppliers available during the corresponding quarter as no transaction was conducted during the quarter due to the result of price quotation, during the closest corresponding period). Based on our review, we noted that the prices offered by the Samoa Group are more favorable than those offered by independent suppliers in supplying the same types of tea leaves.

Given our samples were randomly selected covering each quarter during the Review Period and we did not note any samples which were inconsistent with the relevant pricing policies of the Group, we are of the view that the samples selected which cover each quarter of the Review Period to be fair and representative samples.

In determining whether the settlement term is fair and reasonable, we have discussed with the Directors and understand that no particular settlement terms have been stated in the sales invoice, and independent third party suppliers may or may not require the Group to enter into sales contracts. According to the section headed “Letter from the Board” of this circular, as agreed between the Company and Samoa Company, the purchase price is payable by the Group within 90 days from the delivery of the tea leaves. From the sample supply contracts entered into between the Group and other independent suppliers, we noted that those independent suppliers normally granted a credit period of 15 to 30 business days to the Group, while the Samoa Group granted to the Group a credit period of 90 business days. In light of the longer credit period granted by the Samoa Group, the settlement term offered by the Samoa Group was more favorable than those of independent suppliers to the Group.

5. Market Overview of China's Tea Industry

Under the macro environment, there are challenges posed by the tariff uncertainties, inflations, political conflicts, leading to a stagnation in the global economy. In the PRC, the consumer price index (CPI) for food, beverages, and tobacco for 2023 and 2024 also recorded a decrease of 2.1 and 0.4, respectively, indicating that consumers are more rational in consumption decisions regarding food, beverages and tobacco in recent years.

However, according to the data published by the National Bureau of Statistics, China's tea production has reached 3.73 million tons in 2024, representing a 5.5% year-on-year increase, indicating that China's tea industry has maintained a continuous growth trend. Furthermore, to encourage domestic consumption, in March 2025, General Office of the Communist Party of China Central Committee and the General Office of the State Council, China's Cabinet, issued a special action plan to implement policy support including demand-side initiatives such as income enhancement for urban and rural residents, and measures to support consumption capacities and supply side initiatives, aimed at improving the quality of service consumption, upgrading bulk consumption and enhancing consumption quality. Furthermore, accordingly to data published by the Research Network for China Agricultural Brand (中國農業品牌研究網), the market size of the PRC tea market is expected to grow annually by a CAGR of 8.62% from 2023 to 2028 contributed by among other things, the shift of customer preference to premium and specialty teas and trends in the market.

Despite the slight economic slowdown, considering the stable growth of the market size and production of the tea industry and the government support on consumption, it is foreseen that there will be a potential long-term positive demand in the tea consumption market in China.

6. Basis of the Renewed Annual Caps

The transactions contemplated under the Renewed Samoa Master Purchase Agreement are subject to the Listing Rules' requirements and conditions as further discussed under the section headed "Reporting requirements and conditions of the Transactions" below. In particular, the Transactions are also subject to the Renewed Annual Caps as discussed below.

In assessing the reasonableness of the Renewed Annual Caps, we have discussed with the management of the Group on the basis and assumptions underlying the estimated price and volume for purchases of the tea leaves pursuant to the Renewed Samoa Master Purchase Agreement entered between the Company and Samoa Company for the purpose of determining the Renewed Annual Caps.

(i) Review of the historical figures

Set out below are the historical transactions amounts that the Group paid or payable to the Samoa Group for the purchase of the Tea Products for the three years ended 31 December 2024 and for the seven months ended 31 July 2025:

	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ended 31 December 2023 <i>RMB'000</i>	For the year ended 31 December 2024 <i>RMB'000</i>	For the 7 months ended 31 July 2025 <i>RMB'000</i>
Annual caps under the 2022 Samoa Master Purchase Agreement	187,000	113,000	136,000	143,000 (12 months) 83,417 (7 months pro-rata)
Actual purchase amounts of the tea leaves of the Group from Samoa Group	80,444	93,320	81,118	38,659
Utilization rate of the annual caps under the 2022 Samoa Master Purchase Agreement	43.0%	82.6%	59.6%	46.3% (Taking into consideration 7 months pro-rata annual cap)
Total purchase amounts of the tea leaves of the Group from Samoa Group and independent third parties	320,401	287,622	239,751	92,051
Percentage of purchase amounts from Samoa Group to the total purchase amounts of the Group	25.1%	32.4%	33.8%	41.9%

