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18 July 2025

*To: the Independent Board Committee, the Independent Shareholders
and the Optionholders of Janco Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
JIN YI FINANCIAL GROUP LIMITED FOR
AND ON BEHALF OF PACIFIC CROUCH LIMITED TO
ACQUIRE ALL THE ISSUED SHARES OF
JANCO HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee, the Independent Shareholders and the Optionholders in respect of the Offers, details of which are set out in the Composite Document jointly issued by the Offeror and the Company to the Independent Shareholders and the Optionholders dated 18 July 2025, of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Composite Document.

On 22 April 2025, the Company was informed by the Offeror that on 22 April 2025, the Offeror has purchased 152,994,000 Shares at HK\$0.05 per Share from open market.

During a regular business meeting between Mr. Cheng and Mr. Liang, being a non-executive Director of the Company, they discussed the possibility of shareholding changes in the Company. Following the discussion, Mr. Liang expressed his willingness to sell his own Shares, and Mr. Cheng requested acquiring a significant number of Shares. Given Mr. Liang's connections with certain investors and his knowledge of the brokerage firms representing them, Mr. Liang reached out to these investors and/or their brokerage firms to seek their interest in selling their Shares alongside his. Mr. Liang referred the investors' brokerage firms to Jin Yi Financial, the Offeror's broker, and Jin Yi Financial directly liaised with their brokerage firms to agree on the arrangement and purchase price of the Purchase. On 22 April 2025, Jin Yi

Financial executed the Purchase on exchange. Mr. Liang confirms that he received nothing in return for his coordination of the sellers and/or their respective brokerage firms. Mr. Liang is also one of the sellers and disposed 2,500,000 Shares at a price of HK\$0.05 per share on 22 April 2025.

According to the disclosure of interests notice filed by Mr. Chan dated 23 April 2025, Mr. Chan disposed 60,000,000 Shares at a price of HK\$0.05 per share on 22 April 2025. After confirming with Mr. Liang, Mr. Chan was one of the sellers involved in the Purchase and his 60,000,000 Shares formed part of the 152,994,000 Shares acquired by the Offeror on 22 April 2025.

Except for Mr. Liang and Mr. Chan, who disposed of 2,500,000 Shares and 60,000,000 Shares respectively, (i) the Offeror, Mr. Cheng, Ms. Tai and parties acting in concert with any of them (including the Joint Financial Advisers and Jin Yi Financial) and (ii) Mr. Liang are not aware of the identities of the sellers of the remaining 90,494,000 Shares.

Immediately prior to the Purchase, the Offeror and parties acting in concert with it was interested in 173,460,000 Shares, representing approximately 28.91% of the issued Shares. Upon completion of the Purchase on 22 April 2025 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it, are interested in 326,454,000 Shares, representing approximately 54.41% of the voting rights of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Purchase triggered the obligation for the Offeror to make a mandatory unconditional cash offer for all issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). Pursuant to Rule 13.5 of the Takeovers Code, the Option Offer is also be made to cancel all the outstanding Share Options. Jin Yi Financial, for and on behalf of the Offeror, is making the Share Offer to acquire all the Offer Shares and the Option Offer to cancel all outstanding Share Options on the terms set out in the Composite Document in accordance with the Takeovers Code.

As at the Latest Practicable Date, there are 600,000,000 Shares in issue, of which 326,454,000 Shares are held by the Offeror and parties acting in concert with it (representing approximately 54.41% of the issued Shares).

As at the Latest Practicable Date, there are outstanding Share Options in respect of 3,000,000 Shares. The exercise price of the outstanding Share Options is HK\$0.2066 per Share Option. All Share Options were granted under the share option scheme of the Company adopted on 23 September 2016. Save as disclosed above, the Company does not have any outstanding Shares, options, warrants or derivatives which are convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code), and has not entered into any agreement for the issue of such Shares, options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date. Further details of the terms of the Offers and the procedures for acceptance are set out in the section headed “Appendix I Further terms and procedures for acceptance of the Offers” in the Composite Document and the accompanying the Forms of Acceptance.

As at the Latest Practicable Date, none of the members of the Offeror, Mr. Cheng, Ms. Tai and/or parties acting in concert with any of them has received any irrevocable commitment to accept or reject the Offers. The Offer Shares and Share Options to be acquired under the Offers shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching thereto, including the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offers are made, i.e. the date of despatch of the Composite Document.

Silverbricks Securities and Zhongtai International have been appointed as the Joint Financial Advisers to the Offeror in respect of the Offers. Jin Yi Financial, for and on behalf of the Offeror, is making the mandatory unconditional cash offers (i) to acquire all issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code; and (ii) to cancel all the outstanding Share Options at appropriate price in compliance with Rule 13 of the Takeovers Code.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the four non-executive Directors, namely Mr. Tam Tsz Yeung Alan, Ms. Chik Wai Chun, Mr. Moy Yee Wo Matthew and Mr. Yu Kwok Fai, has been formed in accordance with the Takeovers Code to advise the Independent Shareholders and the Optionholders on whether the Offers are fair and reasonable, and give recommendation as to acceptance of the Offers. Mr. Liang Yuxi, a non-executive Director, is one of the sellers of the Purchase, and he is therefore not considered independent to be a member of the Independent Board Committee and has declared his interest to the Board accordingly.

OUR INDEPENDENCE

We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the Independent Shareholders and the Optionholders in this regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. During the past two years immediately preceding the date of the Joint Announcement and including and up to the Latest Practicable Date, we did not act as financial adviser or independent financial adviser to the other transactions of the Company and the Offeror. Save for the appointment as the Independent Financial Adviser in respect of the Offers, there were no other engagements between the Company and us during the past two years immediately preceding the date of the Joint Announcement and including and up to the Latest Practicable Date. We are independent from, and are not associated with the Company, the Offeror, or any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of them. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee, the Independent Shareholders and the Optionholders, no other arrangements exist whereby we will receive any fees and/or benefits from the abovementioned parties or any party acting, or presumed to be acting, in concert with any of them, any of their respective associates, close associates or core connected persons or other parties that could be regarded as

relevant to our independence. Accordingly, we are considered eligible to give independent advice in respect of the Offers to the Independent Board Committee, the Independent Shareholders and the Optionholders in accordance with the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, the Independent Shareholders and the Optionholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Directors, the directors of the Offeror and the management of the Company. We have assumed that all statements, information and representations provided by the Directors, the directors of the Offeror and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors, the directors of the Offeror and the management of the Company in the Composite Document were reasonably made after due enquiry 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 Directors, the directors of the Offeror and the management of the Company and/or its advisers, which have been provided to us. The Company will notify the Independent Shareholders and the Optionholders 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 and the Optionholders will also be informed as soon as possible when there is any material change to information contained in or referred to herein as well as any changes to our opinion, if any, throughout the Offer Period.

Your attention is drawn to the responsibility statements as set out in the paragraph headed “1. Responsibility statement” under the section headed “Appendix III General information of the Group” in the Composite Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Shareholders as a result of the Offers. 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. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL TERMS OF THE OFFERS

1. The Share Offer

Jin Yi Financial is making the Share Offer for and on behalf of the Offeror which is unconditional in all respect in compliance with the Takeovers Code on the following terms:

For each Offer Share held HK\$0.06 in cash

The Share Offer Price of HK\$0.06 per Offer Share represents the highest price paid by the Offeror and parties acting in concert with it for the acquisition of the Shares within six months prior to the commencement of the Offer Period.

The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of despatch of the Composite Document.

As at the Latest Practicable Date, the Company confirms that (i) it has not declared any dividend which is outstanding and not yet paid and (ii) it does not have any intention to recommend, make, declare or pay any future dividend or make other distributions before the close of the Offers.

2. The Option Offer

Jin Yi Financial is making the Option Offer for and on behalf of the Offeror to cancel all the outstanding Share Options at appropriate price in compliance with Rule 13 of the Takeovers Code on the following terms:

**For cancellation of each Share Option with
exercise price of HK\$0.2066 HK\$0.01 in cash**

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 to the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise price of the Share Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Share Options is above the Share Offer Price, the outstanding Share Options are out-of-money and the Option Offer Price for the cancellation of each outstanding Share Option is set at a nominal value of HK\$0.01. The Option Offer is extended to all Optionholders in accordance with the Takeovers Code.

The Offers are unconditional in all respects and are extended to all Shareholders and Optionholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

3. Value and total consideration of the Offers

Based on (i) the Share Offer Price of HK\$0.06 per Share; (ii) the Option Offer Price of HK\$0.01 per Share Option; (iii) 273,546,000 Offer Shares not already held or agreed to be acquired by the Offeror and parties acting in concert with it; and (iv) 3,000,000 outstanding Share Options:

- (a) Assuming no outstanding Share Options are exercised and the Share Offer and Option Offer are accepted in full, the total value of the Offers shall be HK\$16,442,760 which comprises: (1) the value of the Share Offer of HK\$16,412,760; and (2) the total amount to satisfy the cancellation of all outstanding Share Options of HK\$30,000.
- (b) Assuming all outstanding Share Options are exercised in full and the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Share Options), the total value of the Offers shall be HK\$16,592,760 which comprises (1) the value of the Share Offer of HK\$16,592,760; and (2) no amount to be payable by the Offeror under the Option Offer.

