

HALCYON CAPITAL LIMITED
铠盛资本有限公司
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2 January 2026

To: the Independent Board Committee

Dear Sirs or Madams,

**VOLUNTARY UNCONDITIONAL GENERAL CASH OFFER BY GUOTAI JUNAN
SECURITIES (HONG KONG) LIMITED AND CMBC SECURITIES
COMPANY LIMITED ON BEHALF OF EMPIRE CHARM LIMITED TO ACQUIRE
ALL OF THE ISSUED SHARES OF HENGDELI HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY BENEFICIALLY OWNED BY
EMPIRE CHARM LIMITED AND MS. FUNG)**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee, in relation to the Offer, details of which are contained in the Composite Document dated 2 January 2026 (the “**Composite Document**”), 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 Composite Document.

On 28 November 2025, the Offeror and the Company jointly announced (the “**Joint Announcement**”) that Guotai Junan Securities and CMBC Securities Company Limited, on behalf of the Offeror will make a voluntary general cash offer to acquire all the issued shares of the Company (other than those already beneficially owned by the Offeror and Ms. Fung) at the Offer Price of HK\$0.14 per Offer Share.

As at the Latest Practicable Date, the Company has 4,404,018,959 Shares in issue, of which 2,289,871,035 Shares will be subject to the Offer, and there is no treasury share in issue. In addition, as at the Latest Practicable Date, the Company has no other shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interests.

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Cai Jianmin, Mr. Liu Xueling and Ms. Qian Weiqing, has been established to make recommendation to the Offer Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Since Mr. Shi Zhongyang, a non-executive Director, is an employee of Swatch Group and the Swatch Group (Hong Kong) Limited is a presumed concert party of the Offeror, Mr. Shi Zhongyang is therefore not considered independent for the purpose of giving advice or recommendations to the Shareholders. We have been appointed as the Independent Financial Adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is fair and reasonable, and as to approval and acceptance of the Offer.

In the past two years, saved as our appointment as the independent financial adviser in respect of the partial offer to acquire a maximum of 660,602,843 shares in the Company (including to discuss with the Directors in relation to the disclosure of material change of the financial and trading position of the Group in the Composite Document as required under Rule 10.11 of the Takeovers Code and report on certain profit forecast figures pursuant to Rule 10.9 of the Takeovers Code), details of which were set out in the composite document of the Company dated 4 July 2024 and the current appointment as the Independent Financial Adviser in respect of the Offer (including to discuss with the Directors in relation to the disclosure of material change of the financial and trading position of the Group in the Composite Document as required under Rule 10.11 of the Takeovers Code), we are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, considered ourselves eligible to give independent advice on the Offer. Apart from normal professional fees paid or payable to us in connection with the appointment as the Independent Financial Adviser of the Offer, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them. We are therefore independent under Rule 13.84 of the Listing Rules and under Rule 2.6 of the Takeover Code to act as the Independent Financial Adviser to the Independent Board Committee in connection with the Offer.

II. 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 Group and have assumed that all such information, financial information and facts and any representations made to us or referred to in the Joint Announcement, and the Composite Document, 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 Group. We have been advised by the Directors and/or the management of the Group 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. Should there be any subsequent material changes in such information during the Offer Period, the Company will inform the Offer Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Offer Shareholders shall also be informed as soon as practicable when there are any material changes to the information contained or referred to in this letter and our opinion after the Latest Practicable Date and throughout the Offer Period.

Our review and analyses were based upon, among others, the information provided by the Company and certain published information from the public domain including, the annual reports of the Company for the three years ended 31 December 2022 (the “**2022 Annual Report**”), 2023 (the “**2023 Annual Report**”), and 2024 (the “**2024 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2025 (the “**2025 Interim Report**”) and other information as set out in the Composite Document 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, borrowing and financial position or prospects of the Group, the Offeror, Mr. Cheung, Ms. Fung, Guotai Junan Capital, Guotai Junan Securities, CMBC Securities, CMBC International Capital, the Swatch Group and each of their respective associates and parties acting in concert with them.

In relation to the Offer, we have not considered the tax implications nor the stamp duty on the Offer Shareholders on the acceptance or non-acceptance of the Offer since tax implication depend on individual circumstances. In particular, the Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt should consult their own professional advisers. For further details on stamp duty, please refer to Appendix I of the Composite Document.

III. TERMS AND CONDITIONS OF THE OFFER

Set out below are the summary of terms and conditions of the Offer, for details please refer to the "Letter from Guotai Junan Capital and CMBC Securities" as contained in the Composite Document.

Guotai Junan Securities and CMBC Securities will, for and on behalf of the Offeror and in compliance with the Takeovers Code, make a voluntary unconditional general cash offer to acquire all the Offer Shares on the following terms:

For each Offer Share HK\$0.14 in cash

The Offer is unconditional.

All the Offer Shares to be acquired under the Offer shall be (i) fully-paid; (ii) free from mortgage, charge, pledge, lien, equities, encumbrances or other third party rights and interests of any nature; and (iii) together with all rights attached to the Shares including all rights to any dividends and other distributions hereafter declared, paid or made in respect thereof as at the Closing Date or subsequently becoming attached to them, including the right to receive or retain all dividends and other distributions, if any, the record date of which falls on or after the Closing Date.

As at the Latest Practicable Date, the Company has no declared but unpaid dividends, distributions and/or other return of capital. The Company confirms that as at the Latest Practicable Date, it does not have any intention to make, declare or pay any further dividends or make other distributions, the record date of which falls (i) on or after the Latest Practicable Date, and (ii) on or before the close or lapse of the Offer. If, after the Latest Practicable Date, any dividend or distribution is declared in respect of the Offer Shares, the Offeror reserves the right to reduce the Offer Price by an amount equal to the gross amount of such dividend or distribution declared, made or paid in respect of each Offer Share, in which case any reference in the Joint Announcement, the Composite Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced. Any such reduction will only apply to those Offer Shares in respect of which the Offeror will not be entitled to the relevant dividend, distribution and/or return of capital.

IV. VALUE OF THE OFFER

Comparison of value

The Offer Price of HK\$0.14 per Offer Share represents:

- (i) a premium of approximately 0.72% over the closing price of HK\$0.139 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 12.00% over the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 14.75% over the average closing price of HK\$0.122 per Share as quoted on the Stock Exchange for the five (5) trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 17.61% over the average closing price of HK\$0.119 per Share as quoted on the Stock Exchange for the thirty (30) trading days up to and including the Last Trading Day;
- (v) a discount of approximately 82.21% to the Company's audited consolidated net asset value attributable to Shareholders per Share of approximately RMB0.73 (equivalent to approximately HK\$0.79) as at 31 December 2024, calculated based on (i) the Company's audited consolidated net assets attributable to Shareholders of approximately RMB3,209,574,000 as at 31 December 2024; (ii) 4,404,018,959 Shares in issue as at 31 December 2024; and (iii) the exchange rate of RMB1.0: HK\$1.0799, being the central parity rate of RMB to HK\$ as announced by the People's Bank of China on 31 December 2024 for illustrative purpose only; and
- (vi) a discount of approximately 82.07% to the Company's unaudited consolidated net asset value attributable to Shareholders per Share of approximately RMB0.71 (equivalent to approximately HK\$0.78) as at 30 June 2025, calculated based on (i) the Company's unaudited consolidated net assets attributable to Shareholders of approximately RMB3,135,163,000 as at 30 June 2025; (ii) 4,404,018,959 Shares in issue as at 30 June 2025; and (iii) the exchange rate of RMB1.0: HK\$1.0966, being the central parity rate of RMB to HK\$ as announced by the People's Bank of China on 30 June 2025 for illustrative purposes only; and

(vii) a discount of approximately 83.07% to the Company's unaudited consolidated net asset value attributable to the Shareholders as adjusted by the valuation report set out in Appendix III to this Composite Document of approximately RMB0.75 (equivalent to approximately HK\$0.83 per Share as at 30 June 2025, calculated based on the adjusted unaudited consolidated net asset value attributable to the Shareholders of RMB3,321,511,000 (the exchange rate of RMB1.0: HK\$1.0966, being the central parity rate of RMB to HK\$ as announced by the People's Bank of China on 30 June 2025 for illustrative purposes) as at 30 June 2025 and 4,404,018,959 Shares in issue as at the Latest Practicable Date. The above-mentioned adjustment is due to revaluation of properties as a result of the valuation report set out in Appendix III to this Composite Document, the detailed calculation of which is set out in Appendix II to this Composite Document. Such revaluation has not been realised as at the Latest Practicable Date. Shareholders and potential investors in the securities of the Company should consider the above factors in assessing their voting/investment decisions.

Highest and lowest Share prices

The highest and lowest closing prices of each Share as quoted on the Stock Exchange during the Relevant Period were HK\$0.140 on 15, 16 and 29 December 2025 and HK\$0.097 on 2 June 2025, respectively.

