寶橋 BAOQIAO PARTNERS

寶橋融資有限公司
BAOQIAO PARTNERS CAPITAL LIMITED

26 May 2025

To the Independent Board Committee of Hang Sang (Siu Po) International Holding Company Limited

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY ALTUS INVESTMENTS LIMITED ON BEHALF OF THE OFFEROR ACTING FOR AND ON BEHALF OF WADE INVESTMENT SP1 TO ACQUIRE ALL THE ISSUED SHARES OF HANG SANG (SIU PO) INTERNATIONAL HOLDING COMPANY LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offer. Our aforesaid appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. Details of the Offer are set out in the letter from the Board (the "**Letter from the Board**") contained in the Composite Document dated 26 May 2025 jointly issued by the Offeror and the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document, unless otherwise specified.

References are made to (i) the Joint Announcement in relation to, among others, the Sale and Purchase Agreement and the Offer; (ii) the Special Dividend Announcement in relation to, among other things, the declaration and payment of the Special Dividend; (iii) the Poll Results Announcement in relation to the approval of the Shareholders on the declaration and payment of the Special Dividend and (iv) the Completion Announcement in relation to, among other things, the Completion.

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On 28 March 2025, the Offeror, the Seller and the Seller Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Offeror has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares, being 138,000,000 Shares (representing 75% of the total issued Shares), for a total Consideration of HK$195,000,000, equivalent to approximately HK$1.413 per Sale Share. As disclosed in the Special Dividend Announcement, the Record Date of the Special Dividend was 30 April 2025. As disclosed in the Poll Results Announcement, the declaration and payment of the Special Dividend were approved by the Shareholders at the EGM held on 27 April 2025. Payment of the Special Dividend was made on 14 May 2025. Completion took place on 19 May 2025 after the Record Date and payment of the Special Dividend.

Immediately following the Completion, the Offeror and parties acting in concert with it owns 138,000,000 Shares (representing 75% of the total issued Shares). Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). Altus Investments is making the Offer on behalf of the Offeror.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all independent non-executive Directors, namely Ms. Fung Po Yee and Dr. Sung Ting Yee, who have no direct or indirect interest in the Offer), has been established by the Company in accordance with Rules 2.1 and 2.8 of the Takeovers Code to give recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

We, BaoQiao Partners Capital Limited, 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 the acceptance of the Offer.

OUR INDEPENDENCE

In the two years prior to the Latest Practicable Date, we have not acted in any capacity in relation to any transactions of the Company. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Company, the Offeror, their respective controlling shareholders, or any party acting, or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company, the Offeror, their respective controlling shareholders, or any party acting, or presumed to be acting, in concert with any of them. As such, we consider that we are independent and can act as the Independent Financial Adviser under Rule 2.1 of the Takeovers Code and Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information, opinions and representations provided to us by the management of the Company (the "**Management**"), the Company, the Offeror and their respective professional advisers. We have reviewed, among others, the annual report of the Company for FY2024 (the "**2024 Annual Report**"), the interim report of the Company for HY2024/2025 (the "**2024/25 Interim Report**") and other information, representations and opinions as contained or referred to in the Composite Document and those provided by the Management, the Company, the Offeror and their respective professional advisers.

We have assumed that all information and representations that have been provided by the Management, the Company, the Offeror and their respective professional advisers for which they are solely and wholly responsible, were true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and representations made by the Management, the Company, the Offeror and their respective professional advisers in the Composite Document and/or discussed with/provided to us were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Management, the Company, the Offeror and their respective professional advisers, which have been provided to us.

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

As disclosed in Appendix III of the Composite Document, the directors of the Offeror, the directors of Austen Capital, and the sole director of each of Jolly Atom Limited, Spirit age Technology Limited and Wonder Ladies Limited, jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Group, the Seller and the Seller Guarantors), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Company will notify the Independent Shareholders of any material change to information contained in or referred to in the Composite Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be informed as soon as possible when there is any material change to the information contained in or referred to herein as well as any changes to our opinion, if any, after the Latest Practicable Date.

We have not considered the taxation implication, if any, on the Independent Shareholders as a result of the acceptance or non-acceptance of the Offer. We will not accept responsibility for any tax effect or liability that may potentially be incurred by the Independent Shareholders as a result of the Offer. In particular, Independent Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional advisers on tax matters.

This letter is issued for the information of the Independent Board Committee solely in connection with their consideration of the matters relating to the Offer, and, except for its inclusion in the Composite Document, and for publication on the websites of the SFC (www.sfc.hk), the Stock Exchange (www.hkexnews.hk) and the Company (http://www.hangsangpress.com) as required under the Takeovers Code and the Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS TAKEN INTO CONSIDERATION ON THE OFFER

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

1. Information on the Group

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in manufacturing and sale of apparel labels and packaging printing products, sale and distribution of food, daily necessities and utility products, restaurant operation and sales of E-cigarette products. The Group commenced restaurant operation business in Hong Kong since February 2024 after the acquisition of 91% shareholding interest in a cafe operating company in Hong Kong from an independent third party (the "**Acquisition**").

We note in the Joint Announcement and the 2024/25 Interim Report that the Group began the assessment of commercial opportunities of E-cigarettes business in the third quarter of 2024 as part of the diversification of the Group's business to include more consumer products. The sale of E-cigarettes has commenced in February 2025 in New Zealand.

2. Financial information of the Group

Set out below is a summary of the audited consolidated financial information of the Group for FY2024 and FY2023 as extracted from the 2024 Annual Report and the unaudited consolidated financial information of the Group for HY2024/2025 and the HY2023/2024 as extracted from the 2024/25 Interim Report:

	FY2024 *HK$'000* *(Audited)*	**FY2023** *HK$'000* *(Audited)*	**HY2024/2025** *HK$'000* *(Unaudited)*	**HY2023/2024** *HK$'000* *(Unaudited)*
Revenue				
– Printing – sale of apparel labels and packaging printing products	48,299	45,398	28,361	20,271
– Food and daily necessities – sale and distribution of food, daily necessities and utility products	15,901	9,016	10,169	8,106
– Restaurant operation – revenue from catering services	5,828	–	8,372	–
	70,028	**54,414**	**46,902**	**28,377**
Gross profit	20,669	9,398	16,118	8,388
Gross profit margin	29.5%	17.3%	34.4%	29.6%
Profit/(loss) attributable to owners of the Company	(2,395)	(25,965)	1,596	(3,387)

	As at 30 June 2024 *HK$'000* *(Audited)*	**As at 31 December 2024** *HK$'000* *(Unaudited)*
Total assets	68,002	70,183
Total liabilities	27,583	28,223
Net assets attributable to owners of the Company	40,298	41,894

Financial performance of the Group

For FY2023, FY2024 and HY2024/2025, the Group's revenue is derived from three business segments, namely (i) Printing – sale of apparel labels and packaging printing products, which accounted for over 60% of the Group's revenue for the respective years/period, (ii) Food and daily necessities – sale and distribution of food, daily necessities and utility products; and (iii) Restaurant operation – catering services. For FY2023, FY2024 and HY2024/2025, over 30% of the Group's revenue was generated in Hong Kong, with additional contributions from South Korea, Vietnam, Taiwan, the United States, the People's Republic of China (the "**PRC**"), Indonesia, India, Bangladesh, Macau, El Salvador and other regions.