4. Confirmation of financial resources available for the Offers

The Offeror intends to finance and satisfy the maximum consideration payable under the Offers by its internal resources. Silverbricks Securities and Zhongtai International, being the Joint Financial Advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum consideration payable upon full acceptance of the Offers.

PRINCIPAL FACTORS AND REASONS TAKEN INTO CONSIDERATION ON THE OFFERS

In assessing the Offers and in giving our advice to the Independent Board Committee, the Independent Shareholders and the Optionholders, we have taken into consideration the following principal factors and reasons:

BACKGROUND OF THE OFFEROR AND THE GROUP

1. Background and financial information of the Group

1.1 Background information of the Group

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the GEM of the Stock Exchange. The Company is principally engaged in investment holding and its subsidiaries are principally engaged in freight forwarding, logistics and warehousing and E-commerce business.

According to the Company's annual report for the year ended 31 December 2024 (the "Annual Report 2024"), the Group's core business is freight forwarding which offers exceptional high quality freight forwarding services. The Group secures cargo space from airlines, shipping liners, general sales agents, and then sells it to either direct shippers or other freight forwarders who act on behalf of their shipper clients. While the majority of

the Group's customers are direct shippers, the Group caters for their requirements by exporting their goods from Hong Kong to various global destinations through the Group's air and ocean freight services. The Group has particularly excelled in serving destinations in Asia, including Bangladesh, India, Sri Lanka, and countries along the Mekong River, such as Vietnam.

In addition to the Group's core freight forwarding services, the Group strategically offers ancillary logistics and warehousing services, primarily at the Group's warehouses, to meet the growing demand of the Group's customers for customized value-added logistics solutions. These services include both forward and reverse logistics, and business to business and business to consumer omni channel fulfillment. The Group's ancillary logistics services encompass warehousing, repacking, labeling, palletizing, and local delivery within Hong Kong. By integrating these services with the Group's core freight forwarding offerings, the Group has created a unique corporate identity that resonates with the Group's shipper customers.

For the E-commerce business, the Group have established a cross-border logistics platform to cater to the increasing demand for e-commerce services from the PRC and international clients in the United States, Europe, Canada, and Australia. This venture has grown to include procurement activities, local distribution, and fulfillment services, particularly for pharmaceutical and medical products.

Set out below is the table showing the Group's source of revenue by business segment for the year ended 31 December 2024:

	For the year ended 31 December 2024 (audited)	
	<i>HK\$'000</i>	<i>%</i>
Air freight forwarding	89,559	35.7
Ocean freight forwarding	<u>30,520</u>	<u>12.2</u>
Freight forwarding subtotal	120,079	47.9
Logistics and warehousing	92,711	37.0
E-commerce	<u>37,981</u>	<u>15.1</u>
Total revenue	<u><u>250,771</u></u>	<u><u>100.0</u></u>

1.2 Historical financial performance and position of the Group

The table below summarises the general financial information of the Group for the financial years ended 31 December 2022, 2023 and 2024 which are extracted from the Company's annual report for the year ended 31 December 2023 (the "**Annual Report 2023**") and the Annual Report 2024.

Summary of the consolidated financial results of the Group

	For the year ended 31 December 2022 (audited) HK\$'000	For the year ended 31 December 2023 (audited) HK\$'000	For the year ended 31 December 2024 (audited) HK\$'000
Revenue			
Air freight forwarding	120,291	77,559	89,559
Ocean freight forwarding	<u>93,119</u>	<u>23,150</u>	<u>30,520</u>
Freight forwarding subtotal	213,410	100,709	120,079
Logistics and warehousing	158,818	81,542	92,711
E-Commerce	<u>140,444</u>	<u>83,389</u>	<u>37,981</u>
Total revenue	512,672	265,640	250,771
Cost of sales			
Air freight forwarding	(107,625)	(73,792)	(81,033)
Ocean freight forwarding	<u>(78,152)</u>	<u>(21,344)</u>	<u>(27,138)</u>
Freight forwarding subtotal	(185,777)	(95,136)	(108,171)
Logistics and warehousing	(122,000)	(71,068)	(81,577)
E-Commerce	<u>(131,407)</u>	<u>(72,313)</u>	<u>(38,276)</u>
Total cost of sales	(439,184)	(238,517)	(228,024)
Gross profit/(loss)			
Air freight forwarding	12,666	3,767	8,526
Ocean freight forwarding	<u>14,967</u>	<u>1,806</u>	<u>3,382</u>
Freight forwarding subtotal	27,633	5,573	11,908
Logistics and warehousing	36,818	10,474	11,134
E-Commerce	<u>9,037</u>	<u>11,076</u>	<u>(295)</u>
Total gross profit	73,488	27,123	22,747

	For the year ended 31 December 2022 (audited) HK\$'000	For the year ended 31 December 2023 (audited) HK\$'000	For the year ended 31 December 2024 (audited) HK\$'000
Gross profit/(loss) margin (%)			
Air freight forwarding	10.5%	4.9%	9.5%
Ocean freight forwarding	16.1%	7.8%	11.1%
Freight forwarding	12.9%	5.5%	9.9%
Logistics and warehousing	23.2%	12.8%	12.0%
E-Commerce	6.4%	13.3%	(0.8%)
Total gross profit margin	14.3%	10.2%	9.1%
Other income	7,846	2,908	573
Other gains/(losses), net	1,841	(619)	10
Administrative and selling expenses	(69,216)	(41,189)	(35,813)
(Impairment loss)/Reversal of impairment loss on trade receivables	(1,575)	(1,473)	1,075
Share-based payment expenses	(144)	—	—
Impairment loss on amount due from a joint venture	—	—	(1,641)
Profit/(Loss) from operations	12,240	(13,250)	(13,049)
Finance costs	(5,827)	(5,013)	(4,091)
Share of profit/(loss) of a joint venture	713	(480)	(1,049)
Profit/(Loss) before tax	7,126	(18,743)	(18,189)
Income tax (expense)/credit	(1,783)	230	(185)
Profit/(Loss) for the year	5,343	(18,513)	(18,374)

Financial performance for the year ended 31 December 2022 (“FY2022”) and 31 December 2023 (“FY2023”)

The Group recorded total revenue of approximately HK\$265.6 million for FY2023, representing a decrease of approximately 48.2% as compared with FY2022 of approximately HK\$512.7 million. Such decrease in the Group’s total revenue was mainly due to the decrease in revenue derived from the Group’s three business segments.

As stated in the Annual Report 2023, revenue from air freight forwarding services decreased by approximately HK\$42.7 million from approximately HK\$120.3 million for FY2022 to approximately HK\$77.6 million for FY2023, representing a decrease of approximately 35.5%. Such decrease in revenue from air freight forwarding services is primarily due to the decrease in freight rates charged to the Group’s customers and air freight tonnage handled by the Group for FY2023. Such decrease in air freight rates charged to the Group’s customers is mainly affected by the slow recovery of global logistics by the COVID-19. The demand for the Group’s air freight forwarding export services to Vietnam and Sri Lanka dropped during FY2023 as compared with FY2022. In order to off-set such drop in demand for air freight forwarding services, the Group explored new customers for air freight forwarding export services to India in a relatively lower air freight rate during FY2023, and thus the decrease in the Group’s air freight rate charged to customers. Revenue from ocean freight forwarding services decreased by approximately HK\$70.0 million from approximately HK\$93.1 million for FY2022 to approximately HK\$23.1 million for FY2023, representing a decrease of approximately 75.1%. Such decrease in revenue from ocean freight forwarding services is due to (i) the recovery of shipment volume affected by the outbreak of COVID-19 pandemic and the expected economic recovery are slower than anticipated; and (ii) the significant decrease in freight rates charged to customers comparing with FY2022. Such decrease in ocean freight rates charged to the Group’s customers is mainly affected by the decrease in demand for the Group’s ocean freight forwarding export services to Bangladesh and Sri Lanka and the excess supply of containers in the market as compared with FY2022, and thus weakened the Group’s ocean freight rate charged to customers. Revenue from logistics and warehousing services decreased by approximately HK\$77.3 million from approximately HK\$158.8 million for FY2022 to approximately HK\$81.5 million for FY2023, representing a decrease of approximately 48.7%. Such decrease in revenue from logistics and warehousing services is mainly due to the completion of the Group’s engagement by the government of Hong Kong to distribute anti-epidemic service bags and electronic wristbands in January 2023. Revenue from e-commerce decreased by approximately HK\$57.0 million from approximately HK\$140.4 million for FY2022 to approximately HK\$83.4 million for FY2023, representing a decrease of approximately 40.6%. Such decrease in revenue from e-commerce was due to the decrease in demand for business-to-consumer orders of this segment.

The Group's cost of sales decreased from approximately HK\$439.2 million for FY2022 to approximately HK\$238.5 million for FY2023, representing a decrease of approximately 45.7%. Pursuant to the Annual Report 2023, such decrease in the Group's cost of sales was mainly due to (i) the reduction of direct costs due to decrease in shipment volume and number of orders received in the Group's three business segments; and (ii) the control of temporary workers costs due to the improvement of production efficiency of the Group's warehouse staff.