Total consideration of the Offer

The Company has a total of 4,404,018,959 Shares in issue, of which 2,289,871,035 Shares will be subject to the Offer, and there is no treasury share in issue. Assuming (i) that there is no change in the number of issued Shares between the Latest Practicable Date and the Closing Date; and (ii) full acceptance of the Offer, based on the Offer Price of HK\$0.14 per Offer Share, the total cash consideration payable by the Offeror under the Offer would be approximately HK\$320,581,945.

V. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability on 27 July 2022 and is principally engaged in investment holding. As at the Latest Practicable Date, Mr. Cheung, the chairman of the Board, an executive Director and the chief executive officer of the Company, is the sole shareholder and sole director of the Offeror.

Mr. Cheung joined the Group in 2012, and held positions in the high-end consuming accessories business department and senior management of the Company with extensive management experience in the high-end consuming accessories business. Mr. Cheung is the son of Mr. Zhang Yuping, former chairman and former executive Director of the Company.

VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the Offer, we have considered the following principal factors and reasons:

1. Background information of the Group

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is primarily focused on (i) the manufacturing of high-end consuming accessories, the building up of high-end consuming service platforms; and (ii) international commodity trading and its related supply chain services principally in the PRC and Hong Kong. Each segment accounted for approximately 65.9% and 34.1% of the Group's total revenue in the year ended 31 December 2024 and 78.9% and 21.1%, respectively, during the six months ended 30 June 2025. The Group has also, via investment in its associated companies, tapped into global bulk shipping industry.

With regards to the segment for high-end consuming accessories services, the Group manufactures high-end consuming accessories, mainly covering the accessories and packaging products for watches, jewelry and cosmetics and also commercial space design, production and decoration.

The Group is also engaged in the international commodity trading business. As disclosed in the 2025 Interim Report, the international commodity trading business mainly covers the importation of iron ore, thermal coal and coking coal to Mainland China and pursuant to the 2024 Annual Report and 2023 Annual Report, the international commodity trading business comprised of the trading of iron ore and coal.

2. Prospects of the Group's businesses

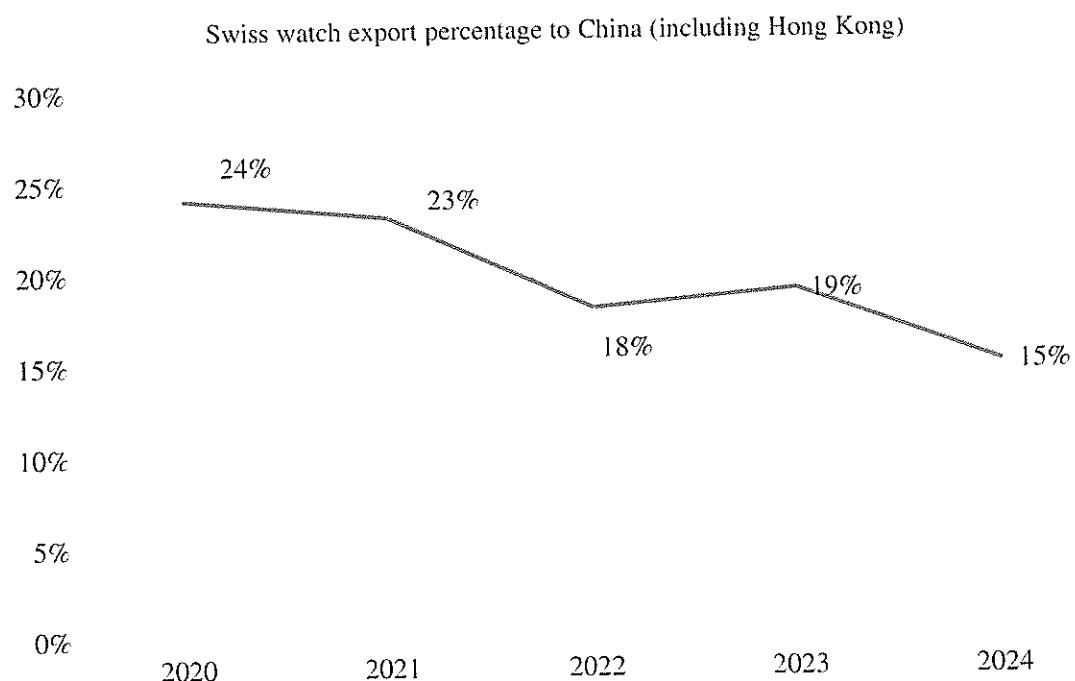
(i) The high-end consuming accessories business

According to the 2024 Annual Report, during the year ended 31 December 2024, the economy in China was under heavy pressure, and the Group's high-end consuming accessories was affected to a certain extent. The Group took various methods to cope with the environment, including stability-rooted, pursuing development through innovation, actively improving gross profit margin and reducing expenses. The Group will focus on expanding the development in manufacturing of high-end consuming accessories and engage in deeper cooperation with brands and international counterparts in various ways. The Group will continue to enhance the service standard of its integrated services for commercial space in Mainland China and international markets. The Group will also fully embark on a limited number of diversified business activities to capitalize on the potential of the manufacturing of high-end consuming accessories in other high-end lifestyle products such as jewelry, cosmetics and mobile phones, and to expand its commercial space beautification services to include living space beautification services, striving to become an indispensable independent segment in the global industry ecological chain of high-end consumption.

According to data published by the National Bureau of Statistics of the PRC, the consumer price index ("CPI") in 2024 rose 0.2 percent compared to the previous year, while the CPI in October 2025 rose 0.2 percent year on year. The National Bureau of Statistics also published the data for Total Retail Sales of Consumer Goods (excluding vehicles) for the ten months ended 31 October 2025 which amounted to RMB37,216.0 billion, representing an increase of 3.7% compared to the amount recorded in corresponding period in 2024 of RMB35,903.9 billion.

As the major products of the Group's high-end consuming accessories business comprised mainly of watch accessories and providing high-end consuming service platform for watch retail shops in Hong Kong and PRC, the growth in export of Swiss watches to Hong Kong and PRC would be related to the growth of the Group's high-end consuming accessories business.

Set out below is the percentage of Swiss watch export to PRC including (Hong Kong) between 2020 up to 2024 with data extracted from the World distribution of Swiss watch exports report published in November 2025:

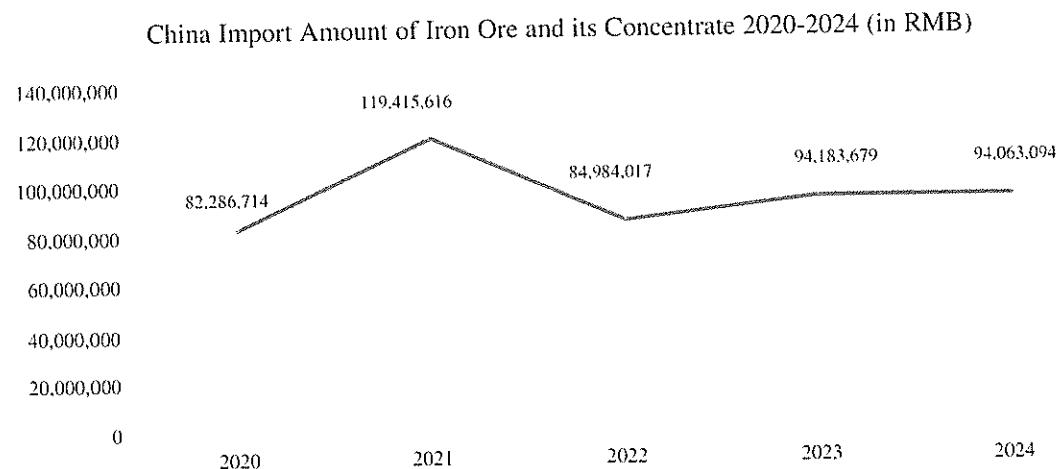


Source: Federation of the Swiss Watch Industry FH

Referring to the chart above, China (including Hong Kong)'s share of Swiss watch recorded a decrease from 2020 to 2022 from 24% in 2020 to 18% in 2022. Swiss watch export percentage to China (including Hong Kong) only picked up in 2023 but recorded a decrease again in 2024.