A new sale of E-cigarette products segment (the "**E-cigarette Business**") was formed in November 2024 as disclosed in 2024/25 Interim Report and minimal pre-operating costs were recorded for HY2024/2025. It commenced sales in New Zealand in February 2025.

FY2023 vs FY2024

The Group's revenue increased by approximately 28.7% to approximately HK$70.0 million in FY2024, compared to approximately HK$54.4 million in FY2023. Revenue from printing segment was approximately HK$48.3 million, representing an increase of approximately HK$2.9 million or approximately 6.4% year-on-year, driven by the increase in printing customer orders. Revenue from the sale and distribution of food, daily necessities and utility products surged by approximately HK$6.9 million or approximately 76.7%, to approximately HK$15.9 million in FY2024 from approximately HK$9.0 million in FY2023, reflecting growth of the customer base from online distribution to supply for products to restaurants in Hong Kong. Additionally, revenue generated by the new business segment of restaurant operation in Hong Kong was approximately HK$5.8 million for FY2024 following the Acquisition in February 2024.

For FY2024, the Group's gross profit increased by approximately HK$11.3 million or approximately 120.2% to approximately HK$20.7 million, with gross profit margin of approximately 29.5% in FY2024 as compared to approximately 17.3% in FY2023, representing a year-on-year increase of approximately 12.2 percentage points. As disclosed in the 2024 Annual Report and as advised by the Management, the improvement of both gross profit and gross profit margin was mainly due to a combination of factors, which include the increase in overall revenue for FY2024, the improved pricing and operational efficiency in existing segments through the implementation of cost containment measures, including but not limited to the disposal of unutilised plant and machinery in FY2024 and relatively higher margin of the new restaurant operation in Hong Kong as compared to existing segments.

The Group reported a significant reduction in loss attributable to owners of the Company for FY2024, from approximately HK$26.0 million for FY2023 to approximately HK$2.4 million for FY2024. As disclosed in the 2024 Annual Report, this improvement was primarily attributable to (i) the absence of impairment losses on non-financial assets of the printing segment in FY2024, which amounted to approximately HK$9.1 million in FY2023; (ii) the recognition of a one-off gain of approximately HK$4.4 million from the disposal of property, plant, and equipment in FY2024; and (iii) the aforementioned gross profit growth of the Group for FY2024.

HY2023/2024 vs HY2024/2025

For HY2024/2025, the Group's revenue increased by approximately 65.1% to approximately HK$46.9 million, compared to approximately HK$28.4 million for HY2023/2024, driven by broad-based growth across all operating segments. In particular, revenue from the printing segment increased by approximately 39.9% or approximately HK$8.1 million due to the increased sales orders. Meanwhile, revenue from the food and daily necessities segment rose by approximately 25.9% or approximately HK$2.1 million resulting from an expanded product range and a growing customer base as mentioned above. The new restaurant operations segment contributed approximately HK$8.4 million, which accounted for approximately 17.9% of the total revenue for HY2024/2025. For HY2024/2025, E-cigarettes business segment was formed by the Group in November 2024 but no revenue was generated during HY2024/2025.

The Group's gross profit for HY2024/2025 increased by approximately HK$7.7 million, or about 91.7%, to approximately HK$16.1 million from approximately HK$8.4 million in HY2023/2024 and the gross profit margin improved by approximately 4.8 percentage points to approximately 34.4% for HY2024/2025 from approximately 29.6% in HY2023/2024. The growth momentum continued for HY2024/2025 following the introduction of the new restaurant operation segment in Hong Kong in FY2024 and the enhanced pricing and operational efficiencies in existing segments as disclosed in the 2024/25 Interim Report.

The Group reported a turnaround in profit attributable to owners of the Company of approximately HK$1.6 million for HY2024/2025 compared to a loss of approximately HK$3.4 million for HY2023/2024. Such turnaround was primarily attributable to the aforementioned gross profit growth of the Group, which was partially offset by the increase in administrative and other operating expenses of approximately HK$1.7 million in HY2024/2025 which was primarily due to the increase in depreciation on property, plant and equipment and right-of-use assets resulting from the consolidation of the new restaurant operation business as well as the increase in salaries and professional fees resulting from new segments consolidated into the Group.

Financial position of the Group

As at 31 December 2024, the Group's total assets were approximately HK$70.2 million compared to approximately HK$68.0 million as at 30 June 2024, which mainly comprised cash and cash equivalents of approximately HK$34.9 million, property, plant, and equipment of approximately HK$11.9 million, goodwill arising from the Acquisition of approximately HK$9.4 million and trade and other receivables of approximately HK$8.8 million as at 31 December 2024.

As at 31 December 2024, the Group's total liabilities were approximately HK$28.2 million as compared to approximately HK$27.6 million as at 30 June 2024, which mainly comprised lease liabilities and trade and other payables of approximately HK$14.7 million and approximately HK$12.4 million respectively as at 31 December 2024. The Company had no bank or other borrowings as at either 31 December 2024 or 30 June 2024.

Net assets attributable to owners of the Company increased by approximately HK$1.6 million from approximately HK$40.3 million as at 30 June 2024 to approximately HK$41.9 million as at 31 December 2024, due primarily to the profit attributable to owners of the Company of approximately HK$1.6 million for HY2024/2025.

Special Dividend

We note that the Company proposed to declare a Special Dividend (i.e. HK$0.108 per Share) to the Shareholders in the amount of approximately HK$20 million on 11 April 2025 and the Record Date was 30 April 2025. The Offer Price would remain unchanged if the Special Dividend is approved by the Shareholders at the EGM. As disclosed in the Special Dividend Announcement, the Record Date of the Special Dividend was 30 April 2025. As disclosed in the Poll Results Announcement, the declaration and payment of the Special Dividend were approved by the Shareholders at the EGM held on 27 April 2025. Payment of the Special Dividend was made on 14 May 2025. The Company confirms that, as at the Latest Practicable Date, the Company does not have any dividend or distribution recommended, declared or made but unpaid and has no intention to make any distribution or declare dividends before the close of the Offer.

As disclosed in the Special Dividend Announcement, the Special Dividend has been paid in cash to the Shareholders out of the share premium account of the Company on 14 May 2025. Consequently, the cash and bank balances of the Group have been reduced.

However, we understand from the Management that there is no fixed dividend policy and the declaration and payout of the interim/final dividend would depend on the financial results and financial position of the Group of the respective year/period and the market conditions.

Independent Shareholders are strongly recommended to read the entire letter, in particular, the section headed "Recommendation" below, in considering whether or not to accept the Offer.