The Groups' gross profit decreased from approximately HK\$73.5 million for FY2022 to approximately HK\$27.1 million for FY2023, representing a decrease of approximately 63.1%. According to the Annual Report 2023, such decrease in the Group's gross profit was mainly due to the decrease in gross profit derived from the Group's freight forwarding services segment and logistics and warehousing services segment.

According to the Annual Report 2023, gross profit from freight forwarding services decreased by approximately 79.8% from approximately HK\$27.6 million for FY2022 to approximately HK\$5.6 million for FY2023. The decrease in gross profit from freight forwarding services was resulted from (i) the decrease in air freight tonnage and ocean freight shipment volume as the recovery of these shipments volume, which was previously affected by the outbreak of COVID-19 pandemic and economic downturn, was slower than anticipated; (ii) the decrease in freight rates charged to customers; and (iii) the increase in direct costs, including fuels and other forwarding costs. Gross profit from logistics and warehousing services decreased by approximately 71.6% from approximately HK\$36.8 million for FY2022 to approximately HK\$10.5 million for FY2023. The decrease in gross profit from logistics and warehousing services was mainly due to the completion of the Group's engagement to distribute the anti-epidemic service bags and electronic wristbands by the government of Hong Kong in January 2023. Despite the above, the gross profit from e-commerce increased by approximately 22.6% from approximately HK\$9.0 million for FY2022 to approximately HK\$11.1 million for FY2023, which is contributed from the Group's improved customers mix with higher margin and improvement in the Group's rates charged to customers.

The Group's other income decreased by approximately HK\$4.9 million from approximately HK\$7.8 million for FY2022 to approximately HK\$2.9 million for FY2023. As stated in the Annual Report 2023, such decrease in the Group's other income was mainly due to subsidies granted by the government of Hong Kong of approximately HK\$4.2 million under the Employment Support Scheme under the Anti-epidemic Fund for FY2022 was no longer available for FY2023.

The Group recorded the other losses, net of approximately HK\$0.6 million for FY2023 (FY2022: other gains, net of approximately HK\$1.8 million). Pursuant to the Annual Report 2023, net other gains and losses mainly comprised loss on surrender of life insurance policies of approximately HK\$0.9 million and net exchange loss of approximately HK\$0.6 million for FY2023, which outweighs a gain from disposal of right-of-use assets of approximately HK\$0.8 million for FY2023.

The Group's administrative and selling expenses decreased by approximately HK\$28.0 million from approximately HK\$69.2 million for FY2022 to approximately HK\$41.2 million for FY2023. As stated in the Annual Report 2023, such decrease in the Group's administrative and selling expenses was primarily due to (i) the decrease in legal and professional fees for FY2023 due to the absence of the professional fees for on-going litigation for FY2023; (ii) the decrease in staff salaries and allowances due to the decrease in the number of employees for FY2023; and (iii) the decrease in overall spending through cost control initiatives. On 21 April 2022, each of Janco Global Logistics Limited ("**JGL**") and Transpeed Hong Kong Limited ("**Transpeed**"), an indirect wholly-owned subsidiary of the Company, received a winding-up petition from FC Bangladesh Limited ("**FCB**") for the alleged debts payable by each of JGL and Transpeed (the "**Alleged Debts**"). On 21 April 2022, each of JGL and Transpeed issued an originating summons for an injunction to prevent FCB from presenting winding-up petitions against each of them. On 3 May 2022, each of JGL and Transpeed issued a writ of summons against FCB to seek declaration that they are not indebted to FCB for the Alleged Debts. On 18 May 2022, FCB and each of JGL and Transpeed entered into consent summons for the withdrawal of the aforesaid petitions. Sealed orders for the withdrawal of the two aforesaid petitions were subsequently granted on 2 June 2022. For detailed information of the litigation, please refer to the Company's announcements dated 22 April 2022, 4 May 2022 and 20 May 2022.

The Group recorded an impairment loss on trade receivables of approximately HK\$1.5 million for FY2023, representing a decrease of approximately 6.5% as compared with FY2022 of approximately HK\$1.6 million. According to the Directors, such decrease in the Group's impairment loss on trade receivables represented less provision of impairment loss on trade receivables.

There were no share-based payment expenses recorded for FY2023 (FY2022: approximately HK\$0.1 million).

The Group recorded loss from operations of approximately HK\$13.3 million for FY2023 (FY2022: profit from operations of approximately HK\$12.2 million). As advised by the Directors, the change from profit from operations to loss from operations was mainly due to (i) the decrease in the Group's revenue and gross profit as analysed above in this paragraph; and (ii) the decrease in the Group's other income as analysed above in this paragraph.

The Group's finance costs mainly comprised of the interest expenses on bank borrowing and overdrafts, other borrowing, loan from a substantial shareholder and lease liabilities. The Group's finance costs decreased from approximately HK\$5.8 million for FY2022 to approximately HK\$5.0 million for FY2023, representing a decrease of approximately 14.0%. According to the Directors, such decrease in the Group's finance costs was mainly attributable to the combined effect of (i) the decrease in interest expenses on bank borrowings and overdrafts from approximately HK\$3.3 million for FY2022 to approximately HK\$2.4 million for FY2023; (ii) the decrease in interest expenses on lease liabilities from approximately HK\$1.9 million

for FY2022 to approximately HK\$1.5 million for FY2023; and (iii) the decrease in interest expenses on other borrowings from approximately HK\$0.5 million for FY2022 to approximately HK\$0.1 million for FY2023; and partially offset by the increase in interest expenses on loan from a substantial shareholder from approximately HK\$0.1 million for FY2022 to approximately HK\$0.9 million for FY2023.

The Group's share of loss of a joint venture was approximately HK\$0.5 million for FY2023 (FY2022: share of profit of a joint venture of approximately HK\$0.7 million). As stated in the Annual Report 2023, such share of loss of a joint venture represented the loss on the Group's unlisted overseas investment in Janco E-commerce Solutions (USA) Inc ("JEC USA").

The Group's loss before tax for the year of FY2023 amounted to approximately HK\$18.7 million, as compared to the Group's profit before tax for the year of approximately HK\$7.1 million for FY2022. As advised by the Directors, such change from profit before tax to loss before tax was due to the above mentioned reasons under profit/loss from operations and further affected by the finance costs and share of loss of a joint venture incurred during FY2023.

The Group's income tax credit for FY2023 was approximately HK\$0.2 million (FY2022: income tax expense of approximately HK\$1.8 million). According to the Directors, such change in income tax expense to income tax credit was mainly due to the change from profit before tax to loss before tax as mentioned above.

The Group's loss for the year of FY2023 amounted to approximately HK\$18.5 million, as compared to the Group's profit for the year of approximately HK\$5.3 million for FY2022. As advised by the Directors, such change from profit for the year to loss for the year was due to the above mentioned reason under profit/(loss) before income tax and partially offset by the effect from income tax credit of approximately HK\$0.2 million for FY2023.

Financial performance for the year ended 31 December 2023 and 31 December 2024 ("FY2024")

The Group recorded total revenue of approximately HK\$250.8 million for FY2024, representing a decrease of approximately 5.6% as compared with FY2023 of approximately HK\$265.6 million. As advised by the Directors, such decrease in the Group's total revenue was mainly due to the combine effected of the decrease in revenue derived from e-commerce from approximately HK\$83.4 million for FY2023 to approximately HK\$38.0 million for FY2024, representing a decrease of approximately 54.5%; and partially offset by (a) the increase in revenue derived from freight forwarding services from approximately HK\$100.7 million for FY2023 to approximately HK\$120.1 million for FY2024, representing an increase of approximately 19.2%; and (b) the increase in revenue derived from logistics and warehousing services from approximately HK\$81.5 million for FY2023 to approximately HK\$92.7 million for FY2024, representing an increase of approximately 13.7%.

As stated in the Annual Report 2024, revenue from the air freight forwarding services increased by approximately HK\$12.0 million from HK\$77.6 million for FY2023 to HK\$89.6 million for FY2024, representing an increase of approximately 15.5%. Such increase in revenue from air freight forwarding services is primarily due to the increase in air freight tonnage handled by the Group for FY2024. Revenue from the ocean freight forwarding services increased by HK\$7.3 million from HK\$23.2 million for FY2023 to HK\$30.5 million for FY2024, representing an increase of approximately 31.8%, since the Group managed to obtain a higher freight rate from certain major customers during FY2024. Revenue from the logistics and warehousing services increased by approximately HK\$11.2 million from HK\$81.5 million for FY2023 to HK\$92.7 million for FY2024, representing an increase of approximately 13.7%. Such increase in revenue from logistics and warehousing services is mainly due to an increase in the number of logistic customers. Revenue from the e-commerce decreased by approximately HK\$45.4 million from approximately HK\$83.4 million for FY2023 to HK\$38.0 million for FY2024, representing a decrease of approximately 54.5%. Such decrease in revenue from e-commerce is mainly due to a reduction in the number of business-to-consumer orders received during FY2024.