During the past three years, purchase amount from Samoa Group remained relatively stable recording a total purchase of around RMB80 million to RMB93 million, as the Group currently has more than 100 tea leaves suppliers available for their choice and during the bidding process in relation to tea leaves procurement, the Group has managed to obtain more favorable quotations from independent third parties, thus the Group may not always end up purchasing from Samoa Group, as the Group, prior to each round of procurement of tea leaves, will obtain quotation from both Samoa Group and independent tea supplier, and will only purchase from the supplier providing most favorable quotations, thus depending on the price offered by each supplier, procurement may or may not be from Samoa Group. The percentage of purchase amounts from Samoa Group to the total purchase amounts ranged from 25.1% to 33.8% for the three years ended 31 December 2024 while percentage of purchase amount from Samoa Group increased to 41.9% for the seven months ended 31 July 2025.

For the utilization rate of the annual caps under the 2022 Samoa Master Purchase Agreement, utilization rate for FY2023 was relatively high at 82.6% owing to the downward adjustment in annual cap for FY2023 while the utilization rates were lower for FY2022 and FY2024 at 43.0% and 59.6% respectively. The utilisation rate of the annual cap for FY2022 was 43.0%, mainly due to the decrease in revenue under the significant negative impact of coronavirus disease which caused customers' daily-life consumption tightened while the relatively low utilization rate for FY2024 were mainly attributable to the decrease in revenue and hence procurement required as a result of the weak consumption market and overall economic conditions affected by multiple global factors with the total purchase amount from both the Samoa Group and independent third parties decreasing from RMB287.6 million to RMB239.8 million as well as independent third parties offering a more favorable quotations to the Group.

Taking into consideration the pro-rata 7 months utilization rate of the annual caps under the 2022 Samoa Master Purchase Arrangement, utilization rate was 46.3% for the seven months ended 31 July 2025. The Group considered that the low utilization rate for the seven months ended 31 July 2025 was mainly due to the decrease in sales leading to a reduction in tea leaves procurement.

In view of the above, the Directors are of the view that and we concur, the Group is not considered to have undue reliance on the Samoa Group for supply of tea leaves and the Samoa Group is merely one of the suppliers of the Group, which provided the Group with an extra channel to source suitable tea leaves.

(ii) Assessment of the Renewed Annual Caps

When assessing the reasonableness of the Renewed Annual Caps, we have discussed with the management the basis and assumptions underlying the projection of the Renewed Annual Caps. Set out below are the Renewed Annual Caps being proposed for the transactions contemplated under the Renewed Samoa Master Purchase Agreement for the three years ending 31 December 2026, 2027 and 2028:

	For the years ending 31 December		
	2026	2027	2028
	RMB	RMB	RMB
Renewed Annual Caps for the Renewed Samoa Master Purchase Agreement	80,000,000	93,000,000	106,000,000

The renewed annual caps have been determined based on the projected increase in demand of tea leaves by the Group of approximately 16.25% and 13.98% for 2027 and 2028, respectively, with reference to the market rates for tea leaves, which the Group purchased from independent third parties. In arriving at the renewed annual caps, the Directors have considered (i) the actual transaction amounts for the purchase of tea leaves from Samoa Group for the year ended 31 December 2024 and for the seven months ended 31 July 2025; (ii) the expected purchase amount for the year ending 31 December 2025 estimated based on the historical proportion of the actual purchase amount for the seven months ended 31 July 2025 to that for the full year ending 31 December 2025; and (iii) the expected demand of the Group's tea leaves in 2025 based on the sales of the Group's tea leaves and consumption of the PRC for the past years.

As affected by the weakened consumer market and in view of the low utilisation rate for the years ended 31 December 2022 and 2024 and for the seven months ended 31 July 2025, we noted that the Renewed Annual Caps for the coming three years ending 31 December 2028 are less than the annual caps under the 2022 Samoa Master Purchase Agreement.