Statement of Material Change

We refer to the statement of material change ("**Statement of Material Change**") under the section headed "4. Material Change" of Appendix II to the Composite Document and we note that based on the unaudited consolidated management accounts of the Group for eight months ended 28 February 2025 ("**8M2024/25**") with comparative figures for the eight months ended 29 February 2024 ("**8M2023/24**"),

(a) the Group's revenue for 8M2024/25 increased by approximately 59% to approximately HK$63.6 million as compared to approximately HK$40.1 million for 8M2023/24 due to (i) increases in sale of apparel labels and packaging printing products, sale and distribution of food, daily necessities and utility products; (ii) commencement of restaurant operation following the completion of acquisition of 91% of issued share capital of Sky Honor Holdings Limited on 29 February 2024 (the "**Commencement of Restaurant Operation**"); and (iii) commencement of E-cigarette sales in February 2025 (together, the "**Business Developments**");

(b) the Group's gross profit for 8M2024/25 increased by approximately 77% to approximately HK$23.0 million as compared to approximately HK$13.0 million for 8M2023/24, mainly due to (i) increases in sale of apparel labels and packaging printing products; and (ii) Commencement of Restaurant Operation;

(c) the Group's profit attributable to owners of the Company for 8M2024/25 increased by approximately 152% to approximately HK$2.6 million as compared to approximately HK$1.0 million for 8M2023/24, mainly attributable to increase in the Group's revenue and gross profit as mentioned above, as partially offset by decrease in the Group's other income and increase in the Group's administrative and other operating expenses;

(d) along with the Business Developments, the Group's inventories, trade and other receivables as at 28 February 2025 increased as compared to those as at 30 June 2024; and

(e) the Company paid the Special Dividend on 14 May 2025.

Based on our review of the Statement of Material Change and our discussion with the Management, we consider, along with the Business Developments, the improvement in the Group's financial results for 8M2024/25 as compared to 8M2023/24 as mentioned above, aligns with our financial analysis for FY2024 and HY2024/2025.

3. Outlook of the Group

As disclosed in the 2024/25 Interim Report, increased global economic uncertainties and escalation of trade conflicts impacted the global market continually. The global retail market, including the apparel market, was seriously affected. As a result, the demand for apparel labels and packaging printing products fluctuate correspondingly. In response to these challenging market conditions, the Group will focus on enhancing its sales efforts, improving production quality, strengthening internal controls, and implementing stringent cost control measures to effectively navigate the difficult global environment. We understand from the Management that the Group has proven track record in the printing business and it has established a solid customer base. As discussed in section headed "2. Financial Information of the Group" in this letter, we note that the printing segment reported growth in both revenue and gross margin for FY2024 and HY2024/2025 as a result of the increase in orders placed by the printing customers.

Based on our discussion with the Management, the production of the Group's printing business is in Hong Kong. Its customers are mostly garment manufacturers across Southeast Asia, South Korea, India etc. The purchase of products aiming to be ultimately used as labels on or packaging materials for finished garments of the garment brand companies most of which are based in the United States.

The strained trade relations between China and the United States, commencing in 2018, followed by the conflicts in Ukraine and the Middle East, and most recently, the imposition of new US tariffs, have created a highly unstable global environment, significantly impacting the apparel market and, consequently, the demand for apparel labels and packaging printing products. While we note that the revenue of the printing segment increased during both FY2024 and HY2024/2025, we understand from the Management that the impact of these global factors on the Company's printing revenue may exhibit a degree of latency, which the recent US tariff policies may affect printing order volumes in the forthcoming financial year.

In order to diversify and strengthen its business foundation, the Group extended its business footprint into the sale and distribution of food, daily necessities, and utility products in March 2021 and restaurant operation in March 2024. It is considered that these business segments involved daily needs with steady market demand can bring stable cashflow to the Group. Based on the analysis in the section headed "2. Financial Information of the Group" of this letter, we note these business segments have generated a stable return to the Group for the recent financial periods even though food and beverage industry in Hong Kong is still experiencing a challenging economic climate.

Further, as part of the diversification of its business to include more consumer products, the Company began the assessment of commercial opportunities in the third quarter of 2024 and the Group formed a new business segment in relation to sale and distribution of E-cigarette in New Zealand in November 2024. Sale of E-cigarette was commenced in February 2025. We also note that the Offeror will, whilst intending to continue the existing principal business, likely deploy more resources into growing the E-cigarette Business segment of the Group and the Offeror considers that the E-cigarette Business, if, appropriately scaled, is believed to be able to facilitate the business development of the Group.

Based on our review of the annual report ("**Smoore Annual Report**") for the year ended 31 December 2024 of Smoore International Holdings Limited ("**Smoore**") (Stock Code: 6969) being a global leader in offering atomization technology solutions, including manufacturing vaping devices and vaping components for heat-not-burn products and listed on the Stock Exchange with largest operation (in terms of both revenue and market capitalisation) in e-cigarettes business, issued on 11 April 2025 on the website of the Stock Exchange, we note that the industry remains in a stage of robust growth and according to the independent market research report issued by industry consultant, Frost & Sullivan, in March 2025 ("**March 2025 Research Report**"), the global vaping device market size increased at a compound growth rate of approximately 12.9% at ex-factory prices from 2020 to 2024, and is expected to increase at an estimated compound growth rate of approximately 9.3% from US$12,444.9 million in 2024 to US$19,435.0 million in 2029. In addition, we note that the revenue of Smoore increased from approximately RMB11,203.3 million for the year ended 31 December 2023 to approximately RMB11,798.7 million for the year ended 31 December 2024. We have also reviewed the 2024 financial results of the two international tobacco companies engaged in the e-cigarettes business, namely Imperial Brands PLC, a company listed on London Stock Exchange, and Philip Morris International, a company listed on New York Stock Exchange and we note that in 2024, (i) the net revenue of the NGP (next generation products) segment (the segment in relation to e-cigarettes) of Imperial Brands PLC grew by 24% on a constant currency basis and it represents cumulative growth over the four years since 2020 of 64%; and (ii) Philip Morris International reported approximately 14.17% growth in its smoke-free business (business in relation to e-cigarettes), which accounted for approximately 38.7% of its total net revenues in 2024. Furthermore, as announced by Philip Morris International in September 2023, it is Philip Morris International's business strategy to become a substantially smoke-free company, with over two-thirds of its total net revenues generated from smoke-free products.

It is essential to acknowledge that the e-cigarette sector operates under strict regulatory scrutiny globally, with ongoing updates to policy frameworks. Increasingly, nations are implementing regulations aimed at protecting youth, safeguarding the environment, ensuring product safety, and addressing taxation issues. For example, New Zealand, where the Group commences its sales of e- cigarettes in February 2025, has implemented various regulations that retailers of vaping and other notifiable products are required to comply with, which includes, among others, safety and legal requirements of vaping substances, nicotine concentration, child-safety mechanisms, device features and prohibitions on free, discounted and bundled distribution or supply of vaping products etc. and in March 2025, New Zealand also introduced smokeless laws requiring e-cigarette sellers to notify the Ministry of Health to be recognised as regulated product sellers. Similarly, a law change in Australia in July

2024 banned all non-therapeutic electronic cigarette sales. Furthermore, a press release from the World Health Organization on 14 December 2023 revealed that 34 countries have imposed bans on the sales of e-cigarettes and we also note that the Government of Hong Kong has published the Tobacco Control Legislation (Amendment) Bill 2025 in the Gazette in April 2025 for the implementation of the new phase of tobacco control measures, which include, among others, the prohibition of the possession of alternative smoking products, which is going to take effect on 30 April 2026.