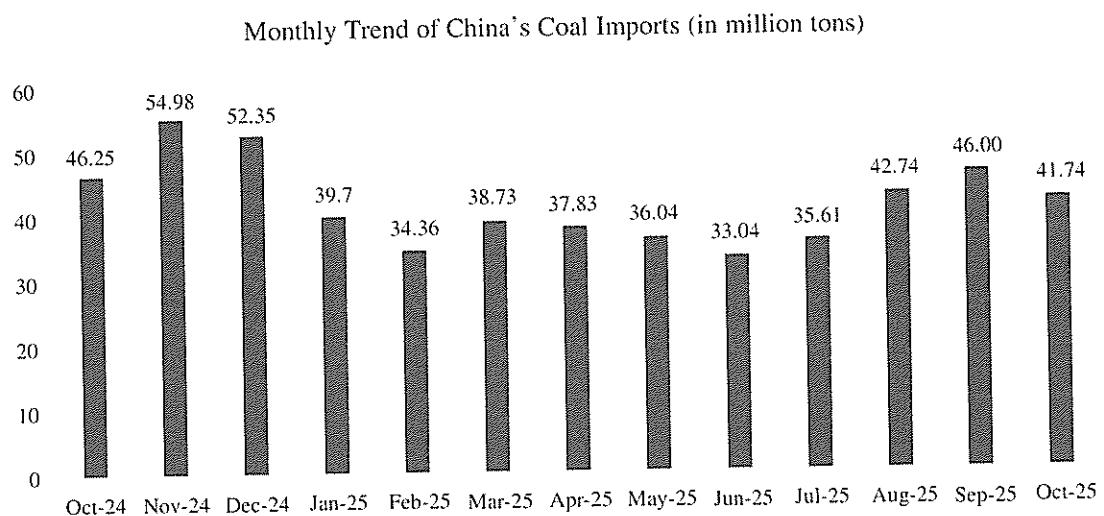
(ii) International commodity trading

Set out below is a summary of the demand in the PRC of the two major commodities traded by the Group in 2024:



Source: General Administration of Customs of the PRC

As illustrated above, import of iron ore and concentrate decreased in 2022 and has started to pick up in 2023 and remained at a comparable level in 2024.



Source: China National Coal Association

With reference to the chart above, there was an increase in amount of coal imports in November 2024 compared to October 2024. However, the amount of coal imports recorded a decreasing trend until February 2025. Although it picked up slightly in March 2025, there was a slowdown in the amount of imports until June 2025. From July 2025 onwards, a short period of pick up was recorded until September 2025, but dropped slightly again in October 2025.

In view of the market data above, with regards to the high-end consumer accessories segment, although there are signs of slight recovery in the consumer market in the PRC, the decrease in imports of Swiss watches indicates that the consumer sentiment, still faces pressure and uncertainties. With regards to the international commodity trading segment, (i) the demand for the iron ores for 2024 have remained comparable to 2023, but is yet to see a strong recovery in demand; (ii) the demand for imported coal in 2025 has generally slowed down, indicating that in the short term, the prospects of commodity trading market may be subject to weakened demand.

3. Reasons for and benefits of the Offer and intention of the Offeror

Reasons for the Offer

The Offer represents a continuation of Mr. Cheung's commitment to the long-term development and success of the Company. By increasing his shareholding, Mr. Cheung seeks to reinforce his role in guiding the strategic direction of the Company and to further align his interests with those of other Shareholders. The Offer also reflects the ongoing support and continued confidence of his family in the Company.

Benefits to the Company and the Offeror

In recent years, the global environment remained complex and volatile, with uncertainties such as increasing trade barriers, intensifying trade frictions and continuing geopolitical conflicts weighing on the momentum of global economic growth. Under these pressures, the PRC's economic growth slowed down but maintained stable amidst multiple domestic and external challenges. Still, the country's economy remained resilient as it carried on with steady and sound development.

During the period, faced with the impact of the operating environment and other factors, the development of the Company's high-end consuming accessories business continued to be under pressure. Due to uncertainties in the international market and slowing domestic economic growth, the high-end consuming accessories business recorded a year-on-year decrease in terms of both sales performance and profit.

As a result, the Company has been facing complex and volatile economic environment. The downward pressure has been reflected in the Company's trading price for recent two years and recent financial performance. Upon completion of the Offer, the Company is expected to optimise its shareholding structure and financial positioning. The Offeror, while fully cognizant of the ongoing short to mid-term risks and uncertainties faced by the Company, remains optimistic about the Company's long-term prospects. The Offer enables the Offeror to provide stronger support to the Company by taking a leading role in driving the Group's development, with the ultimate goal of formulating the long-term business strategy and delivering enhanced long-term value to the Shareholders.

Benefits to the Offer Shareholders

The Offer Shareholders will be given an opportunity to realise all or part of their investment at a premium to the recent trading price of the Shares. As the Offeror proposes to retain the listing status of the Company on the Stock Exchange, the Offer also provides flexibility for the Offer Shareholders to retain part of their shareholding interest in the Company if they so wish in order to participate in the future growth of the Company going forward, and to benefit from the future growth and development of the Group.

Intention of the Offeror and maintain the listing of the Company

The Offeror intends to continue with the Group's existing principal business following the completion of the Offer. In particular, the Offeror has no intention to (i) introduce any major changes to the existing business and operation of the Group; (ii) discontinue the employment of any employees of the Group; or (iii) dispose of or re-deploy the fixed assets of the Company, in each case other than those in the ordinary and usual course of business of the Group. As at the Latest Practicable Date, the Offeror has no intention to nominate any new directors to the Board.

The Offeror will continuously review the business of the Group, and the Offeror reserves the right to make any changes that it deems necessary or appropriate to the business and operations of the Group to optimise the value of the Group and in the interests of all Shareholders.

The Offeror intends to maintain the listing status of the Company after the close of the Offer and does not intend to exercise any rights to compulsorily acquire all the Shares.

According to the Listing Rules, the Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. The sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps if required to ensure that sufficient public float exists in the Shares as a result of the Offer.

4. Analysis of the financial information of the Group

(i) *Financial information of the Group*

The Group is primarily focused on (i) the manufacturing of high-end consuming accessories, the building up of high-end consuming service platforms; and (ii) international commodity trading and its related supply chain services principally in the PRC and Hong Kong.

The following table summarises the consolidated financial results of the Group for the years ended 31 December 2022 (“FY2022”), 2023 (“FY2023”), 2024 (“FY2024”), which are extracted from the 2023 Annual Report and 2024 Annual Report and for the six months ended 30 June 2024 (“1H2024”) and 2025 (“1H2025”) which are extracted from the 2025 Interim Report:

	For the six months ended 30 June 2025 (unaudited) (RMB'000)	For the six months ended 30 June 2024 (unaudited) (RMB'000)	For the year ended 31 December 2024 (audited) (RMB'000)	For the year ended 31 December 2023 (audited) (RMB'000)	For the year ended 31 December 2022 (audited) (RMB'000) (note)
Revenue	314,314	580,361	1,043,555	1,421,454	1,039,286
– High-end Consuming Accessories	248,095	352,339	688,104	710,708	630,330
– Commodity Trading	66,219	228,022	355,451	710,746	408,956
Cost of sales	(249,803)	(484,998)	(894,797)	(1,206,189)	(915,693)
Gross profit	64,511	95,363	148,758	215,265	123,593
Other revenue	32,385	33,322	66,384	47,299	32,033
Other net gain/(loss)	54,219	(25,686)	(26,427)	(6,394)	(71,691)
Distribution costs	(27,513)	(32,093)	(64,472)	(61,100)	(55,481)
Administrative expenses	(91,829)	(88,126)	(189,562)	(172,805)	(133,323)
Profit/(loss) from operations	31,773	(17,220)	(65,319)	22,265	(104,869)
Share of profits of associates	(2,863)	26,514	23,169	16,358	76,457
Finance costs	(1,506)	(2,719)	(4,559)	(5,385)	(3,288)
Profit/(loss) before taxation	27,404	6,575	(46,709)	33,238	(31,700)
Income tax credit/(expense)	(1,371)	(6,076)	(8,763)	1,953	(2,970)
Profit/(loss) for the period/year	26,033	499	(55,472)	35,191	(34,670)

Note: The figures set out above are the restated results of the continuing operations as set out in the 2022 Annual Report after the Group ceased its watch operations in FY2022.

For the six months ended 30 June 2025 vs 30 June 2024

The Group recorded revenue of RMB314.3 million for 1H2025, representing a period-on-period decrease of 45.8% compared to a revenue of RMB580.4 million for 1H2024. The decrease was brought on by the drop in revenue from both segments (i.e (i) high end consuming accessories; and (ii) the commodity trading). The revenue of the high-end consuming accessories business amounted to RMB248.1 million for 1H2025 compared to RMB352.3 million generated in 1H2024 representing a period-on-period decrease of 29.6% due to uncertainties in the international market, slowdown in domestic economic growth, impact of the operating environment and other factors leading to a drop in sales; and the revenue of the commodity trading business amounted to RMB66.2 million in 1H2025 compared to RMB228.0 million recorded in 1H2024, representing a period-on-period decrease of 71.0% as a result of the complex and volatile international economic environment and high fluctuation in mineral sand prices which affected customers' purchase intention.