Nevertheless, the Group estimated that the demand for tea leaves will recover and that the purchase amount in 2026 onwards will resume to a level comparable to the historical transaction amount recorded during the past 3 full financial year and continue to increase. In addition, the Group also considered the full year effect of the possible production requirement of the new packaging facilities in Xiapu County which commenced operation in 1st half of 2025 and may contribute to additional procurement of tea leaves for the year ending 31 December 2026.

When estimating the Renewal Annual Caps for year ending 31 December 2026, the Group took into consideration (i) the historical transaction amount in the past three full financial years; (ii) the decrease in sales of tea leading to the reduced procurement amount of tea leaves for the seven months ended 31 July 2025 and the low utilization rate in FY2024; (iii) while at the same time taking into account the upward momentum of the tea industry in 2026 and onwards contributed by factors mentioned in the "Overview of China's tea market" above and

the full year operation of the new packaging facility of white tea (as in 2025 the new packaging facility is expected to only have 8 months in operation, while the new packaging facility will be in operation for 12 months in 2026), hence more tea leave is expected to be procured with the additional packaging capacity. With such combined effect, it is expected that the estimated transaction amount in 2026 will be able to achieve a close to FY2024 actual transaction amount level.

While the Renewed Annual Caps for the year ending 31 December 2027 represent an increase of 16.9% as compared to the annual cap for FY2026 as it is anticipated by the Group that sales will continue to recover and reach a procurement comparable to the highest historical transaction amount recorded in the past three full financial years (i.e. RMB93,320,000 in 2023). Such growth in sales would be contributed by the anticipated increase in demand brought on by the expected recovery in the consumer market which is supported by the forecast growing trend of the China tea market pursuant to the factors as mentioned in the section headed above, “5. Market Overview of the China Tea Industry.”

The Renewed Annual Caps for the year ending 31 December 2028 represent a further increase of 7.5% as compared to the Renewed Annual Caps for the year ending 31 December 2027 and a buffer of RMB6 million to provide flexibility to the Company in case of any unforeseen increase in the market demand. The Group took into account the continued anticipated growth in market size of the tea industry and consumer demand.

Having considered all the above factors, including the basis from which the Directors have determined the Renewed Annual Caps, and as the Renewed Annual Caps for the three years ending 31 December 2028 have taken into account:

- (i) the anticipated recovery of consumer demand and the market overview of the tea industry;
- (ii) the full year effect of the possible production requirement of the new packaging facilities in Xiapu County which commenced operation in 1st half of 2025 and may contribute to additional procurement of tea leaves for the year ending 31 December 2026;
- (iii) the Renewed Annual Caps for the coming three years ended 31 December 2028 are less than the annual caps under the 2022 Samoa Master Purchase Agreement in view of the low utilisation rate for the years ended 31 December 2022 and 2024 and for the seven months ended 31 July 2025; and
- (iv) the estimated transaction value of the Renewed Annual Cap for the years ended 31 December 2026 and 2027 is comparable to the actual transaction value recorded in the past three full financial years while the Renewed Annual Cap for the year ended 31 December 2028 represents a 7.5% increase from the Renewed Annual Cap for the year ending 31 December 2027 and a slight buffer to cater for unforeseen increase in market demand.

We concur with the Group that the Renewed Annual Caps for the three years ending 31 December 2028 to be fair and reasonable.

7. Reporting requirements and conditions of the Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Transaction is subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Transaction and confirm in the annual report and accounts that Transaction has been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditor of the Company (currently, PricewaterhouseCoopers) must provide a letter to the Board confirming whether anything has come to the Board's attention that causes them to believe that the Transactions:
 - (i) have not received the approval of the Board;
 - (ii) are not in accordance with the pricing policies of the Group (if applicable);
 - (iii) have not been entered into in accordance with the relevant agreements governing the Transactions; and
 - (iv) have exceeded the Renewed Annual Caps;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Transactions to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively. The Stock Exchange may require the Company to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Renewed Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditor of the Company of the terms of the Transactions and the Renewed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the Transactions and assist to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the terms of the Renewed Samoa Master Purchase Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Renewed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Renewed Samoa Master Purchase Agreement (including the Renewed Annual Caps) and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited



Denise Law
Director

Ms. Denise Law is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 15 years of experience in corporate finance industry