As abovementioned, we note that the global e-cigarette market faces more stringent regulations while the sector's growth potential remains promising as indicated in the March 2025 Research Report as well as the advancements made by international tobacco companies in the e-cigarette business. However, as the Company's E-cigarette Business is still in its early stages, it is uncertain whether this initiative will further contribute to the diversification of the Company's source of income as well as to its profitability. Based on the above, we consider that the Group has business plans in place to support the stable growth of its existing businesses and take advantage of opportunities on the new business ventures. In addition, it is the Offeror's intention to continue the Group's existing businesses and is likely to deploy more resources into the new E-cigarette Business.

Furthermore, despite the expected changes in the composition of the Board and the new Directors, notwithstanding their experiences in regional and international financial markets, have no relevant experience in the Group's existing businesses, we note that Mr. Samson Fung and Mr. Fung Kar Chue Alexander, both being the executive Directors but will resign from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. after the close of the Offer) are expected to continue their employment at the existing subsidiaries of the Company under the same terms of their existing contracts, ensuring continuity in the management of the Group's existing businesses.

Thus, there appears no material concern of the Offeror introducing radical changes to the Group which may materially alter the prevailing status and situations of the Group.

However, it is crucial to note that the current business landscape is undergoing significant changes, largely driven by geopolitical factors. These changes are poised to have substantial implications for the global economy, including Hong Kong. Heightened trade tensions between China and the United States, conflicts in Ukraine and the Middle East, and the recent implementation of US trade tariffs have all contributed to a climate of uncertainty that could affect the demand for the Group's largest business segment – apparel labels and packaging printing products moving forward. While the businesses of the sale and distribution of food, daily necessities, and utility products and restaurant operation in Hong Kong contributed to stable growth in revenue of the Group in recent financial periods, the food and beverage industry in Hong Kong faces a challenging economic climate. Additionally, the Company's E-cigarette Business is still in its early stages, with uncertain potential to diversify income sources and drive the business growth for the Group as a whole.

As such, we consider there is uncertainty as to the prospects and outlook of the businesses of the Group, as it will still require time to fully assess the impact to the Group's business in responses to the challenges it faces. We therefore advise Independent

Shareholders not to rely solely on the analysis of the macroeconomic environment and the outlook of the Group presented in this section when considering whether or not to accept the Offer. Instead, we recommend referring to our comprehensive analysis that incorporate other factors as detailed in this letter, concluding in the section headed "Recommendation".

4. Background Information of the Offeror

The Offeror

The Offeror, Wade Investment SPC Ltd is a segregated portfolio company incorporated in the Cayman Islands with limited liability, acting for and on behalf of one of its segregated portfolios, Wade Investment SP1 (being an investment fund), in relation to the sale and purchase of the Sale Shares and the Offer. The Offeror is a legal person which may establish one or more segregated portfolios. Wade Investment SP1, as a segregated portfolio of the Offeror, is not a legal entity. Any action of Wade Investment SP1 shall be taken by the Offeror acting on behalf of and for the account of Wade Investment SP1. The Offeror is principally engaged in investment holding and managed by Austen Capital in its capacity as the manager.

As at the Latest Practicable Date, the authorised share capital of the Offeror comprises one management share which carries voting rights and participating shares which do not carry voting rights. The participating shares may be issued in respect of different segregated portfolios, and participating shares of any segregated portfolio may be further divided into classes and series at the discretion of the directors of the Offeror. As at the Latest Practicable Date, (i) there are two classes of participating shares attributable to Wade Investment SP1 (being a segregated portfolio of the Offeror) – Class 1A Shares and Class 1B Shares; (ii) the management share is owned by Austen Capital and the Class 1A Shares are owned approximately 13.33% by Spirit age Technology Limited and 86.67% by Wonder Ladies Limited; and (iii) there is currently no holder of Class 1B Shares.

Spirit age Technology Limited is a company incorporated in Hong Kong. Wonder Ladies Limited is a company incorporated in the British Virgin Islands. Both of them are principally engaged in international trading and wholly owned by Mr. Li Feng. Mr. Wang Zhibao is the sole director of Spirit age Technology Limited. Mr. Li Feng is the sole director of Wonder Ladies Limited. Mr. Li Feng is a businessman principally engaged in the technology sector, covering internet, e-commerce, semiconductor, and software. He is the founder of Shenzhen Jinglianglongqing Network Technology Limited* (深圳市京糧隆慶網絡科技有限公司) and involved in its management.

Austen Capital is a company incorporated in Hong Kong with limited liability. It is licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Austen Capital is principally engaged in the investment advisory and/or management of private equity investment, listed company investment, venture capital investment and real estate and special opportunity investment. As at the Latest Practicable Date, the directors and responsible officers of Austen Capital are Mr. Lu Xiaoma, Ms. Jiang Shanshan and Mr. Chan Kin Wah Kenneth. The directors of the Offeror are Mr. Lu Xiaoma and Ms. Jiang Shanshan.

Austen Capital is wholly owned by Jolly Atom Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Lu Xiaoma. Mr. Lu Xiaoma is also the sole director of Jolly Atom Limited.

Mr. Lu Xiaoma, aged 58, has more than 20 years of experience in investment, financing and strategic mergers and acquisitions. Apart from being a director and a responsible officer of Austen Capital, he is currently an independent director of Helport AI Limited (Stock Code: HAPI) (a company listed on Nasdaq) since August 2024 and an independent non-executive director of Forgame Holdings Limited (Stock Code: 00484) (a company listed on the Main Board of the Stock Exchange) since October 2020. Mr. Lu Xiaoma was a managing partner of East Stone Capital Limited Partners (深圳前海東方弘遠資產管理有限公司*), an investment management company focusing on cross-border opportunities, from January 2018 to November 2024, where he was primarily responsible for overall management and project sourcing. Further, Mr. Lu Xiaoma was the chief executive officer of East Stone Acquisition Corporation from February 2020 to September 2022, where he was primarily responsible for acquisition target sourcing and compliance.

Mr. Lu was previously an independent director of BOC International (China) Co., Ltd* (中銀國際證券股份有限公司) (Stock Code: 601696) (a company listed on the Shanghai Stock Exchange) from October 2018 to December 2024 and NWTN, Inc (Stock Code: NWTN) (a company listed on Nasdaq) from November 2022 to October 2024, respectively.

He graduated with a bachelor's degree and a master's degree in Thermal Engineering from Tsinghua University* (清華大學) in 1988 and 1993, respectively, and a master's degree in business administration from Boston College (波士頓學院) in 1999.

Further information on the shareholding structure of the Offeror and the Company is set out in Letter from Altus Capital in the Composite Document.