The Group's cost of sales decreased from approximately HK\$238.5 million for FY2023 to approximately HK\$228.0 million for FY2024, representing a decrease of approximately 4.4%. According to the Annual Report 2024, such decrease in the Group's cost of sales was mainly due to (i) the reduction of direct costs due to the decrease in shipment volume and number of orders received in the Group's e-commerce segment; and (ii) the control of temporary workers costs due to the improvement of production efficiency of the Group's warehouse staff.

The Groups' gross profit decreased from approximately HK\$27.1 million for FY2023 to approximately HK\$22.7 million for FY2024, representing a decrease of approximately 16.1%. According to the Annual Report 2024, such decrease in the Group's gross profit was mainly due to the gross loss derived from the Group's e-commerce segment.

According to the Annual Report 2024, gross profit from freight forwarding services increased by approximately 113.7% from approximately HK\$5.6 million for FY2023 to approximately HK\$11.9 million for FY2024. The increase in gross profit from freight forwarding services was mainly attributable to (i) the Group managed to obtain from certain major customers a higher freight rate; and (ii) the increase in air freight tonnage handle by the Group. Gross profit from logistics and warehousing services increased by approximately 6.3% from approximately HK\$10.5 million for FY2023 to approximately HK\$11.1 million for FY2024. The increase in gross profit from logistics and warehousing services was mainly due to the Group's focus on attracting and obtaining logistics customers. However, there was a gross loss derived from the Group's e-commerce segment of approximately HK\$0.3 million for FY2024 (FY2023: a gross profit of approximately HK\$11.1 million for FY2023). Such gross loss incurred was mainly due to the reduction in the number of business-to-consumer orders.

The Group's other income decreased by approximately HK\$2.3 million from approximately HK\$2.9 million for FY2023 to approximately HK\$0.6 million for FY2024. As stated in the Annual Report 2024, such decrease in the Group's other income was mainly due to the surrender of life insurance policies for FY2023.

The Group recorded the other gains, net of approximately HK\$10,000 for FY2024 (FY2023: other losses, net of approximately HK\$0.6 million). Pursuant to the Annual Report 2024, such change from other losses, net to other gains, net was mainly driven by (i) the increase of gain on early termination of leased properties from approximately HK\$18,000 for FY2023 to approximately HK\$0.2 million for FY2024; (ii) the recovery of bad debt of approximately HK\$0.2 million for FY2024 (FY2023: nil); (iii) no loss on surrender of life insurance policies (FY2023: approximately HK\$0.9 million for FY2023); and (iv) the decrease in loss on exchange difference from approximately HK\$0.6 million for FY2023 to approximately HK\$0.3 million for FY2024; and partially offset by the loss on disposal of property, plant and equipment of approximately HK\$0.1 million for FY2024 (FY2023: gain on disposal of property, plant and equipment of approximately HK\$34,000).

The Group's administrative and selling expenses decreased by approximately HK\$5.4 million from approximately HK\$41.2 million for FY2023 to approximately HK\$35.8 million for FY2024. As stated in the Annual Report 2024, such decrease in the Group's administrative and selling expenses was primarily due to (i) the decrease in legal and professional fee for FY2024; (ii) the decrease in the insurance expenses; and (iii) the decrease in other administrative expenses after the implementation of a general cost containment programme.

The Group recorded a reversal of impairment loss on trade receivables of approximately HK\$1.1 million for FY2024 (FY2023: impairment loss on trade receivables of approximately HK\$1.5 million). According to the Directors, such change from impairment loss on trade receivables to reversal of impairment loss on trade receivables represented the recovery of trade receivables during FY2024.

According to the Directors, the impairment loss on amount due from a joint venture of the Group amounted to approximately HK\$1.6 million for FY2024 (FY2023: nil), which represented the provision made on the amount due from JEC USA.

The Group recorded loss from operations of approximately HK\$13.0 million for FY2024 (FY2023: loss from operations of approximately HK\$13.3 million). As advised by the Directors, such slight improvement was mainly attributable to (i) the change from impairment loss on trade receivables of approximately HK\$1.5 million for FY2023 to reversal of impairment loss on trade receivables of approximately HK\$1.1 million for FY2024; and (ii) the change from other losses, net of approximately HK\$0.6 million for FY2023 to other gains, net of approximately HK\$10,000 for FY2024; and partially offset by (a) the decrease in other income

from approximately HK\$2.9 million for FY2023 to approximately HK\$0.6 million for FY2024; and (b) the impairment loss on amount due from a joint venture of the Group of approximately HK\$1.6 million incurred for FY2024.

The Group's finance costs decreased from approximately HK\$5.0 million for FY2023 to approximately HK\$4.1 million for FY2024, representing a decrease of approximately 18.4%. According to the Directors, such decrease in the Group's finance costs was mainly attributable to (i) the decrease in interest expenses on bank borrowings and overdrafts from approximately HK\$2.4 million for FY2023 to approximately HK\$0.5 million for FY2024; (ii) the decrease in interest expenses on other borrowings from approximately HK\$0.1 million for FY2023 to nil for FY2024; and (iii) the decrease in interest expenses on loan from a substantial shareholder from approximately HK\$0.9 million for FY2023 to approximately HK\$18,000 for FY2024; and partially offset by the increase in interest expenses on lease liabilities from approximately HK\$1.5 million for FY2023 to approximately HK\$3.6 million for FY2024.

The Group's share of loss of a joint venture increased from approximately HK\$0.5 million for FY2023 to approximately HK\$1.0 million for FY2024, representing an increase of approximately 118.5%. According to the Annual Report 2024 and the Directors, such widen in share of loss of a joint venture was mainly caused by the increase in loss for the year in JEC USA from approximately HK\$0.7 million for FY2023 to approximately HK\$4.5 million for FY2024.

The Group's loss before tax decreased from approximately HK\$18.7 million for FY2023 to approximately HK\$18.2 million for FY2024, representing a decrease of approximately 3.0%. As advised by the Directors, such slight improvement was mainly driven by (i) the above mentioned reasons under loss from operations of the Group for FY2024 in this paragraph; and (ii) the decrease in finance costs from approximately HK\$5.0 million for FY2023 to approximately HK\$4.1 million for FY2024; and partially offset by the increase in share of loss of a joint venture from approximately HK\$0.5 million for FY2023 to approximately HK\$1.0 million for FY2024.

The Group's income tax expense for FY2024 was approximately HK\$0.2 million (FY2023: income tax credit of approximately HK\$0.2 million).

The Group's loss for the year decreased from approximately HK\$18.5 million for FY2023 to approximately HK\$18.4 million for FY2024, representing a decrease of approximately 0.8%. As advised by the Directors, such slight improvement was mainly driven by the above mentioned reason under loss before income tax and partially offset by the effect from income tax expense of approximately HK\$0.2 million for FY2024.

Summary of the consolidated financial positions of the Group

	As at 31 December 2022 (audited) HK\$'000	As at 31 December 2023 (audited) HK\$'000	As at 31 December 2024 (audited) HK\$'000
Property, plant and equipment	9,143	7,580	5,107
Computer software	267	191	228
Deposits placed in life insurance policies	5,352	—	—
Right-of-use assets	46,570	20,989	43,169
Interest in a joint venture	1,529	1,049	—
Deferred tax assets	171	616	616
Goodwill	61	—	—
Rental and other deposits	1,275	5,990	7,474
Non-current assets	64,368	36,415	56,594
Inventories	—	857	—
Trade receivables	125,942	54,778	46,311
Other receivables, deposits and prepayments	17,027	8,392	8,228
Amount due from a joint venture	884	1,665	24
Deposits placed in a life insurance policies	115,037	—	—
Income tax recoverable	—	106	—
Pledged bank deposits	17,446	16,000	17,643
Bank and cash balances	10,131	11,699	13,245
Current assets	286,467	93,497	85,451
Total assets	350,835	129,912	142,045
Lease liabilities	16,103	7,676	20,295
Deferred tax liabilities	633	40	40
Non-current liabilities	16,736	7,716	20,335
Trade payables	55,264	24,923	27,289
Other payables and accruals	31,205	16,687	14,190
Loan from a substantial shareholder	10,000	—	1,500
Amount due to non-controlling interests	656	—	—
Contract liabilities	1,206	—	—
Bank borrowings and overdrafts	113,748	3,000	11,323
Other borrowings	7,070	—	—
Lease liabilities	30,488	13,773	23,205
Income tax payable	2,626	2,566	1,334
Current liabilities	252,263	60,949	78,841
Total liabilities	268,999	68,665	99,176
Net assets	81,836	61,247	42,869

Financial position as at 31 December 2023

As at 31 December 2023, the Group's total assets mainly comprised trade receivables of approximately HK\$54.8 million, right-of-use assets of approximately HK\$21.0 million and pledged bank deposits of approximately HK\$16.0 million. The Group's total assets decreased from approximately HK\$350.8 million as at 31 December 2022 to approximately HK\$129.9 million as at 31 December 2023. As advised by the Directors, such decrease in total assets was mainly due to (i) the decrease in deposits placed in life insurance policies from approximately HK\$120.4 million as at 31 December 2022 to nil as at 31 December 2023; (ii) the decrease in trade receivables from approximately HK\$125.9 million as at 31 December 2022 to approximately HK\$54.8 million as at 31 December 2023; (iii) the decrease in right-of-use assets from approximately HK\$46.6 million as at 31 December 2022 to approximately HK\$21.0 million as at 31 December 2023; and (iv) the decrease in other receivables, deposits and prepayments from approximately HK\$17.0 million as at 31 December 2022 to approximately HK\$8.4 million as at 31 December 2023.