For 1H2025, the Group recorded a gross profit amounted to approximately RMB64.5 million compared to RMB95.4 million in 1H2024, representing a period-on-period decrease of 32.4%. The gross profit margin was approximately 20.5% during 1H2025 representing a period-on-period increase of 4.1 percentage points from compared to the gross profit margin of 16.4% in 1H2024. The decrease in gross profit and increase in gross profit margin were mainly to factors such as lower cost of sales of high-end consuming accessories and changes in commodity portfolio.

Furthermore, the Group recorded other net gain in 1H2025 of RMB54.2 million compared to other net loss of RMB25.7 million in 1H2024 due to a net foreign exchange gain in 1H2025 of RMB45.4 million compared to a net foreign exchange loss of RMB26.3 million and a fair value gain on financial assets held for trading of RMB8.9 million in 1H2025 compared to RMB0.6 million in 1H2024.

As a result of the above, the Group recorded a profit of RMB26.0 million for 1H2025 compared to a profit of RMB0.5 million for 1H2024.

For the year ended 31 December 2024 vs 31 December 2023

The Group recorded revenue of RMB1,043.6 million for FY2024, representing a year-on-year decrease of 26.6% compared to a revenue of RMB1,421.5 million for FY2023. The decrease was mainly driven by the drop in revenue from (i) the high-end consuming accessories business with revenue amounted to RMB688.1 million for FY2024 compared to RMB710.7 million generated in FY2023 representing a year-on-year decrease of 3.2% resulting from economic pressure in the PRC leading a drop in consumer demand; and (ii) the commodity trading business with revenue amounted to RMB355.5 million in FY2024 compared to RMB710.7 million recorded in FY2023, representing a year-on-year decrease of 50.0% due to unpredictable international economic environment coupled with the implementation of policy restricting crude steel production in some cities in China and volatile market prices of commodities.

For FY2024, the Group recorded a gross profit of approximately RMB148.8 million compared to RMB215.3 million in FY2023, representing a year-on-year decrease of 30.9%. The gross profit margin was approximately 14.3% during FY2024 representing a year-on-year decrease of 0.8 percentage point compared to the gross profit margin of 15.1% in FY2023. The decrease in gross profit and gross profit margin was mainly to the fluctuations in commodity trading prices and a decrease in sales transactions.

As a result of the above, the Group recorded a loss of RMB55.5 million for FY2024 compared to a profit of RMB35.2 million for FY2023.

For the year ended 31 December 2023 vs 31 December 2022

The Group recorded revenue of RMB1,421.5 million for FY2023, representing a year-on-year increase of 36.8% compared to a revenue of the continuing operations of RMB1,039.3 million for FY2022. The increase was mainly driven by the growth in revenue contributed from both (i) the revenue of the high-end consuming accessories business amounting to RMB710.8 million for FY2023 compared to RMB630.3 million generated in FY2022 representing a year-on-year increase of 12.8% brought on by the implementation of various measures by the Group such as continuously diversifying business models, and enhancing informational and automatic management in response to the difficult operating environment under the backdrop of the economic resurgence in the PRC; and (ii) the commodity trading business amounted to RMB710.7 million in FY2023 compared to RMB409.0 million recorded in FY2022, representing a year-on-year increase of 73.8% led by the rise in mineral sand price and the Company's active adaption to market dynamics, flexible and precise delivery in response to the challenges in the operating environment.

For FY2023, the Group recorded a gross profit amounted to approximately RMB215.3 million compared to RMB123.6 million of the continuing operations in FY2022, representing a year-on-year increase of 74.2%. The gross profit margin was approximately 15.1% during FY2023 representing a year-on-year increase of 3.2 percentage point compared to the gross profit margin of 11.9% in FY2022. The increase in gross profit and gross profit margin was mainly attributable to the fluctuations in commodity trading prices.

As a result of the above, the Group recorded a profit of RMB35.2 million for FY2023 compared to a loss of RMB34.7 million for FY2022 for the continuing operations.

(ii) Financial position of the Group

A summary of the financial position of the Group as at 30 June 2025 as extracted from the 2025 Interim Report and as at 31 December 2024, and 31 December 2023, as extracted from the 2024 Annual Report is set out below:

	As at 30 June 2025 (unaudited) (RMB '000)	As at 31 December 2024 (audited) (RMB '000)	As at 31 December 2023 (audited) (RMB '000)
Investment properties	255,466	259,110	266,398
Property, plant and equipment	528,798	538,212	551,137
Intangible assets	5,678	5,245	2,727
Goodwill	52,730	53,728	52,611
Interests in associates	155,343	161,164	137,386
Other investments	374,554	402,240	368,582
Prepayment and deposits	8,708	7,894	46,707
Deferred tax assets	843	1,125	3,259
Total non-current assets	1,382,120	1,428,718	1,428,807
 Inventories	 141,496	 175,432	 258,115
Trade and other receivables	531,731	616,205	558,072
Loans to associates	34,077	34,719	33,789
Other investments	20,546	12,181	10,654
Current tax recoverable	29	251	469
Deposits with banks	100,876	329,600	318,437
Cash and cash equivalents	1,195,507	937,036	990,815
Total current assets	2,024,262	2,105,424	2,170,351
 Trade and other payables and contract liabilities	 129,718	 168,777	 226,920
Bank loans	36,054	45,953	76,653
Lease liabilities	10,180	9,188	8,313
Current taxation	166	3,006	2,846
Total current liabilities	176,118	226,924	314,732
 Bank loans	 12,812	 12,050	 17,483
Lease liabilities	12,620	15,664	21,309
Total non-current liabilities	25,432	27,714	38,792
 Net assets	 3,204,832	 3,279,504	 3,245,634

As at 30 June 2025

The total assets of the Group amounted to approximately RMB3,406.4 million as at 30 June 2025. The non-current assets of the Group comprise mainly (i) investment properties of approximately RMB255.5 million; (ii) property, plant and equipment of approximately RMB528.8 million; and (iii) other investment amounting to approximately RMB374.6 million. The current assets of the Company comprised mainly (i) inventories of approximately RMB141.5 million; (ii) trade and other receivables of approximately RMB531.7 million; and (iii) cash and cash equivalents and deposits with banks of approximately RMB1,296.4 million.

The total liabilities of the Group amounted to approximately RMB201.6 million as at 30 June 2025 mainly comprising (i) trade and other payables and contract liabilities amounting to RMB129.7 million; (ii) bank loans of RMB48.9 million; and (iii) lease liabilities of RMB22.8 million.

As at 31 December 2024

The total assets of the Group amounted to approximately RMB3,534.1 million as at 31 December 2024. The non-current assets of the Group comprise mainly (i) investment properties of approximately RMB259.1 million; (ii) property, plant and equipment of approximately RMB538.2 million; and (iii) other investment amounting to approximately RMB402.2 million. The current assets of the Company comprised mainly (i) inventories of approximately RMB175.4 million; (ii) trade and other receivables of approximately RMB616.2 million; and (iii) cash and cash equivalents and deposits with banks of approximately RMB1,266.6 million.

The total liabilities of the Group amounted to approximately RMB254.6 million as at 31 December 2024 mainly comprising (i) trade and other payables and contract liabilities amounting to RMB168.8 million; (ii) bank loans of RMB58.0 million; and (iii) lease liabilities of RMB24.9 million.

As at 31 December 2023

The total assets of the Group amounted to approximately RMB3,599.2 million as at 31 December 2023. The non-current assets of the Group comprise mainly (i) investment properties of approximately RMB266.4 million and property, plant and equipment of approximately RMB551.1 million; and (ii) other investment amounting to approximately RMB368.6 million. The current assets of the Company comprised mainly (i) inventories of approximately RMB258.1 million; (ii) trade and other receivables of approximately RMB558.1 million; and (iii) cash and cash equivalents and deposits with banks of approximately RMB1,309.3 million.

The total liabilities of the Group amounted to approximately RMB353.5 million as at 31 December 2023 mainly comprising (i) trade and other payables and contract liabilities amounting to RMB226.9 million; (ii) bank loans of RMB94.1 million; and (iii) lease liabilities of RMB29.6 million.

Despite the fact that the Group recorded a profit for 1H2025 and FY2023 and FY2021, the Group's performance has been fluctuating in the last five years with three out of the last five years being loss making in which it remains uncertain as to when the Group's profitability will become stabilised; and since then has yet to declare any dividend.

(iii) Property valuation of the Group and the adjusted net assets value

The Group had carried out property valuation on the market values as at 30 September 2025 of the properties held by the Group located in Hong Kong, Taiwan and the PRC (the "Properties"). The valuation on the Properties as at 30 September 2025 was conducted by the Valuer, using various valuation approaches for different property types, for further details of the valuation report please refer to Appendix III to the Circular (the "Valuation Report").

Expertise and independence of the Valuer

To assess the expertise and independence of the Valuer, we have (i) reviewed the engagement letter of the Valuer; and (ii) discussed with members of the valuation team engaged in the valuation of the Properties to understand their experience and relationship with the Company as well as the valuation methodology adopted.