Intentions of the Offeror in relation to the Group

As disclosed in the Letter from Altus Capital in the Composite Document, following the completion of the Offer, the Offeror intends to continue the Group's focus on consumer products and has no intention to scale down the existing businesses. Mr. Samson Fung and Mr. Fung Kar Chue Alexander, both being executive Directors, are expected to continue their employment at the existing subsidiaries of the Company. The Offeror also notes that the Group's revenue increased in HY2024/2025, as compared with HY2023/2024, and such increase was driven by broad-based revenue growth across the printing, food and daily necessities and restaurant operation segments. Notwithstanding, the current business climate is in flux, largely due to geopolitical factors which are likely to have macro effects on economics globally (including Hong Kong). The strained trade relationships between China and the United States, the conflicts in Ukraine and the Middle East, and the trade tariffs imposed by the United States recently, have all resulted in substantial uncertainties to the global economic environment and may impact the demand for the Group's apparel labels and packaging printing products going forward. The Offeror considers that the effect of these external factors on the Company's revenue may exhibit a degree of latency and the recent US tariff policies may affect printing order volumes in the forthcoming financial year and will closely monitor and assess its business performance.

Subject to a review of market demand, business environment and climate, and conditions going forward, the Offeror, whilst intending to continue the existing principal businesses, likely deploy more resources into growing the Group's E-cigarette business segment of the Group. Based on the Offeror's review of the "Management Discussion and Analysis – Industry Overview" section of Smoore Annual Report published on 11 April 2025, the Offeror noted that the industry remains in a stage of robust growth. As stated in the Smoore Annual Report, according to the independent market research report issued by industry consultant, Frost & Sullivan, in March 2025, the global vaping device market size increased at a compound growth rate of approximately 12.9% at ex-factory prices from 2020 to 2024, and is expected to increase at an estimated compound growth rate of approximately 9.3% from US$12,444.9 million in 2024 to US$19,435.0 million in 2029.

A feature of the E-cigarette sector is that it operates under increasing regulatory scrutiny globally, with ongoing updates to policy frameworks. Some countries have adopted a complete ban on E-cigarettes (as in the case of Hong Kong where only transhipment in compliance with regulations are permitted), some countries permit the import of E-cigarettes provided the products comply with local regulatory requirements (as is the case with the USA where the Food and Drug Administration has regulations on this) and in some cases, import of products are permitted provided they do not target youth. In the case of New Zealand, where the Company has commenced its sales deliveries in February 2025, it is noted that, in March 2025, New Zealand introduced smokeless laws requiring E-cigarette sellers to notify the Ministry of Health to be recognised as regulated product sellers.

Nevertheless, given that the global vaping device market size is expected to increase at an estimated compound growth rate of approximately 9.3% from US$12,444.9 million in 2024 to US$19,435.0 million in 2029, the Offeror believes that this sector is worth more consideration as a growth opportunity for the Company's business given that it is more easily scalable (with appropriate distribution networks and means of regulatory compliance), as compared to other existing business segments, and, if appropriately scaled, is believed to be able to facilitate the business development of the Group.

As at the Latest Practicable Date, the Offeror has no plan to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets.

The Offeror also has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment or to dispose of or reallocate the Group's assets which are not in the ordinary and usual course of business of the Group. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group's business and operations to optimize the value of the Group.

The Offeror is managed by Austen Capital and given the asset management and business experience of Mr. Lu in cross border investment opportunities, the Offeror intends to work closely with the Directors and senior management of the Company from time to time to drive both customer and shareholder value. Having assumed director roles in various listed companies in Hong Kong and the United States, both Mr. Lu and Ms. Geffner have extensive experience in management of international businesses. Mr. Lu's experience with the US markets from his time there, coupled with his China business experience, enhances the Group's understandings of both markets which in turn facilitates informed decision making and better risk assessment for business opportunities. Ms. Geffner has recently worked in Dorsett Hospitality International Services Limited, which is part of Far East Consortium International Limited (Stock Code: 035), a Hong Kong listed company and therefore can contribute her experience in the development and marketing profile of a Hong Kong listed company. Besides, it is expected that Mr. Samson Fung and Mr. Fung Kar Chue Alexander will remain as directors or management of the principal subsidiaries engaging in the printing, food and daily necessities, and restaurant operation business, ensuring continuity in management.

We have reviewed the Offeror's view on the Group's businesses and as discussed in the section headed "3. Outlook of the Group" in this letter, given the complexity of the macroeconomic situation and considering the E-cigarette Business is still in the early stages, we hold a cautious view to the outlook of the Group. We also recommend the Independent Shareholders to refer to our analysis on the business outlook and prospect of the Group as detailed in the section headed "3. Outlook of the Group".

Proposed Change of Composition of the Board

As disclosed in the Letter from Altus Capital in the Composite Document, the Board is currently made up of five Directors, comprising three executive Directors, namely, Mr. Samson Fung, Mr. David Fung and Mr. Fung Kar Chue Alexander and two independent non-executive Directors, namely, Ms. Fung Po Yee and Dr. Sung Ting Yee. It is intended that all Directors will resign from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. after the close of the Offer).

As at the Latest Practicable Date, the Offeror intends to nominate Mr. Lu Xiaoma and Ms. Xin Yue Jasmine Geffner as executive Directors with effect on the date of posting of the Composite Document. Any changes to the members of the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

Please refer to the section headed "INFORMATION ON THE OFFEROR" and the "PROPOSED CHANGE OF COMPOSITION OF THE BOARD" in the "Letter from Altus Capital" in the Composite Document for a brief biography of each of Mr. Lu Xiaoma and Ms. Xin Yue Jasmine Geffner.

Intention of the Offeror to maintain the listing of the Company

As disclosed in the Letter from Altus Capital in the Composite Document, the Offeror has no intention to privatise the Company and intends the Company to remain listed on the Stock Exchange.

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 (excluding treasury 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) that there are insufficient Shares in public hands to maintain an orderly market,

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

Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists in the Shares. The directors of the Offeror and the new Directors to be appointed to the Board of the Company on the date of posting of the Composite Document will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares.

For the avoidance of doubt, the Offer Shares to be tendered by the Independent Shareholders upon valid acceptance of the Offer will be retained by the Offeror. In case there is less than 25% of the Shares held by the public following the close of the Offer, the Offeror will place down the Shares held by it in order to ensure that there will be 25% of the issued Shares held by the public.

Based on the above, we note that the Company's listing status will be maintained and the Independent Shareholders who do not accept the Offer will continue to be able to trade their Shares on market after the close of the Offer.

5. Analysis of the Offer Price

To assess the fairness and reasonableness of the Offer Price, we have considered the following factors.