Janco Global Logistics Limited, an indirect wholly-owned subsidiary of the Company, (i) placed deposits amounting to USD643,500 in a life insurance policy purchased from Manulife (International) Limited on 28 March 2018 (the “**Life Insurance Subscription A**”); and (ii) placed deposits amounting to HK\$100.0 million in a life insurance policy purchased from China Taiping Life Insurance (Hong Kong) Company Limited on 24 July 2018 (the “**Life Insurance Subscription B**”). Such Life Insurance Subscription A and Life Insurance Subscription B were for the main purpose of obtaining banking facilities from China CITIC Bank International Limited to finance the Group's business. For detailed information of the Life Insurance Subscription A and Life Insurance Subscription B, please refer to the Company's announcement dated 3 January 2020 and Note 17. Deposits placed in life insurance policies under the notes to the consolidated financial statements in the Annual Report 2023. As stated in the Company's announcement dated 14 September 2023 and the Annual Report 2023, the Life Insurance Subscription A and the Life Insurance Subscription B had surrendered during FY2023, comprising the major decrease in the Group's total assets to approximately HK\$129.9 million as at 31 December 2023. Such deposits placed in the Life Insurance Subscription A and the Life Insurance Subscription B of approximately HK\$120.4 million were secured for the bank borrowings and overdrafts of the Group as at 31 December 2022 and was released during FY2023.

As at 31 December 2023, the Group's total liabilities mainly comprised trade payables of approximately HK\$24.9 million, lease liabilities of approximately HK\$21.4 million and other payables and accruals of approximately HK\$16.7 million. The Group's total liabilities decreased from approximately HK\$269.0 million as at 31 December 2022 to approximately HK\$68.7 million as at 31 December 2023. As advised by the Directors, such decrease in total liabilities was mainly due to (i) the decrease in bank borrowings and overdrafts from approximately HK\$113.7 million as at 31 December 2022 to approximately HK\$3.0 million as at 31 December 2023; (ii) the decrease in trade payables from approximately HK\$55.3 million as at 31

December 2022 to approximately HK\$24.9 million as at 31 December 2023; (iii) the decrease in lease liabilities from approximately HK\$46.6 million as at 31 December 2022 to approximately HK\$21.4 million as at 31 December 2023; (iv) the decrease in other payables and accruals from approximately HK\$31.2 million as at 31 December 2022 to approximately HK\$16.7 million as at 31 December 2023; (v) the decrease in loan from a substantial shareholder from approximately HK\$10.0 million as at 31 December 2022 to nil as at 31 December 2023; and (vi) the decrease in other borrowings from approximately HK\$7.1 million as at 31 December 2022 to nil as at 31 December 2023.

As mentioned above in this paragraph, the Life Insurance Subscription B was subscribed for obtaining banking facilities from China CITIC Bank International Limited. Pursuant to the Company's announcement dated 3 January 2020 and the advice from the Directors, the Life Insurance Subscription B was one of the collaterals for obtaining the total facility limits of the renewed banking facilities amounted to HK\$115.5 million, which included a facility limit of HK\$85.5 million in respect of life insurance policy premium financing. Such banking facilities amount comprised the major liabilities of the Group as at 31 December 2022. During FY2023, the Life Insurance Subscription B was surrendered, released and repaid for the corresponding bank borrowings and overdrafts, comprising the major decrease in the Group's total liabilities to approximately HK\$68.7 million as at 31 December 2023.

The Group's net assets decreased by approximately HK\$20.6 million from approximately HK\$81.8 million as at 31 December 2022 to approximately HK\$61.2 million as at 31 December 2023. According to the Directors, such decrease in net assets was mainly due to the loss-making position during FY2023.

Financial position as at 31 December 2024

As at 31 December 2024, the Group's total assets mainly comprised trade receivables of approximately HK\$46.3 million, right-of-use assets of approximately HK\$43.2 million and pledged bank deposits of approximately HK\$17.6 million. The Group's total assets increased from approximately HK\$129.9 million as at 31 December 2023 to approximately HK\$142.0 million as at 31 December 2024. As advised by the Directors, such increase in total assets was mainly due to the increase in right-of-use assets from approximately HK\$21.0 million as at 31 December 2023 to approximately HK\$43.2 million as at 31 December 2024; and partially offset by (a) the decrease in trade receivables from approximately HK\$54.8 million as at 31 December 2023 to approximately HK\$46.3 million as at 31 December 2024; and (b) the decrease in amount due from a joint venture from approximately HK\$1.7 million as at 31 December 2023 to approximately HK\$24,000 as at 31 December 2024.

As at 31 December 2024, the Group's total liabilities mainly comprised lease liabilities of approximately HK\$43.5 million, trade payables of approximately HK\$27.3 million and other payables and accruals of approximately HK\$14.2 million. The Group's total liabilities increased from approximately HK\$68.7 million as at 31

December 2023 to approximately HK\$99.2 million as at 31 December 2024. As advised by the Directors, such increase in total liabilities was mainly due to (i) the increase in lease liabilities from approximately HK\$21.4 million as at 31 December 2023 to approximately HK\$43.5 million as at 31 December 2024; and (ii) the increase in bank borrowings and overdrafts from approximately HK\$3.0 million as at 31 December 2023 to approximately HK\$11.3 million as at 31 December 2024.

The Group's net assets decreased by approximately HK\$18.3 million from approximately HK\$61.2 million as at 31 December 2023 to approximately HK\$42.9 million as at 31 December 2024. According to the Directors, such decrease in net assets was mainly due to the loss-making position during FY2024.

1.3 Overview and outlook of the Group

According to the Annual Report 2024, the Group has established in Hong Kong since 1990 and has made significant strides in logistics industry. The Group has continued to operate the principal business segments of air and ocean freight forwarding services and logistics and warehousing services since the listing on the GEM of the Stock Exchange and has established the e-commerce business segment since 2017. To assess the outlook of the Group, we have researched and studied the data from the Census and Statistics Department of The Government of Hong Kong (the "CSD") in relation to the air and ocean freight forwarding and export and import trading.

Statistics of cargo and container throughput

	2020	2021	2022	2023	2024	Compound annual growth rate
	<i>tonnes'000</i>	<i>tonnes'000</i>	<i>tonnes'000</i>	<i>tonnes'000</i>	<i>tonnes'000</i>	<i>(%)</i>
Air cargo throughput	4,420	4,986	4,169	4,298	4,900	2.6
<i>Year-on-year change (%)</i>		12.8	(16.4)	3.1	14.0	
Port cargo throughput	249,286	213,731	192,104	174,866	176,691	(8.2)
<i>Year-on-year change (%)</i>		(14.3)	(10.1)	(9.0)	1.0	
	<i>TEUs'000</i>	<i>TEUs'000</i>	<i>TEUs'000</i>	<i>TEUs'000</i>	<i>TEUs'000</i>	
Container throughput	17,969	17,798	16,685	14,401	13,688	(6.6)
<i>Year-on-year change (%)</i>		(1.0)	(6.3)	(13.7)	(5.0)	

Source: Website of the CSD (<https://www.censtatd.gov.hk/en/>)

Definition of TEUs: Twenty-foot equivalent units

As shown in the above table, the air cargo throughput fluctuated in the past five years, ranging from the lowest air cargo throughput of approximately 4.2 million tonnes for the year of 2022 to the highest air cargo throughput of approximately 5.0 million tonnes for the year of 2021. The air cargo throughput firstly increased from approximately 4.4 million tonnes for the year of 2020 to approximately 5.0 million tonnes for the year of 2021. Then, it decreased from approximately 5.0 million tonnes for the year of 2021 to approximately 4.2 million tonnes for the year of 2022. After that, it started recovering from approximately 4.2 million tonnes for the year of 2022 to approximately 4.3 million tonnes for the year of 2023 and further rose to approximately 4.9 million tonnes for the year of 2024. Overall, the air cargo throughput represents a compound annual growth rate of approximately 2.6%.

For the port cargo throughput, however, it demonstrated a general decreasing trend from approximately 249.3 million tonnes for the year of 2020 to approximately 174.9 million tonnes for the year of 2023. After that, it started slightly recovering to approximately 176.7 million tonnes for the year of 2024, representing an increase of approximately 1.0% as compared with the year of 2023. Overall, the port cargo throughput represents a negative compound annual growth rate of approximately 8.2%.

Furthermore, the container throughput also showed as a general decreasing trend from approximately 18.0 million TEUs for the year of 2020 to approximately 13.7 million TEUs for the year of 2024, representing a negative compound annual growth rate of approximately 6.6%.

Such instability of the air cargo throughput in the past five years and the general decreasing trend of the port cargo throughput and the container throughput were mainly due to the outbreak of COVID-19 from the year of 2020 to 2022.