Based on our discussion with the Valuer and from public domain, the Valuer is member of Kroll global network with a team of over 6,500 professionals worldwide with nearly 100-year history and has over 40 years presence in Asia pacific.

The valuation team engaged by the Group was led by Ms. Elaine H. L. Ng, who is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and a member of Royal Institute of Chartered Surveyors, has over 17 years' post qualification experience in valuation of properties in Hong Kong, the PRC and Asia. Team members include (but not limited to) (i) Mr. Robert Hu, who is a member of China Institute of Real Estate Appraisers and Agents (CIREA) and Certified Public Valuer in China (CPV), Vice President of Kroll and has over 30 years' valuation experience in real estate in the PRC; (ii) Ms. Kathy Li, who is a member of American Society of Appraisers, also a Vice President of Kroll and has over 30 years' valuation experience in real estate in the PRC.

The Valuer has confirmed that it is an independent third party of the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them. Furthermore, the Valuer confirmed to us that apart from normal professional fees payable to it in connection with its engagement for the issuance of the Valuation Report and other valuation engagements from time-to-time, no arrangements exist whereby it will receive any fee or benefit from the Group, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

Based on our discussion with the Valuer and our review of their scope of work, we are not aware of any matters that could cause us to have doubts on the expertise and independence of the Valuer.

The Valuation

In assessing the fairness and reasonableness of the valuation of the Properties, we have reviewed the Valuation Report, the basis and assumptions made, and the methodology adopted by the Valuer in preparing the Valuation. Details of the assumptions are set out in the Valuation Report as contained in Appendix III to the Composite Document.

The Properties comprise 17 properties located in Hong Kong, Taiwan and in the PRC owned by the Group, with permitted use comprising of Industrial, Office Unit, Residential, Office, Shop and Car Parking Spaces. Pursuant to the Valuation Report, different valuation methodologies have been adopted for different usage types of the properties. For commercial, residential properties and land parcels, the Valuer has adopted the market approach to determine their market values, while the Valuer adopted cost approach to determine the market value of the industrial properties.

(a) For commercial, residential properties and land parcels

In the valuation of the properties in its existing state, market approach was adopted. Comparables were selected with characteristics comparable to each of the subject property, such as location, size and permitted use.

The market approach is commonly used for real estate when comparable transactions and prices are available in the market. The market approach studies similar properties that have recently sold or are offered for sale in the current market (“**Comparable Properties**”) and compare such Comparable Properties with the property being appraised, with adjustments made for differences such as among other things, transaction status, location, age, type, size and uses.

We have reviewed the respective Comparable Properties adopted for valuing commercial, residential properties and land parcels and understand that the selected comparables (if available) were within the same district of the subject property, if not in a proximate district where the subject property is located. Adjustments to the unit rates of those comparable have been made to reflect the difference in transaction including but not limited to, transaction status, location, age, type, size and uses.

As advised by the Valuer, all of the above adjustments applied were in conformity to the market practice. We noted that the adjustments applied in the Valuation were generally in line with the aforesaid bases and rationale.

(b) Industrial properties

In the valuation of the industrial properties in its existing state, cost approach was adopted, which comprised of (i) determination of land value by the direct comparison method; (ii) building value which took into account reproduction or replacement costs of the improvements are estimated as if the improvements were new; and (iii) adjustment for all elements of accrued depreciation including physical depreciation, functional and/or economic/external obsolescence.

We understand that all industrial properties of the Group are located in the PRC. We have discussed with the Valuer and understood that unlike other standard factory units, there are apparently no market sale or lease transactions of real properties of similar type of production facilities in the region of PRC which the Group's industrial properties were located in. Real properties of such type are usually bought together with other assets of the business. Hence, it is difficult, if not impossible, to find market comparables for meaningful analysis. Furthermore, industrial premises of similar type are largely purpose-built, and are not disposed of on a piecemeal basis. Therefore, it was not considered appropriate to adopt market or income approaches for industrial properties in the course of valuation.

Valuation criteria	
Land value	<p>To determine the land value, the Valuer has made reference to various recent sales prices of industrial land parcels within the vicinity.</p> <p>The land sales comparable are selected as they have characteristics comparable to the subject property, such as location, size and permitted use.</p> <p>We have reviewed the respective land sales comparable adopted and understand that the selected comparables were within the same district of the subject property, if not in a proximate district where the subject property is located.</p>

Building value-reproduction or replacement costs of the improvements	<p>For the buildings of the property, the Valuer has made reference to the prevailing construction costs in the vicinity to derive the replacement cost. The Valuer has made reference to the market cost comparables disclosed in the commonly used market cost data platform, which is known as “Glodon Construction Cost Data Platform 廣聯達建築成本資料平臺” with the following link:</p>
	<p>https://www.gldzb.com/#/home</p>
	<p>From our research from public domain, Glodon Construction Cost Data Platform is a data base which could provide subscriber with costing data construction of various properties including residential, office, hotel, commercial, industrial for 30 provinces (including autonomous regions and municipalities) in the PRC. It is a domain set up by Glodon Company Limited, an A-Share listed company with 8 major R&D centers and over 80 subsidiaries worldwide, with a sales and service network spanning over 100 countries and regions, serving 390,000 corporate clients with professional products and services. It was accredited as a Key Software Enterprise Accreditation within National Programming Layout* (國家規劃內重點佈局軟件企業) and awarded the AAA rating of Credit of Software and Information Service Companies* (軟體和資訊服務企業信用AAA級)</p>
	<p>We have discussed with the Valuer and understand that Glodon Construction Cost Data Platform is a reputable and widely used reference data platform for valuation purposes.</p>
	<p>We have reviewed the relevant cost data provided by the Valuer and noted that the construction costs adopted in the Valuation were in-line with the cost data as noted from “Glodon Construction Cost Data Platform 廣聯達建築成本資料平臺”.</p>

Adjustment for depreciation	<p>After the determination of replacement cost, the Valuer made further adjustment on depreciation of the buildings.</p> <p>We noted from the depreciation adjustment calculation of the Valuer that the adjustment took into account the term of the land use right and the number of years which the subject property have been in use, which reflects the depreciation of the buildings for its available useful life.</p>
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Given the unique nature of industrial properties, we concur with the Valuer that applying cost approach while taking into consideration various recent sales prices of industrial land parcels in valuing the land of which the industrial properties are situated on to be appropriate.

(c) Tax implications

As confirmed by the Group, as at the Valuation Date, the Group has no intention to sell the Properties and therefore the valuation did not take into account any tax implications.

Taking into consideration the above, we consider we have performed work as required under note (1)(d) to Rule 13.80 of the Listing Rules in relation to the Valuer and its work in arriving at the Valuation. We have enquired (i) the terms of engagement of the Valuer (including its independence) with the Company; (ii) the qualification and experience of the Valuer in relation to the valuation of similar property interests in Hong Kong, Taiwan and in the PRC; and (iii) the work carried out by the Valuer in conducting the Valuation. From the relevant information provided by the Valuer and based on our interview with them, we are satisfied with the terms of engagement of the Valuer and noted that the scope of work is appropriate for arriving at the opinion in the Valuation and the Valuer has confirmed to us that there is no limitation on the scope of work. We are also satisfied with their qualifications and experience for the preparation of the Valuation Report.

The adjusted unaudited net assets value

By taking into account the effect of fair value changes arising from the valuation of all the Properties of the Group as at 30 September 2025 (as contained in the Valuation Report) set out in Appendix III to this Composite Document), set out below is the calculation of the adjusted net asset value of the Group:

	RMB'000 (except for the Adjusted NAV per Share) Unaudited
Unaudited consolidated net asset value of the Group attributable to Shareholders as at 30 June 2025 (<i>Note 1</i>)	3,135,163
Adjustments:	
– Fair value changes on the property interests of the Group as at 30 September 2025 attributable to Shareholders based on the Valuation Report (<i>Note 2</i>)	186,348
Adjusted net asset value	3,321,511
Adjusted net asset value per Share attributable to Shareholders as at 30 June 2025 (the “Adjusted NAV per Share”) (<i>Note 3</i>)	RMB0.75 (equivalent to approximately HK\$0.83)

Notes:

1. The amount is extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2025.
2. The fair value change represents the excess of market value of the property interests as at 30 September 2025 over their corresponding carrying amount as at 30 June 2025 less the amount attributable to minority shareholders of the Group, as illustrated below:

Calculation of fair value gain:

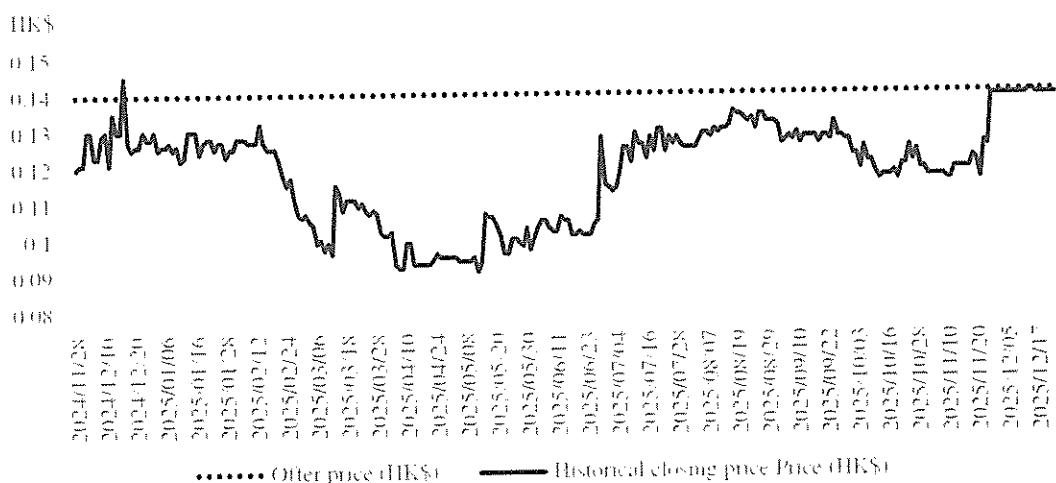
	RMB'000
Fair value of property interests of the Group as at 30 September 2025 (as set out in Appendix III to this Composite Document)	856,600
Less: Carrying value of the relevant property interests as at 30 June 2025	(658,441)
Fair value gain	198,159
Among which attributable to the Shareholders	186,348

3. The Adjusted NAV per Share is arrived at on the basis of 4,404,018,959 Shares in issue as at the Latest Practicable Date. The exchange rate of RMB1.0: HK\$1.0966 being the central parity rate of RMB to HK\$ as announced by the People’s Bank of China on 30 June 2025 is adopted for illustrative purposes only.

5. Analysis of market price of the Shares

(a) Historical price performance compared to the Offer Price of HK\$0.14 per Offer Share

The chart below illustrates the daily closing price of the Shares as quoted on the Stock Exchange for the period from 28 November 2024 to the Latest Practicable Date, being the period of approximately 12 months prior to the Joint Announcement and up to and including the Latest Practicable Date (the “Review Period”). We consider that the Review Period represents a reasonable period of time within which the prevailing market price of the Shares can be illustrated.



Source: Website of the Stock Exchange.

As illustrated above, the Offer Price was trading above or at par to the closing prices of the Shares during the majority time of the Review Period, which comprised of 264 trading days, saved for 1 trading day out of the 264 trading days of which Shares were trading at HK\$0.145 per Share and decrease thereafter. We have enquired with the management of the Group and were advised that, the Directors were not aware of any specific reasons which may have an impact of the fluctuations of Share prices during the above-mentioned trading day.

During the Review Period, the Shares have been trading between the price range of HK\$0.091 per Share to HK\$0.145 per Share with an average trading price of approximately HK\$0.119 per Share. The Offer Price represents a discount of approximately 3.4% to the highest closing price of the Shares of HK\$0.145 per Share and premium of approximately 53.8% and 17.6% over the lowest closing price of HK\$0.091 per Share and the average closing price of HK\$0.119 per Shares during the Review Period, respectively.

At the start of the Review Period (i.e. 28 November 2024) to 31 December 2024, the Share prices traded between HK\$0.120 to HK\$0.145. On 6 December 2024, the Group announced the resignation of Mr. Zhang Yuping as a Director of the Company. On the next trading day, the Share price closed at HK\$0.129 compared to HK\$0.123 on 6 December 2024 and recorded an increasing

trend, reaching a peak during the Review Period of HK\$0.145 per Share on 17 December 2024. The Share price dropped back to HK\$0.127 on 18 December 2024 and traded between HK\$0.125 to HK\$0.130 until 31 December 2024.

The Share prices traded at a comparable price at a range of HK\$0.122 to HK\$0.132 until 20 February 2025, but began to record a decreasing trend, and closed at HK\$0.099 on 6 March 2025. On 7 March 2025, the Group announced a profit warning announcement for the year ended 31 December 2024, indicating that a loss attributable to its equity shareholders of not less than RMB65 million may be recorded, compared to a profit attributable to its equity shareholders recorded in the previous financial year. The Share prices traded between HK\$0.096 to HK\$0.115 until the publication of the annual results of the financial year ended 31 December 2024 on 20 March 2025, and recorded a decreasing trend, reaching its lowest point at HK\$0.091 per Share on 13 May 2025.

Share prices continue to trade in the range of HK\$0.094 to HK\$0.107 between 14 May 2025 and 26 June 2025, and rose to HK\$0.128 on 27 June 2025 but dropped back to HK\$0.115 on 30 June 2025. On 2 July 2025, the Company issued a voluntary announcement regarding the share transfer of Mr. Zhang's shares to Ms. Fung on 23 and 24 June 2025 and we note that the Share prices closed at HK\$0.113 the next day. Share prices begin to pick up and were traded in the range of HK\$0.114 to HK\$0.130 from 4 July 2025 until 24 July 2025.

Between 25 July 2025 to 30 September 2025, (i) on 25 July 2025, the Company announced the receipt of a requisition to remove Mr. Huang Yonghua ("Mr. Huang") as a Director; (ii) on 8 August 2025, the Company issued a positive profit alert for the six months ended 30 June 2025, indicating an expected profit attributable to its equity Shareholders of RMB26.3 million compared to a loss attributable to its equity Shareholders in the previous corresponding financial period; (iii) on 18 August 2025, the Company announced the removal of Mr. Huang as a Director; and (iv) on 20 August 2025, the Company issued its interim results for the six months ended 30 June 2025. Share prices did not have a strong reaction towards the abovementioned announcements and traded at a range of HK\$0.125 to HK\$0.135 per Share.

The Share prices began to record a slight decreasing trend thereafter and dropped to HK\$0.116 on 14 October 2025 and continued to trade between HK\$0.116 to HK\$0.126 until the Last Trading Day (i.e. 25 November 2025) The Share price closed at HK\$0.125 on the Last Trading Day prior the trading halt requested by the Company with effect from 26 November 2025 pending to the release of the Joint Announcement.

The price of the Shares closed at HK\$0.139 on 1 December 2025, which was the first trading day immediately following the publication of the Joint Announcement. Since then, the closing price of the Shares remained relatively stable in the range of HK\$0.139 to HK\$0.14 and closed at HK\$0.139 as at the Latest Practicable Date.

During the period after the publication of the Joint Announcement up to and including the Latest Practicable Date (the "Post-Announcement Period"), the Offer Price of HK\$0.14 per Share represents (i) a premium of approximately 0.72% over the lowest closing price of HK\$0.139 per

Share; (ii) at par to the highest closing price of HK\$0.14 per Share during the Post-Announcement Period; and (iii) a premium of approximately 0.72% over the closing price of HK\$0.139 per Share as at the Latest Practicable Date.

We noted that the Offer Price represented a discount of approximately 82.21%, 82.07% and 83.07% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.79 per Share as at 31 December 2024, approximately HK\$0.78 per Share as at 30 June 2025 and to the Adjusted NAV per Share of approximately HK\$0.83 per Share. Nevertheless, we also note that the Shares had been trading at a substantial discount to the consolidated net assets attributable to owners of the Company per Share throughout the Review Period (referring to analysis below).

(b) Comparison of price earning ratio (“PE Ratio”) of the Offer Price against historical PE Ratio

Generally in assessing the Offer Price, we considered the historical PE Ratio subsequent to the publication of consolidated financial performance of the Group during the Review Period against the implied PE Ratio of the Offer Price. Since the Group recorded a loss for the year ended 31 December 2024, price earning ratio would not be applicable for assessing the Offer Price.