Offer Price Comparison

The Offer Price of HK$1.414 per Offer Share represents:

(a) a discount of approximately 85.42% to the closing price of HK$9.700 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 34.67% over the closing price of HK$1.050 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a premium of approximately 99.15% over the closing price of HK$0.710 per Share as quoted on the Stock Exchange on the Last Full Trading Day;

(d) a premium of approximately 119.57% over the average closing price of HK$0.644 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Full Trading Day;

(e) a premium of approximately 132.57% over the average closing price of approximately HK$0.608 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Full Trading Day;

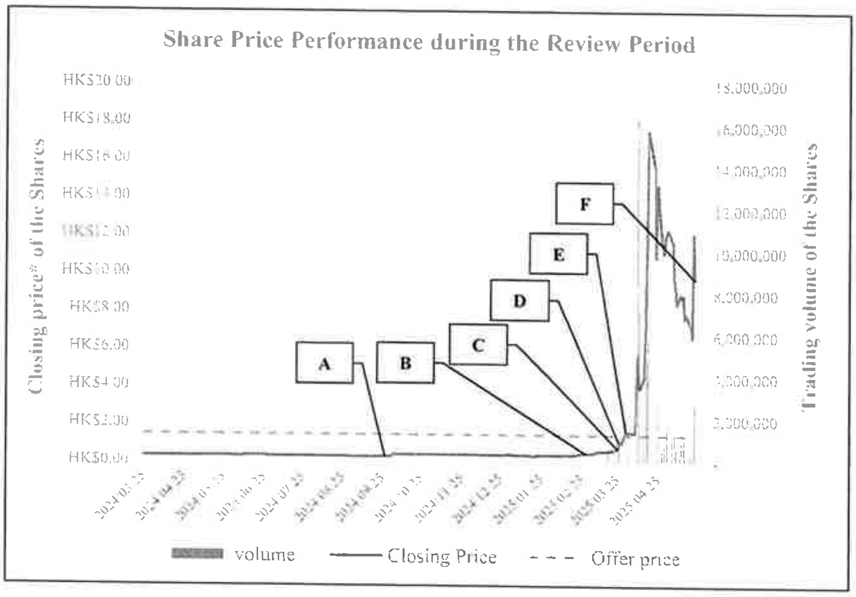
(f) a premium of approximately 187.40% over the average closing price of approximately HK$0.492 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Full Trading Day;

(g) a premium of approximately 542.73% to the audited consolidated net asset value attributable to owners of the Company of approximately HK$0.22 per Share as at 30 June 2024 calculated based on the information as set out in the Company's annual report for the year ended 30 June 2024 which was published on 30 October 2024; and

(h) a premium of approximately 514.78% to the unaudited consolidated net asset value attributable to owners of the Company of approximately HK$0.23 per Share as at 31 December 2024 calculated based on the information as set out in the Company's interim results announcement for the six months ended 31 December 2024 which was published on 28 February 2025.

Historical price movement of the Shares

Set out below is the movement of the closing prices of the Shares as quoted on the Stock Exchange during the period from 25 March 2024 (being the date one year prior to the Last Full Trading Day) and the Last Trading Day (26 March 2025) (the "**Pre-Announcement Period**") and the period from 31 March 2025, being the first trading day after the Joint Announcement was published, up to and including the Latest Practicable Date (the "**Post-Announcement Period**") (collectively, the "**Review Period**"). We are of the view that the price performance of the Shares during the Review Period can sufficiently and fairly reflect the market perception on the Company's performance and outlook and effects of certain events, which may be relevant to our analysis, all closing prices under this section (Historical price movement of the Shares) are on ex-dividend basis for price comparison purpose.



Source: the website of the Stock Exchange
* *on ex-dividend basis.*

Date	**Key Events**
27 September 2024	(A) Annual results announcement of the Company for FY2024
28 February 2025	(B) Interim results announcement of the Company for HY2024/2025
25 March 2025	(C) Last Full Trading Day
26 March 2025	(D) Last Trading Day
31 March 2025	(E) the first trading day after the publication of the Joint Announcement and Resumption of Trading
23 May 2025	(F) Latest Practicable Date

During the Review Period, the highest closing price was HK$17.535 per Share on 17 April 2025, while the lowest closing price was HK$0.239 per Share recorded from 2 September 2024 to 23 September 2024. The average closing price per Share throughout the Review Period was approximately HK$1.316. The Offer Price represented a discount of approximately 91.94% relative to the highest closing price and a premium of approximately 7.45% relative to the average closing price during the Review Period.

Pre-Announcement Period

From the beginning of the Review Period in late March 2024 to the Last Full Trading Day, the Shares closed at prices ranging from HK$0.239 per Share, recorded from 2 September 2024 to 23 September 2024, to HK$0.703 per Share on 24 and 25 March 2025, with an average closing price of approximately HK$0.322 per Share.

The closing prices of the Shares exhibited relative stability during the early phase of the Pre-Announcement Period, fluctuating within a range of HK$0.239 to HK$0.287. Notably, from 2 September 2024 until 23 September 2024, the price remained at HK$0.239 per Share, marking the lowest level recorded during the period. This stability continued until 27 September 2024, when the Company published its annual results announcement for FY2024, prompting a brief upward adjustment. Subsequently, the Shares entered into another stable phase, fluctuating between HK$0.317 and HK$0.446 until 28 February 2025, when the release of the interim results of the Company for HY2024/2025 catalyzed a sustained upward trajectory in the Shares' price. As confirmed with the Management, they were unaware of any factors other than the interim results contributing to the upward trend in Share prices. The rally continued until the Last Full Trading Day and the Last Trading Day, with the closing price of the Share reaching HK$0.703 and HK$1.040, respectively.

The Offer Price is higher than the closing prices of the Shares during the Pre-Announcement Period.

Post-Announcement Period

Trading in the Shares was suspended from 1:00 p.m. on 26 March 2025 to 30 March 2025 pending the publication of the Joint Announcement. Following the resumption of trading on 31 March 2025, the market reacted strongly to the Joint Announcement, leading to a substantial increase in the Share price, which rose from HK$1.040 to HK$1.654 per Share on 31 March 2025. In the subsequent days, the closing price remained relatively stable, fluctuating within the range of HK$1.516 to HK$1.595. Commencing from 8 April 2025, the closing Share prices surged sharply to HK$2.962 and HK$5.696 on 9 April 2025, and continued to increase over the following two weeks, reaching the highest of HK$17.535 per Share as at 17 April 2025. Following this period, the closing price of the Shares declined, reaching HK$6.620 as at 21 May 2025. Subsequently, the closing price of the Shares increased to HK$12.080 on 22 May 2025, and decreased to HK$9.700 as at the Latest Practicable Date. Based on our discussion with the Management, they are unaware of any other factors contributing to the fluctuations in Share prices beyond the announced Offer and Special Dividend.

Shareholders should note that the Share price movement following the publication of the Joint Announcement is likely to be driven by the Offer, as such, the sustainability of the current Share price level could be uncertain.

Historical trading liquidity of the Shares

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of Shares in issue and held by the public during the Review Period.