Statistics of external merchandise trade (the “EM Trade”) by mode of transport

	2020	2021	2022	2023	2024	Compound annual growth rate
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	(%)
Exports						
Air exports	1,442,947	1,760,263	1,870,978	1,732,321	1,706,695	4.3
<i>Year-on-year change (%)</i>		22.0	6.3	(7.4)	(1.5)	
Ocean exports	508,077	602,055	577,015	420,723	435,242	(3.8)
<i>Year-on-year change (%)</i>		18.5	(4.2)	(27.1)	3.5	
Imports						
Air imports	2,056,229	2,578,010	2,691,421	2,429,484	2,595,014	6.0
<i>Year-on-year change (%)</i>		25.4	4.4	(9.7)	6.8	
Ocean imports	506,846	568,049	620,019	503,931	480,255	(1.3)
<i>Year-on-year change (%)</i>		12.1	9.1	(18.7)	(4.7)	

Source: Website of the CSD (<https://www.censtatd.gov.hk/en/>)

As shown in the above table, the EM Trade by air exports firstly increased from approximately HK\$1,442.9 billion for the year of 2020 to approximately HK\$1,871.0 billion for the year 2022. Then, it started decreasing from approximately HK\$1,871.0 billion for the year of 2022 to approximately HK\$1,732.3 billion for the year of 2023 and further dropped to approximately HK\$1,706.7 billion for the year of 2024. The EM Trade by air exports represents a compound annual growth rate of approximately 4.3%. For the EM Trade by ocean exports, it fluctuated in the past five years, ranging from the lowest of approximately HK\$420.7 billion for the year of 2023 to the highest of approximately HK\$602.1 billion for the year of 2021. The EM Trade by ocean exports firstly increased from approximately HK\$508.1 billion for the year of 2020 to approximately HK\$602.1 billion for the year of 2021. Then, it decreased from approximately HK\$602.1 billion for the year of 2021 to approximately HK\$577.0 billion for the year of 2022 and further dropped to approximately HK\$420.7 billion for the year of 2023. After that, it started recovering from approximately HK\$420.7 billion for the year of 2023 to approximately HK\$435.2 billion for the year of 2024. The EM Trade by ocean exports represents a negative compound annual growth rate of approximately 3.8%.

On the other hand, the EM Trade by air imports demonstrate a general increasing trend (except for the year of 2023) from approximately HK\$2,056.2 billion for the year of 2020 to approximately HK\$2,595.0 billion for the year of 2024, representing a compound annual growth rate of approximately 6.0%. However, the EM Trade by ocean imports remained unstable in the past five years. The EM Trade by ocean imports firstly increased from approximately HK\$506.8 billion for the year of 2020 to approximately HK\$620.0 billion for the year of 2022. However, it started decreasing from approximately HK\$620.0 billion for the year of 2022 to approximately HK\$503.9 billion for the year of 2023 and further deteriorating to approximately HK\$480.3 billion for the year of 2024. The EM Trade by ocean imports represents a negative compound annual growth rate of approximately 1.3%.

Pursuant to the Annual Report 2024, the Group secures cargo space from airlines, shipping liners, general sales agents, and then sell it to either direct shippers or other freight forwarders who act on behalf of their shipper clients. While the majority of the Group's customers are direct shippers, the Group caters for their requirements by exporting their goods from Hong Kong to various global destinations through air and ocean freight services. As advised by the Directors, most of the Group's air and ocean freight forwarding services and e-commerce's orders are served for the customers who export their goods from Hong Kong to various global destinations. In light of this, the Directors consider that the instability of EM trade by air and ocean exports and imports are in line with the revenue of the Group's business segments in freight forwarding, logistics and warehousing services.

After considering that,

- (i) the Group has suffered a decline in total revenue for FY2023 and FY2024 and also a decline in gross profit for FY2023 and FY2024;
- (ii) despite the Directors and senior management of the Company remained committed to implement strict cost control measures and strategic pricing adjustments to drive the improvement on the Group's profitability, the Group's gross profit margin declined from approximately 14.3% for FY2022 to approximately 10.2% for FY2023 and further narrowed to approximately 9.1% for FY2024, representing the high cost pressure put on the Group's business in recent years;
- (iii) the Group was in slight profit-making position for FY2022 (net profit margin: 1.0%) and even suffered from loss-making positions for FY2023 and FY2024;
- (iv) the Group's net assets decreased from approximately HK\$81.8 million as at 31 December 2022 to approximately HK\$61.2 million as at 31 December 2023 and further decreased to approximately HK\$42.9 million as at 31 December 2024;

- (v) the instability of air and ocean cargo throughput and the decreasing trend of the container throughput in the past five years demonstrate that the quantity of goods trading remain unstable; and
- (vi) the instability of the EM Trade of air and ocean, especially for the EM Trade of ocean representing a generally decreasing trend of exports and imports demonstrate that the amount of goods trading is fickle,

we are of the view that (a) the Group's outlook and prospects remain uncertain; and (b) the Offers provide a good opportunity to those Shareholders who wish to redeploy their investment from the Company.

2. Information of the Offeror

The Offeror was incorporated in BVI with limited liability. The Offeror is principally engaged in investment holding. As at the Latest Practicable Date, except for the 152,994,000 Shares held by the Offeror representing 25.50% of the issued Shares, the Offeror does not hold any other investments. The directors of the Offeror are Mr. Cheng and Ms. Tai. The Offeror is wholly owned by Mr. Cheng. As at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 326,454,000 Shares, representing approximately 54.41% of the total issued Shares.

Mr. Cheng, aged 63, is a founder of the Group and one of the controlling shareholders of the Company. He was appointed as the Director on 12 November 2015 and was re-designated as an executive Director on 8 April 2016, until 4 October 2019. Mr. Cheng has extensive experience in the freight forwarding and logistics industries and has engaged in such industries for over 40 years. Prior to establishing the Group in 1990, he worked as a clerk in Maersk Line (Hong Kong) Limited, being a company engaging in the provision of container shipping and terminals, freight forwarding services and logistics services, from September 1980 to August 1983. From August 1983 to October 1985, he worked as a sales manager in Hanford International Transport Limited, being a company engaging in freight forwarding. From October 1985 to April 1986, he worked as a sales manager in South East Cargo Services Limited, being a company engaging in freight forwarding. From April 1986 to November 1990, he worked as a branch manager in CF Ocean Service (Hong Kong) Limited, being a company engaging in freight forwarding. He was a director of JFX Limited, the company which operated the freight forwarding business of the Group in Hong Kong, from November 1991 to February 2016. Mr. Cheng was a member in the logistics services advisory committee of the Hong Kong Trade Development Council. He completed his secondary education in 1979.

As of the Latest Practicable Date, Mr. Cheng does not hold any directorship in any listed company in Hong Kong and is not a substantial shareholder of any other listed company in Hong Kong save for the Company.

Immediately before the Purchase, the Offeror and parties acting in concert with it are the single largest Shareholder group holding 173,460,000 Shares, representing approximately 28.91% of the issued Shares.

3. The Offeror's intention on the Group

It is the intention of the Offeror to continue with the Group's existing principal business activities. Upon completion of the Offers, while continuing the principal business of the Group, the Offeror will conduct a review of the existing principal businesses, operations, financial position, investments, proposed investments of the Group for the purpose of formulating long-term business plans and strategies for the future business development of the Group.

Further, subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. As at the Latest Practicable Date, the Offeror has no intention to introduce major changes to the existing business of the Group and intends to maintain the Company's existing principal activities.

As at the Latest Practicable Date, no material investment or business opportunity has been identified nor has the Offeror or any party acting in concert with it entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any asset or business into the Group.

The Offeror will, depending on the business operations and development of the Group in the future, constantly review the employee structure of the Group so as to meet the needs of the Group from time to time. As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (who are not Directors of the Company); or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business; or (iii) enter into any agreement, arrangement, negotiation or undertaking (formal or informal; express or implied) to downsize or dispose of any of the Company's existing business and/or acquire any new businesses. However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group.

4. The composition of the Board

As at the Latest Practicable Date, the Board comprises Mr. Chan Kwok Wai, Mr. Lai Chung Wing and Mr. Lo Wai Wah as executive Directors, Mr. Tam Tsz Yeung Alan (Chairman), and Mr. Liang Yuxi as non-executive Directors, and Ms. Chik Wai Chun, Mr. Moy Yee Wo Matthew and Mr. Yu Kwok Fai as independent non-executive Directors.

As at the Latest Practicable Date, the Offeror has not decided on the future composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code, the GEM Listing Rules and the bye-laws of the Company and further announcement will be made by the Company as and when appropriate.

5. Maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, 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) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

Therefore, it should be noted that upon the close of the Offers, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and any new Director(s) to be appointment to the Board of the Company 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.

6. Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offers and has no intention to privatize the Company.