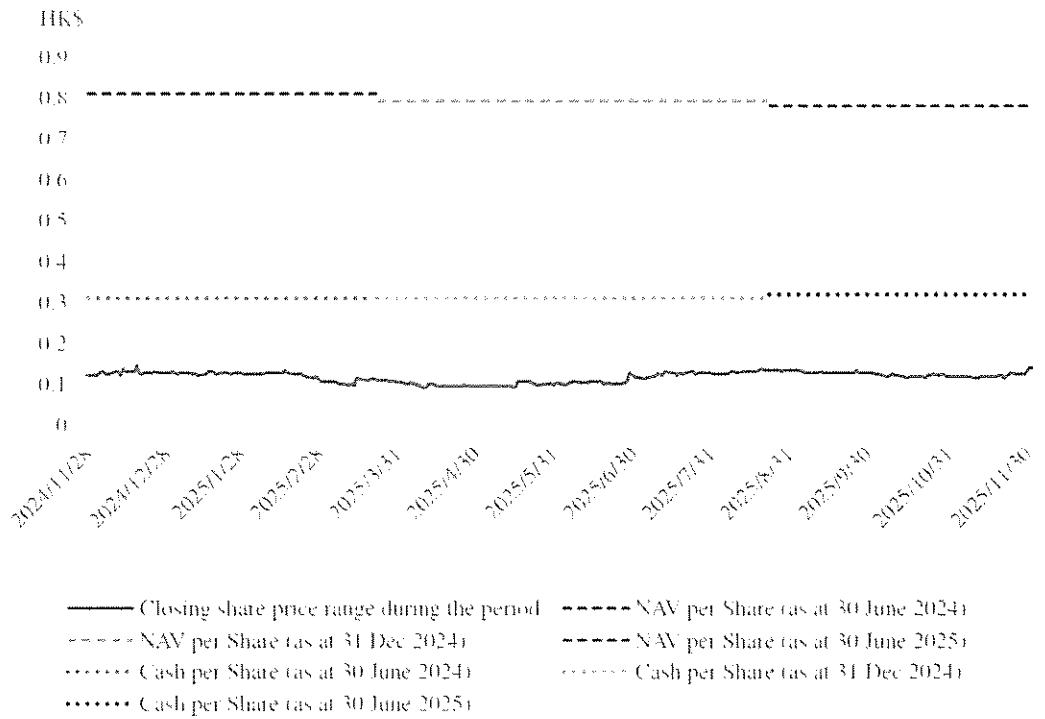
(c) Comparison of Offer Price against NAV per Share and Adjusted NAV per Share

The Offer Price represents:

- (i) a discount of approximately 82.21% to the Company’s audited consolidated net asset value attributable to Shareholders per Share of approximately RMB0.73 (equivalent to approximately HK\$0.79) as at 31 December 2024, calculated based on (i) the Company’s audited consolidated net assets attributable to Shareholders of approximately RMB3,209,574,000 as at 31 December 2024; (ii) 4,404,018,959 Shares in issue as at 31 December 2024; and (iii) the exchange rate of RMB1.0: HK\$1.0799, being the central parity rate of RMB to HK\$ as announced by the People’s Bank of China on 31 December 2024 for illustrative purpose only;
- (ii) a discount of approximately 82.07% to the Company’s unaudited consolidated net asset value attributable to Shareholders per Share of approximately RMB0.71 (equivalent to approximately HK\$0.78) as at 30 June 2025, calculated based on (i) the Company’s unaudited consolidated net assets attributable to Shareholders of approximately RMB3,135,163,000 as at 30 June 2025; (ii) 4,404,018,959 Shares in issue as at 30 June 2025; and (iii) the exchange rate of RMB1.0: HK\$1.0966, being the central parity rate of RMB to HK\$ as announced by the People’s Bank of China on 30 June 2025 for illustrative purposes only; and
- (iii) a discount of approximately 83.07% to the Adjusted NAV per Share;

In assessing the Offer Price against the NAV per Share, we have also considered the historical trading price against the NAV per share and cash and cash equivalent and bank deposit of the Group per Share (“**Cash per Share**”) subsequent to the publication of consolidated financial position during the Review Period as set out below:

Financial Year/ period end	to owners of the Company	Cash and cash equivalent		Closing Share price range		NAV per Share (Note 4)	Discount to NAV per Share to Average (Note 5)	Discount to Cash per Share to Average (Note 6)
		NAV attributable to owners of the Company <i>RMB'000</i>	NAV per Share <i>HK\$</i>	and bank deposit of the Company <i>RMB'000</i>	Cash per Share <i>HK\$</i>			
					Share period <i>(Note 3)</i>	Average closing Share price <i>HK\$</i>		
As at 30 June 2025 (Published on 20 August 2025)	3,135,163	0.78	1,296,383	0.32	0.12-0.14 (From 21 August 2025 to Latest Practicable Date)	0.13	83%	59%
As at 31 December 2024 (Published on 20 March 2025)	3,209,574	0.79	1,266,636	0.31	0.09-0.14 (From 21 March 2025 to 20 August 2025)	0.11	86%	65%
As at 30 June 2024 (Published on 21 August 2024)	3,256,254	0.81	1,254,726	0.31	0.10-0.15 (From 28 November 2024, <i>note 7</i>) to 20 March 2025)	0.12 (From 28 November 2024, <i>note 7</i>) to 20 March 2025)	85%	61%
Considering the Offer Price	3,135,163	Adjusted NAV per Share of 0.83				Offer Price 0.14	83.1%	



Source: Stock exchange website and annual/interim report of the Company

Notes :

1. The NAV per share is calculated by dividing the audited/unaudited consolidated NAV attributable to owners of the Company as at the respective year/period end date as extracted from the respective annual/interim results announcement published by the Company over the number of issued shares as at the respective year/period end date.

For illustrative purpose, we have adopted the exchange rates below as at the respective year/period end date:

30 June 2025: RMB1.0: HK\$1.0966
 31 December 2024: RMB1.0: HK\$1.0799
 30 June 2024: RMB1.0: HK\$1.0957

2. The Cash per share is calculated by dividing cash and cash equivalent and bank deposit of the Group as at the respective year/period end date as extracted from the respective annual/interim results announcement published by the Company over the number of issued shares as at the respective year/period end date.

For illustrative purpose, we have adopted the exchange rates below as at respective year/period end date:

30 June 2025: RMB1.0: HK\$1.0966
 31 December 2024: RMB1.0: HK\$1.0799
 30 June 2024: RMB1.0: HK\$1.0957

3. Representing the range of the closing Share price during the period from the trading day following the publication by the Company of its audited annual results or unaudited interim results (as the case may be)/ commencement of the Review Period to the trading day on which the subsequent unaudited interim results or audited annual results (as the case may be) were published/up to the Latest Practicable Date.

4. Representing the average closing Share price during the period from the trading day following the publication by the Company of its audited annual results or unaudited interim results (as the case may be)/commencement of the Review Period to the trading day on which the subsequent unaudited interim results or audited annual results (as the case may be) were published/up to the Latest Practicable Date.
5. Representing the discount of the average closing Share price to the NAV per Share as at the respective year/period end date and subject to rounding.
6. Representing the discount of the average closing Share price to the Cash per Share as at the respective year/period end date and subject to rounding.
7. Being the commencement day of the Review Period (i.e one year prior to the Last Trading Day).

We noted that the Offer Price of HK\$0.14 represents a discount of 82.21% to the NAV per Share as at 31 December 2024 of HK\$0.79 and a discount of 82.07% to the NAV per Share as at 30 June 2025 of HK\$0.78 as at 30 June 2025 and a discount of 83.07% to the Adjusted NAV per Share of HK\$0.83.

Taking into account a longer-term view, the Company's Share price has been trading at a substantial discount to net asset value between 82% to 83% by considering the net asset values of the Group since 31 December 2022 and the then average trading price at the corresponding period.

Considering the fact that the Shares have been trading not at a price level close to (i) the NAV per share and with average trading prices recorded a discount between 83% and 86% towards the NAV per share during the Review Period and 82% to 83% between 31 December 2022 to 31 December 2023; nor (ii) the Cash per share with average trading prices recorded a discount between 59% and 65% towards the Cash per share during the Review Period, it is implied that the market may not value the Shares solely with reference to the NAV per share or the Cash per Share and trading price of the Shares may not have a direct correlation to the change in NAV or cash and bank deposit of the Group.

(d) Trading volume

We have also reviewed the trading liquidity of the Shares during the Review Period. The table below sets out the trading volume of the Shares on the Stock Exchange during the Review Period:

	Number of trading days in the relevant month/period	Total trading volume for the period (note 1)	Average daily volume for the month/period (note 2)	Percentage of average daily trading volume to the issued shares as at the end of each month/period (note 3)	Percentage of average daily trading volume to the total number of Shares held by public Shareholders as at the latest practicable date (note 4)
2024					
28 November to 30					
November	2	0	0	0.00%	0.00%
December	20	5,071,375	253,569	0.01%	0.02%
2025					
January	19	1,454,386	76,547	0.00%	0.00%
February	20	20,106,632	1,005,332	0.02%	0.06%
March	21	82,496,012	3,928,382	0.09%	0.23%
April	19	23,368,000	1,229,895	0.03%	0.07%
May	20	170,095,202	8,504,760	0.19%	0.51%
June	21	28,671,688	1,365,318	0.03%	0.08%
July	22	33,800,198	1,536,373	0.03%	0.09%
August	21	41,156,152	1,959,817	0.04%	0.12%
September	22	17,686,144	803,916	0.02%	0.05%
October	20	15,340,014	767,001	0.02%	0.05%
November	17	8,968,800	527,576	0.01%	0.03%
1 December to the Latest Practicable Date					
Practicable Date	20	137,073,458	6,853,673	0.16%	0.41%
Average				0.05%	0.12%
Maximum				0.19%	0.51%
Minimum				0.00%	0.00%

Source: Website of the Stock Exchange

Notes:

1. Total trading volume is expressed in terms of number of Shares being traded.
2. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.
3. Based on the number of Shares outstanding as at the end of each month/period or at the Latest Practicable Date (as applicable).
4. Based on 1,682,623,615 Shares held by public Shareholders (which have excluded the Shares held by the Offeror and the parties acting in concert with it and the Directors) as at the Latest Practicable Date.