Month/Period	Monthly total trading volume	Number of trading days	Average daily trading volume *(Note 1)*	Percentage of the average daily trading volume to the total number of issued Shares *(Note 2)*	Percentage of the average daily trading volume to the total number of issued Shares held by the public *(Note 3)*
2024					
25 March to 31 March	0	4	0	0.00%	0.00%
April	12,000	20	600	0.00%	0.00%
May	120,000	21	5,714	0.00%	0.01%
June	120,000	19	6,316	0.00%	0.01%
July	2,000	22	91	0.00%	0.00%
August	18,000	22	818	0.00%	0.00%
September	48,000	19	2,526	0.00%	0.01%
October	12,000	21	571	0.00%	0.00%
November	0	21	0	0.00%	0.00%
December	148,000	20	7,400	0.00%	0.02%
2025					
January	220,000	19	11,579	0.01%	0.03%
February	1,272,000	20	63,600	0.03%	0.14%
March	9,628,000	21	458,476	0.25%	1.00%
April	72,856,680	19	3,834,562	2.08%	8.34%
1 May to the Latest Practicable Date	18,992,200	15	1,266,147	0.69%	2.75%

Source: The website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. Percentage of average daily trading volume to the total number of issued Shares is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period.

3. Percentage of average daily trading volume to the total number of issued Shares held by the public is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue held by the Independent Shareholders as at the end of each month/period.

During the Review Period, the average daily trading volume of the Shares ranged between 0 Share and 3,834,562 Shares, representing approximately 0% to 2.08% of the total number of Shares in issue as at the end of the respective month/period, and approximately 0% to 8.34% of the total number of Shares held by public Shareholders as at the end of the respective month/period. We note that the daily trading volume of the Shares was zero for the majority of the time during the Pre-Announcement Period/Review Period. The average daily trading volume of the Shares increased to 458,476 Shares, representing approximately 0.25% and 1 % of the total number of Shares in issue and held by public Shareholders for March 2025, in particular, after the publication of the Joint Announcement on 31 March 2025, the daily trading volume of the Shares surged to 7,032,000 Shares, representing approximately 3.82% and 15.29% of the total number of Shares in issue and held by public Shareholders.

We are of the view that the liquidity of the Shares during the Review Period had been thin. Such low level of liquidity might cause difficulty for the Independent Shareholders to dispose of their Shares in the market. Therefore, we consider that the Offer provides an assured exit alternative for the Independent Shareholders, to realise part or all of their investments in the Shares at the Offer Price of HK$1.414 per Offer Share if they wish so.

Comparison of Offer Price against NAV per Share

The Offer Price of HK$1.414 represents:

(a) a premium of approximately 545.66% to the audited consolidated net asset value attributable to owners of the Company ("**NAV per Share**") of approximately HK$0.219 per Share as at 30 June 2024 calculated based on the information as set out in the Company's annual results announcement for FY2024 which was published on 27 September 2024; and

(b) a premium of approximately 520.18% to the unaudited consolidated NAV per Share of approximately HK$0.228 per Share as at 31 December 2024 calculated based on the information as set out in the Company's interim results announcement for HY2024/2025 which was published on 28 February 2025.

In assessing the Offer Price against the NAV per Share, we have also considered the historical trading price vis-à-vis NAV, we note that the Shares had been consistently traded at premiums to the NAV per Share for a prolonged period of time. In particular, the premiums to NAV per Share at which the Shares were traded during the periods indicated below show that the trading price of the Shares does not have correlation to the change in the NAV:

Year/period end	**NAV per Share** *(Note 1)* *HK$*	**Average closing Share price** *(Note 2)* *HK$*	**Premium to NAV per Share** *(Note 3)*
For the financial year ended 30 June 2022	0.373	0.588	57.64%
For the six months period ended 31 December 2022	0.308	0.505	63.96%
FY 2023	0.232	0.314	35.34%
HY 2023/2024	0.209	0.268	28.23%
FY 2024	0.219	0.358	63.47%
HY 2024/2025	0.228	0.589 *(Note 4)*	158.33%

Source: The website of the Stock Exchange; annual and interim results announcements of the Company

Notes:

1. Calculated by dividing the audited/unaudited consolidated NAV as at the respective year/period end date as extracted from the respective annual/interim results announcement published by the Company by the number of Shares.

2. 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 announcement (as the case may be) to the trading day on which the subsequent unaudited interim results or audited annual results announcement (as the case may be) were published.

3. Representing the premium of the average closing Share price to the NAV per Share as at the respective year/ period end date.

4. Representing the average closing Share price during the period from 3 March 2025, being the trading day following the publication by the Company of its unaudited interim results announcement for HY2024/2025, to the Last Trading Day.

In addition, we noted that the Offer Price represented a premium of approximately 520.18% to the NAV per Share as at 31 December 2024.

Considering the Shares had been traded at premium to the NAV per Share for a prolonged period of time which implies that the market might not have valued the Shares solely with reference to the NAV per Share. Accordingly, in assessing the Offer Price, it would be appropriate to consider the premium represented by the Offer Price to the NAV per Share, along with other factors including but not limited to (i) the financial performance and business prospects of the Group; (ii) Offer Price comparison to the historical and prevailing Share prices; (iii) the trading liquidity of the Shares; and (iv) comparison analysis with comparable companies of the Company; as set out in this letter, which form a more comprehensive analysis from the perspective of Independent Shareholders in considering their investment return in the Shares and whether or not to accept the Offer.

Comparable Companies analysis

In assessing the fairness and reasonableness of the Offer Price, we have performed analysis of the valuation of the Group at the Offer Price compared with prevailing market valuation of other companies listed on the Stock Exchange that are engaged in similar businesses to those of the Group. As discussed in the section headed "2. Financial Information of the Group" above, the Group has four operating segments and the printing segment involving the manufacturing and sale of apparel labels and packaging printing products (including plastic packaging bags and packaging boxes) accounted for the majority of the Group's revenue in both FY2023 and FY2024. Taking into account the nature of the business, we have conducted a comparable company analysis based on the following criteria to include companies that (i) were listed on the Main Board of the Stock Exchange as of the Latest Practicable Date; and (ii) derived 50% or more of their revenue from the manufacturing and sale of printing and plastic packaging products, during the last two financial years ((i) and (ii) together, the "**Selection Criteria**").

Based on the aforementioned criteria, we identified an exhaustive list of 6 listed companies on the Main Board of the Stock Exchange which are principally engaged in the manufacturing and sales of paper and plastic packaging products (the "**Comparable Company(ies)**"). Although the packaging products manufactured by the Comparable Companies and the Company may not be exactly the same, they are all engaged in similar business activities. Given (i) the similarity in business nature of the Comparable Companies and the Company; and (ii) the sufficient number of Comparable Companies identified, we consider the list of Comparable Companies to be fair and representative.

Price-to-earnings ratio ("**P/E Ratio**"), price-to-book ratio ("**P/B Ratio**") and price-to-sales ratio ("**P/S Ratio**") are three of the most commonly used benchmarks for valuation of companies. Given (i) the nature of the Group's largest business segment of manufacturing and sale of apparel labels and packaging printing products and the total assets of the Company mainly comprise of property, plant and equipment, goodwill, trade receivables and cash and that the P/B Ratio analysis is a commonly used approach for the valuation of companies which are reliant on their balance sheets in determining their earning power; (ii) the Group reported consolidated net loss attributable to the Shareholders for FY2023 and FY2024, P/E Ratio is not applicable for our analysis; and (iii) P/S Ratio is not applicable because it is usually only used to value start-up companies for which both the book value and earnings are insignificant or non-existing. As a result, P/B Ratio has been adopted as our primary benchmark for the purpose of the comparable company analysis.