7. Our view

After considering the following factors,

- (i) Mr. Cheng, a director and the sole ultimate beneficial shareholder of the Offeror, is a founder of the Group. Also, Mr. Cheng was appointed as the Director from 12 November 2015 to 4 October 2019 and possessed over 40 years of experience in freight forwarding and logistics industries;
- (ii) the Offeror has intention to continue the existing business of the Group and intends that the Group's existing principal activities will be maintained;
- (iii) the Offeror intends to remain the issued Shares listed on the Stock Exchange and maintain the listing status of the Company; and
- (iv) the Offeror does not intend to exercise any power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Share Offer after the close of the Offers,

it is expected that (i) the Offeror and Mr. Cheng, becoming the controlling shareholder of the Company after the close of the Offers, would have adequate knowledge and experience to provide advice on the Group's business operation; and (ii) there will be no immediate material change on the business operation of the Group after the close of the Offers.

However, given that (i) the Group was in slight profit-making position for FY2022 (net profit margin: 1.0%) and even suffered from loss-making positions for FY2023 and FY2024; (ii) the Group's net assets position was deteriorating from approximately HK\$81.8 million as at 31 December 2022 to approximately HK\$61.2 million as at 31 December 2023 and further dropped to approximately HK\$42.9 million as at 31 December 2024; and (iii) the uncertainty on the Group's future prospect, we are of the view that the Offers represent an opportunity for the Shareholders to realise their investments in the Company should they so wish to.

ANALYSIS OF THE SHARE OFFER PRICE FOR THE SHARE OFFER

8. Comparison of the Share Offer Price

The Share Offer Price of HK\$0.06 per Offer Share represents:

- (i) a discount of approximately 26.83% to the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 7.69% to the closing price of HK\$0.0650 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 12.79% to the average closing price of approximately HK\$0.0688 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of 12.28% to the average closing price of approximately HK\$0.0684 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 3.63% over the average closing price of approximately HK\$0.0579 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day; and
- (vi) a discount of approximately HK\$0.0114 (being approximately 15.97%) to the audited consolidated net asset value of the Group of approximately HK\$0.0714 per Share as at 31 December 2024, which was calculated based on the audited consolidated net assets of the Group of approximately HK\$42,869,000 as at 31 December 2024 (the date on which the latest audited financial results of the Group were made up) and 600,000,000 Shares in issue as at the Latest Practicable Date.

On the other hand, (i) the daily closing price of the Share during the period from 22 April 2024 to 22 April 2025, being the twelve-month period prior to the Last Trading Day (i.e. 22 April 2025) (the “**Pre Joint Announcement Review Period**”) range from the highest of HK\$0.144 per Share to the lowest of HK\$0.042 per Share, with an average of approximately HK\$0.082 per Share; (ii) the closing price of the Share on the Last Trading Day was HK\$0.065 per Share; (iii) the trading of the Share during the period from 23 April 2025 to 13

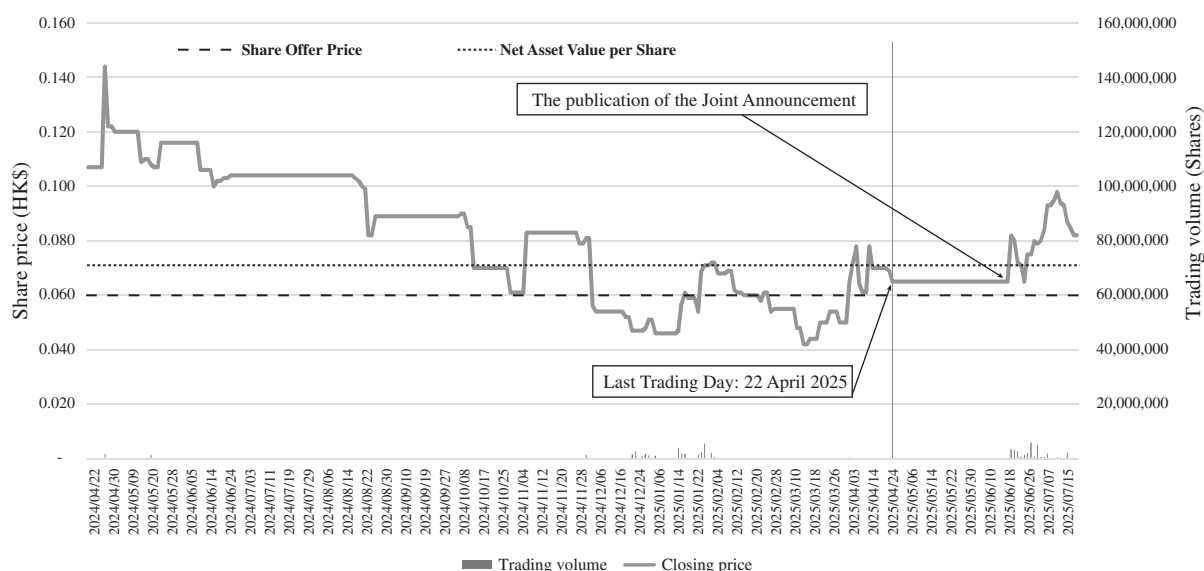
June 2025 was halted; and (iv) the daily closing price of the Share during the period from 16 June 2025 to the Latest Practicable Date (the “**Post Joint Announcement Review Period**”) range from the highest of HK\$0.098 per Share to the lowest of HK\$0.065 per Share, with an average of approximately HK\$0.083 per Share. We consider that the review period as mentioned above is fair and reasonable to illustrate the general trend and movement of recent closing prices of the Shares.

9. Historical performance of the Shares

9.1 Historical price of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the Pre Joint Announcement Review Period and the Post Joint Announcement Review Period (collectively, the “**Review Periods**”). We consider that the Review Periods are fair, adequate, representative and sufficient to illustrate the general trend and level of movement of recent closing prices of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Share Offer Price.

Chart 1: Movement of the daily closing price of the Share during the Review Periods



Note: The net asset value per Share was calculated based on the audited consolidated net assets as set out in the Annual Report 2024 divided by the total number of the Shares in issue as at the Latest Practicable Date.

Source: Website of the Stock Exchange (<https://www.hkex.com.hk>)

As shown in the above chart 1, 57 out of 244 trading days during the Pre Joint Announcement Review Period were closed below the Share Offer Price of HK\$0.06 per Offer Share. During the Pre Joint Announcement Review Period, the closing prices of the Shares range from HK\$0.042 to HK\$0.144, with an average of approximately HK\$0.082. The closing prices of the Shares demonstrated a general decreasing trend during the Pre Joint Announcement Review Period.

During the Post Joint Announcement Review Period, the closing price of the Shares (i) demonstrated a fluctuation within the range from HK\$0.065 to HK\$0.098; and (ii) closed at HK\$0.082 on the Latest Practicable Date.

Shareholders should note that the information set out above is not an indicator of the future trading price performance of the Shares, and that trading price of Shares may increase or decrease during the Offer Period and after the close of the Share Offer.

Shareholders who wish to accept the Share Offer or realise their investments in the Group are reminded that they should carefully and closely monitor the trading price of the Shares during the Offer Period.

9.2 Historical liquidity of the Shares

The following table sets out the average daily trading volume (the “ADTV”) of Shares for each month or period and the percentages of such ADTV to the number of total issued Shares during the Review Periods:

Table 1: Trading liquidity of Shares

	Number of trading days (no transaction)	Number of trading days (total)	ADTV during the period/month (Shares)	Percentage of ADTV over the issued Shares of the Company as at period/ month end (approximate %) (Note 1)	Percentage of ADTV over the issued Shares of the Company held by the public Shareholders as at period/month end (approximate %) (Note 2)
2024					
From 22 April 2024 to 30 April 2024	5	7	312,857	0.052	0.085
May	14	21	114,762	0.019	0.031
June	14	19	24,737	0.004	0.007
July	22	22	—	—	—
August	17	22	30,455	0.005	0.008
September	19	19	—	—	—
October	17	21	11,905	0.002	0.003
November	19	21	76,667	0.013	0.021
December	13	20	456,000	0.076	0.124

	Number of trading days (no transaction)	Number of trading days (total)	ADTV during the period/month (Shares)	Percentage of ADTV over the issued Shares of the Company as at period/ month end (approximate %) (Note 1)	Percentage of ADTV over the issued Shares of the Company held by the public Shareholders as at period/month end (approximate %) (Note 2)
2025					
January	9	19	1,188,421	0.198	0.324
February	10	20	55,000	0.009	0.015
March	16	21	52,381	0.009	0.014
From 1 April 2025 to 21 April 2025	<u>6</u>	<u>12</u>	<u>42,500</u>	<u>0.007</u>	<u>0.012</u>
Pre Joint Announcement Review Period	<u>181</u>	<u>244</u>	<u>172,172</u>	<u>0.029</u>	<u>0.047</u>
22 April 2025 (Last Trading Day)	—	1	153,114,000	25.519	41.759
From 23 April 2025 to 30 April 2025 (Note 3)	N/A	N/A	N/A	N/A	N/A
May (Note 3)	N/A	N/A	N/A	N/A	N/A
From 2 June 2025 to 13 June 2025 (Note 3)	N/A	N/A	N/A	N/A	N/A
From 16 June 2025 to 30 June 2025	—	11	2,564,545	0.427	0.938
From 2 July 2025 to the Latest Practicable Date	1	11	662,727	0.110	0.242

Notes:

1. It is calculated by dividing the ADTV for the month/period by the total number of Shares in issue at the end of month/period;
2. It is calculated by dividing the ADTV for the month/period by the total number of Shares in issue held by public Shareholders at the end of month/ period; and
3. Trading of Shares was halted during the period from 23 April 2025 to 13 June 2025 and pending the release of the Joint Announcement.