From 1 December 2025, we note from the above table that the average daily trading volume ranged from approximately 76,547 Shares to 8,504,760 Shares, representing approximately 0.00% to 0.19% of the total number of Shares in issue as at the end of the respective month/period or as at the Latest Practicable Date (as applicable), and approximately 0.00% to 0.51% of the total number of Shares held by public Shareholders (which have excluded the Shares held by the Offeror and the parties acting in concert with it and the Directors) as at the Latest Practicable Date. We noted that the trading volume during March 2025 and May 2025 was exceptionally high, which as disclosed in the Stock Exchange's official website. We have enquired with the management of the Group regarding the relatively high trading volume of the Shares comparing to that of the rest of the other months during the Review Period and we were advised that that the Company is not aware of any particular reason that led to the higher trading volume of the Shares. The trading volume during December 2025 was also higher compared to the other months during the Review Period after the publication of the Joint Announcement.

Taking into account the fact that the average daily trading volume of the Shares during the Review Period was approximately 0.05% of the total issued Shares and approximately 0.12% of the Free Float Shares, we are of the view that the trading volume of Shares are considered as low, and in normal circumstances, if the Offer Shareholders are to dispose of a large number of Shares in the market, it may exert downward pressure on the market price of Shares.

(e) Comparison against comparable companies

In order to assess the fairness and reasonableness of the Offer Price, we generally consider referencing to price-to-earnings multiple ("PE Ratio") and price-to-book multiple ("PB Ratio") of comparable companies. Since the Group recorded a loss for FY2024, PE Ratio would not be applicable.

The Offer Price represents a PB Ratio of approximately 0.18 times calculated based on the unaudited consolidated net assets value of approximately HK\$3,438.0 million (equivalent to approximately RMB3,135.2 million based on the exchange rate of RMB1.0: HK\$1.0966, being the central parity rate of RMB to HK\$ as announced by the People's Bank of China on 30 June 2025 for illustrative purpose only) as at 30 June 2025.

Considering (i) the 2024 Annual Report for FY2024, the revenue generated from the high end consumer accessories business and commodity trading business were approximately RMB688.1 million and RMB355.5 million which accounted for approximately 65.9% and 34.1% of the total revenue of the Group, respectively; and (ii) the Group market capitalization on prior to the date of the Announcement (i.e. 28 November 2025) of approximately HK\$550 million, we have sought to identify comparable companies engaged in high-end consuming accessories business based on the criteria that the company is:

- (i) listed on the Main Board of the Stock Exchange;
- (ii) has a market capitalisation between HK\$100 million and HK\$1 billion; and
- (iii) are principally engaged in watch accessories business which derived more than 50% of their revenue from such principal business based on their latest published annual reports available as at the date immediately before the Last Trading Day.

From our research, we were only able to identify one Hong Kong listed company, (the **“Comparable Company”**) with over 50% of its revenue derived from watch accessories business during its latest financial year, which is exhaustive based on the search results from Bloomberg. Considering the fact that only one Comparable Company was identified, we are of the view that adopting the analysis using comparison of PB ratios of comparable companies would not be representative or meaningful for assessing the Offer Price.

6. Dividend per Share

No dividend was paid or proposed by the Company since 2019, hence analysis regarding dividends per Share were inapplicable.

Given the Group has been loss making in FY2024 and only recently recorded a profit in the first half of 2025, the Group’s profitability has also been fluctuating in the past five years, with three years out of the past five years being loss making, hence as at the Latest Practicable Date, and the Company confirms that as at the Latest Practicable Date, it does not have any intention to make, declare or pay any further dividends or make other distributions, the record date of which falls (i) on or after the Latest Practicable Date and (ii) on or before the close or lapse of the Offer.

VII. DISCUSSION AND ANALYSIS

In forming our opinion and recommendation below, we have taken into account the factors set out under the section headed “VI. Principal factors and reasons considered” above, none of which can be considered in isolation. We would like to draw the attention in particular to the points summarised below:

- (i) Considering that (i) the high-end consumer accessories segment, although shown recovery in the consumer market in the PRC, consumer sentiment, still faces pressure and uncertainties; and (ii) for the commodity trading segment, the demand for the iron ores and imported coal is yet to see a strong recovery indicating that in the short term, the prospects of commodity trading market may be subject to weakened demand. Furthermore, the Group’s performance has been fluctuating in the last five years with three out of the last five years being loss making in which it remains uncertain as to when the Group’s profitability will become stabilized;
- (ii) the Offer Price represents premium over the closing price of the Shares during the Last Trading Day; the last five trading days up to and including the Last Trading Day; and the thirty trading days up to and including the Last Trading Day between 12.0% to 17.61%, nevertheless the Offer Price represents a discount of 82.07% to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2025 and a discount of 83.1% to the adjusted NAV per Share;
- (iii) as discussed above, the Shares have been trading not at a price level close to the NAV per Share during the Review Period and in fact recording a discount of around 83% to the NAV per share for the past published financial results, implying that the market may not value the Shares solely or directly with reference to the NAV per Share and trading price of the Shares may not have a direct correlation to the change in NAV, nonetheless, the trading volume with regards to such trading price performance of the Shares remained thin during the Review Period;
- (iv) the Offer Price was above the closing prices of the Shares during the majority time of the Review Period (saved for four trading days within the Review Period), the historical trading volumes of the Shares were low during the Review Period, with a range of average daily trading volume of the Shares as compared to the Shares held by the public from approximately 0.00% to approximately 0.51% and it is uncertain as to whether there would be sufficient liquidity in the Shares for the Offer Shareholders (especially those with relatively sizeable shareholdings) to dispose of a large volume of Shares in the open market at a fixed cash price within a short period of time without exerting downward pressure on the Shares price should Offer Shareholders with sizeable investment in the Company considering immediate exit; and

(v) despite approximately 40.5% of the Group's net asset value comprised of liquid assets such as Cash per Share of RMB0.29 per Share (equivalent to approximately HK\$0.32 per Share) as at 30 June 2025, Offer Shareholders are reminded that the Group has not declared dividend in the past five years and has been loss making in FY2024 (the last full financial year) as well as three years out of the past five financial years, with such loss making position and fluctuating financial performance as at the Latest Practicable Date, the Company has no intention to declare dividend as at the Latest Practicable Date. Furthermore as explained above, unpredictable international economic environment, coupled with the implementation of the policy restricting crude steel production in some cities in China, has weakened the demand for iron ore and the market prices of products such as ore sand and coal were volatile, as such the Group had decreased its engagement in international trading operation (which international trading require liquidity to support), nevertheless the Group has been maintaining sufficient liquidity for future increase in trading volume once the market settles.

Offer Shareholders should also note that the declaration of dividend will depend on among other things, the financial position or financial performance of the Group and at the sole discretion of the Company, which may or may not occur, whereas the Offer provided the Offer Shareholders who wish to realize their investment (with sizeable shareholding) an exit opportunity which the thin trading volume may not support. However, the Group had a Cash per Share of HK\$0.32 per Share as at 30 June 2025, thus in any event, should the Company declare dividend in the future of more than the Offer Price, return to Offer Shareholders from dividend distribution may exceed accepting the Offer.

VIII. RECOMMENDATION

The Offer Shareholders are strongly advised that the decision to realise or to continue to hold the Shares is subject to individual circumstances and investment objectives of the Offer Shareholders.

Having considered the above-mentioned principal factors and reasons set out in this letter, noting a slight premium of the Offer Price to the recent trading price of the Shares and with regards to the recent outlook and financial performance and position of the Company, we consider that the Offer provides an immediate exit opportunity for Offer Shareholders who wish to realise their investments in the Company, in particular for Offer Shareholders with substantial shareholdings. However, in view of the recent volatility of the closing prices of the Shares, those Offer Shareholders who intend to accept the Offer for immediate exit are reminded that they should closely monitor the market price of Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer.

Despite the Offer provides an exit opportunity to Offer Shareholders who wish to realise their investments in the Company, notwithstanding that the closing prices of the Shares have traded substantially below the NAV per Share and the Cash per Share during the Review Period, considering the substantial discount of the Offer Price to the NAV per Share and the Cash per Share, we consider the Offer Price to be unattractive. Therefore, we are of the opinion that the Offer is not fair and not reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders not to accept the Offer.

Yours faithfully,
For and on behalf of
HALCYON CAPITAL LIMITED



Terry Chu
Managing Director

Mr. Chu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Chu has participated in the provision of independent financial advisory services for a large number of various transactions involving companies listed on the Stock Exchange.