Set out below is the summary of our market comparable analysis:

No.	Company Name	Principal Business(es)	Market Capitalisation *(HK$' million)* *(Note 1)*	P/B Ratio *(times)* *(Note 2, 3)*
1	Starlite Holdings Limited (403)	The group is principally engaged in the printing and manufacturing of packaging materials, labels, and paper products, including environmental friendly products.	112.64	0.17
2	Hung Hing Printing Group Ltd (450)	The group is engaged in book and package printing; the consumer product packaging; the corrugated box; and the trading of paper.	916.94	0.32
3	Come Sure Group Holdings Ltd. (794)	The group principally engaged in manufacture and sale of corrugated board and corrugated paper-based packing products; and manufacture and sale of offset printed corrugated products.	61.25	0.12
4	Teamway International Group Holdings Limited (1239)	The group principally engaged in the business of (i) design, manufacturing and sale of packaging products and structural components in the PRC; and (ii) trading of filtration media, equipment and related accessories for air purification; (iii) design, manufacturing, sale and marketing of rosewood home furniture and (iv) property investment.	46.56	(0.14)
5	Pacific Millennium Packaging Group Corporation (1820)	The group principally engaged in the manufacturing and sale of (i) corrugated packaging products including corrugated boxes, pallets, display stands, heavy duty packaging and specialised packaging products; and (ii) corrugated sheet boards in the PRC.	1503.16	2.65
6	Hop Fung Group Holdings Ltd (2320)	The group principally engaged in manufacturing and trading of containerboard – corrugating medium and linerboard and corrugated packaging – corrugated paper boards and carton boxes.	71.14	0.10
			Maximum	2.65
			Minimum	0.10
			Average	0.67
			Median	0.17
	The Company (3626)	The Group is principally engaged in manufacturing and sale of apparel labels and packaging printing products, sale and distribution of food, daily necessities and utility products, restaurant operation and sales of E-cigarette products.	260.18	6.21

Source: Bloomberg and the Stock Exchange

Notes:

1. Market capitalisation is calculated based on the closing share price and the number of shares in issue as at the Last Trading Day based on information from the website of the Stock Exchange. In the case of the Company, it is calculated based on the Offer Price.

2. Price-to-book ratio is calculated by dividing market capitalisation as described in Note 1 above by net asset value attributable to owners of the company reported in its latest annual report/ interim report, the net asset value attributable to owners of the companies in RMB are calculated based on the exchange rate of the median exchange rate published by the People's Bank of China on its website as at 31 December 2024: HKD 1 = RMB0.92604 for illustrate purpose only.

3. Teamway International Group Holdings Limited (Stock Code: 1239), with its negative P/B ratio, was considered as outlier and thus was excluded from the calculation of the Comparable Companies' maximum, minimum, average, and median P/B ratios.

As shown in the table above, the implied P/B Ratio of the Company (calculated using the Offer Price) of approximately 6.21 times is higher than the P/B Ratio of all the Comparable Companies, which ranged from the lowest of approximately 0.10 times to the highest of approximately 2.65 times.

We note that the theoretical market capitalisation of the Company implied by the Offer Price is HK$260.18 million and the market capitalisation of the above Comparable Companies ranged from HK$46.56 million to HK$1,503.16 million, which are substantially different from that of the Company. Shareholders should note that due to the limited number of Comparable Companies (i.e. only 5 Comparable Companies excluding the outlier as shown in the above table) that meet the aforementioned Selection Criteria, we therefore include a wider range of market capitalisations of all 5 Comparable Companies in search for broader comparables.

We also note that, upon a closer examination of the two Comparable Companies, namely Starlite Holdings Limited (Stock Code: 403) and Hung Hing Printing Group Ltd. (Stock Code: 450), with market capitalisation between HK$100 million to HK$1,000 million, which are considered more comparable with respect to the market capitalisation of the Company, the implied P/B Ratio of the Company (calculated using the Offer Price) of approximately 6.21 times is higher than the P/B Ratio of these two Comparable Companies, which ranged from approximately 0.17 times to approximately 0.32 times.

On this basis, we are of the view that from a comparable analysis perspective, the Offer Price is fair and reasonable.

RECOMMENDATION

In summary, in relation to the Offer, we have considered the below factors and reasons in reaching our conclusion and recommendations:

(i) the Offer Price represents a premium of approximately 35.96% over the closing price of HK$1.040 per Share as quoted on the Stock Exchange on the Last Trading Day and was higher than the closing prices of the Shares for the Pre-Announcement Period and majority of the time during the Review Period, represented a premium of approximately 336.42% and 7.45% to the average closing price during the Pre-Announcement Period and the Review Period respectively. Although the closing prices of the Shares have been above the Offer Price during the Post-Announcement Period, Shareholders should note that the Share price movement following the publication of the Joint Announcement is likely to be driven by the Offer and/or the Special Dividend, as such, the sustainability of the current Share price level could be uncertain;

(ii) the trading of the Share has been thin during the Review Period the Independent Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price of the Shares, the Offer could provide the Shareholders with the certainty, particularly for those who hold a large volume of Shares, to realise part/all of their investments in the Company with certainty;

(iii) notwithstanding that there are certain positive developments in the business and financial performance of the Group as discussed in the section headed "2. Financial Information of Group and "3. Outlook of the Group", there is uncertainty as to the prospects and outlook of the businesses of the Group, given the complexity of the macroeconomic situation. Additionally, we note that the Offeror has no intention to scale down the existing businesses of the Group and is likely to deploy more resources into the E-cigarette Business, however, the E-cigarette Business is still in its early stages, with uncertain potential to diversify income sources and drive the business growth for the Group as a whole; and

(iv) the implied P/B Ratio of the Company (calculated using the Offer Price) of approximately 6.21 times is higher than the P/B Ratio of all the Comparable Companies, which ranged from the lowest of approximately 0.10 times to the highest of approximately 2.65 times.

Having taken into account the above principal factors set out in this letter and summarised in the section headed "Recommendation" above, we consider that the Offer is fair and reasonable so far as the Independent Shareholders are concerned and, accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

Nevertheless, we would like to remind the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period, and for those Shareholders who are less optimistic about the outlook and future prospects of the Group and may wish to realise their investment, should having regard to their own circumstances and investment objectives, consider selling their Shares in the open market, should such sale proceeds, net of all transaction costs, exceed the amount receivable under the Offer. However, if the market price falls below the Offer Price towards the end of the Offer Period, they may then consider tendering all or part of their holdings to the Offer, should they still wish to realise their investment.

As different Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
BaoQiao Partners Capital Limited

Irene Poon
Executive Director

Ms. Irene Poon is a responsible officer registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for BaoQiao Partners Capital Limited and has over 20 years of experience in the accounting and corporate financial services industry.