Source: Website of the Stock Exchange (<https://www.hkex.com.hk>)

As illustrated in the table 1 above, the monthly ADTV of the Shares during the Pre Joint Announcement Review Period ranged from nil Shares in July 2024 and September 2024 to approximately 1,188,421 Shares in January 2025, representing (i) from nil to approximately 0.198% of the total number of the Shares in issue; and (ii) from nil to approximately 0.324% of the total number of Shares held by the public. The ADTV of the Shares during the Pre Joint Announcement Review Period was approximately 172,172 Shares, representing approximately 0.029% and 0.047% of the total number of the Shares in issue and the Shares in issue held by the public respectively.

During the Post Joint Announcement Review Period, the ADTV of the Shares during the period from 16 June 2025 to the Latest Practicable Date was approximately 1,613,636 Shares, representing approximately 0.269% and 0.590% of the total number of the Shares in issue and the Shares in issue held by the public respectively. We also note that there is a fluctuation of the trading volume of the Shares, ranging from nil Shares on 11 July 2025 to approximately 6,110,000 Shares on 24 June 2025 and closed at 450,000 Shares on the Latest Practicable Date.

Shareholders should also note that (i) there were no trading of Shares in July 2024 and September 2024; and (ii) there was a total of 181 trading days which was no trading of Shares, representing approximately 74.2% of 244 trading days during the Pre Joint Announcement Review Period.

The historical trading volume of the Shares during the Pre Joint Announcement Review Period are very thin. Given the Shares are illiquid, the disposal of a significant number of Shares held by the Shareholders in the open market would likely to trigger price slump of the Shares.

Shareholders should note that the information set out above is not an indicator of the future trading volume of the Shares, and that the trading volume of Shares may fluctuate during the Offer Period and after the close of the Share Offer.

Shareholders who wish to accept the Share Offer or realise their investments in the Group are reminded that they should carefully and closely monitor the trading volume of the Shares during the Offer Period.

9.3 Our view

Taking into account (i) the closing price of the Shares was generally in a decreasing trend throughout the Pre Joint Announcement Review Period; (ii) during the Pre Joint Announcement Review Period, there were no trading of Shares for 181 trading days, representing approximately 74.2% of 244 trading days; and (iii) the historical daily trading volume of Shares during the Pre Joint Announcement Review Period are very thin, it creates an uncertainty on whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the trading price of Shares. Therefore, we consider that the Share Offer provides an assured exit alternative for the Independent Shareholders, to realise part of or all of their investments in the Shares at the Share Offer Price of HK\$0.06 per Offer Share if they wish so.

We would like to remind Shareholders that our analysis set out above is not an indicator of the future performance of the Shares, and that the trading price of Shares after the publishment of the Joint Announcement may increase or decrease during the Offer Period and after the close of the Share Offer.

Shareholders who wish to accept the Share Offer or realise their investments in the Group are reminded that they should carefully and closely monitor the trading price of the Shares during the Offer Period.

10. Comparable analysis with other listed companies on pricing multiples

As discussed in the paragraph headed “1. Background and financial information of the Group” above in this letter, the Group principally engages in investment holding and its subsidiaries are principally engaged in freight forwarding, logistics and warehousing and E-commerce business. Based on the Share Offer Price of HK\$0.06 per Offer Share and the total number of issued Shares of 600,000,000 as at the Latest Practicable Date, the implied market capitalisation of the Company is approximately HK\$36.0 million. In this respect, in order to evaluate the fairness and reasonableness of the Share Offer Price, we have conducted a comparable company analysis based on the following selection criteria to include companies that (i) are listed on the Stock Exchange and are not being suspension of trading as at the Last Trading Day; (ii) are principally engaged in freight forwarding, logistics and warehousing services in Hong Kong; (iii) generate at least 70% of their respective total revenue contributed from freight forwarding, logistics and warehousing services in Hong Kong in their latest financial year which is similar to the Group’s total revenue principally generated from freight forwarding, logistics and warehousing services in Hong Kong (approximately HK\$212.8 million for FY2024, representing approximately 84.9% of the Group’s total revenue); and (iv) have market capitalisation at or below HK\$500 million as at the Last Trading Day.

Based on the abovementioned criteria, we have identified an exhaustive list of three companies listed on the Stock Exchange which are also principally engaged in freight forwarding, logistics and warehousing services in Hong Kong (the “**Comparable Companies**”).

For comparison purpose, we have considered the price-to-earnings ratio (the “**P/E Ratio**”), price-to-book ratio (the “**P/B Ratio**”) and the price-to-sales ratio (the “**P/S Ratio**”) which are the most commonly adopted valuation benchmark in the course of valuation of companies since the data for calculating these ratios can be obtained directly from publicly available information and reflect the value of the companies determined by the open market. However, given that the Company recorded a loss-making position for FY2024, we are unable to conduct the comparison on P/E Ratio. We also considered the use of the P/B Ratio and the P/S Ratio in our market comparable analysis as reference, details of which are set out below:

Table 2: Analysis of the Comparable Companies

Name of company (stock code)	Principal business	Market capitalisation (Note 1) HK\$'000	Revenue for the latest financial year HK\$'000	Loss for the latest financial year HK\$'000	Net assets for the latest financial year HK\$'000	P/B Ratio (Note 2)	P/S Ratio (Note 3)
YTO International Express and Supply Chain Technology Limited (6123)	Principally engaged in the provision of freight forwarding, logistics and warehousing, international express and parcel and land and trucking services.	428,594	5,322,482	(41,965)	1,226,036	0.35	0.08
Grand Power Logistics Group Limited (8489)	Principally engaged in providing air and ocean export and import freight forwarding and logistics and warehousing services.	41,700	1,058,172	(3,655)	126,655	0.33	0.04
Wan Leader International Limited (8482)	Principally engaged in provision of freight forwarding and related logistics services, and trading of fashion items.	22,611	157,584	(25,213)	36,576	0.62	0.14
					Maximum	0.62	0.14
					Minimum	0.33	0.04
					Mean	0.43	0.09
					Median	0.35	0.08

		Implied market capitalisation (Note 1) HK\$'000	Revenue for the latest financial year HK\$'000	Loss for the latest financial year HK\$'000	Net assets for the latest financial year HK\$'000	Implied P/B Ratio (Note 2)	Implied P/S Ratio (Note 3)
The Company (8035)	Principally engages in investment holding and its subsidiaries are principally engaged in freight forwarding, logistics and warehousing and E-commerce business.	36,000	250,771	(18,374)	42,869	0.84	0.14

Notes:

1. The market capitalisation of the Comparable Companies are calculated by multiplying their respective closing prices as at the Last Trading Day by their respective numbers of shares. The implied market capitalisation of the Company is calculated by multiplying the Share Offer Price by the number of Shares;
2. The P/B Ratio of the Comparable Companies are calculated by dividing their respective market capitalisation as at the Last Trading Day by their respective consolidated net asset value according to its latest financial year/period. The implied P/B Ratio of the Company (the “**Implied P/B Ratio**”) is calculated by dividing its market capitalisation based on the Share Offer Price by the consolidated net asset value of approximately HK\$42.9 million as at 31 December 2024; and
3. The P/S Ratio of the Comparable Companies are calculated by dividing their respective market capitalisation as at the Last Trading Day by their respective revenue for the latest financial year. The implied P/S Ratio of the Company (the “**Implied P/S Ratio**”) is calculated by dividing its market capitalisation based on the Share Offer Price by the revenue of the Group of approximately HK\$250.8 million for FY2024.

Source: Website of the Stock Exchange (<https://www.hkex.com.hk>)

As illustrated from the table 2 above, we noted that (i) the Implied P/B Ratio of approximately 0.84 times is above all the Comparable Companies, which range from the lowest of approximately 0.33 times to the highest of approximately 0.62 times, with the average and median of approximately 0.43 times and 0.35 times respectively; and (ii) the Implied P/S Ratio of approximately 0.14 times is also above or equal to all the Comparable Companies, which range from the lowest of approximately 0.04 times to the highest of approximately 0.14 times, with the average and median of approximately 0.09 times and 0.08 times respectively. These indicate that the valuation of the Company based on the Share Offer Price offered by the Offeror to the Independent Shareholders is (i) higher than all the P/B Ratio of the Comparable Companies; and (ii) higher than or equal to all the P/S Ratio of the Comparable Companies derived from their respective closing prices per share on the Last Trading Day. Based on the above analysis, we consider that the Share Offer Price to be attractive with reference to the valuation in comparison with the Comparable Companies.

11. Our view

Having considered,

- (i) the closing price of the Shares was generally in a decreasing trend throughout the Pre Joint Announcement Review Period and remained in fluctuation during the Post Joint Announcement Review Period;
- (ii) the trading volume of the Shares was low during the Pre Joint Announcement Review Period and suddenly become active after the publishment of the Joint Announcement. However, such active trading volume of Shares may not be able to maintain continuously and be noted that there is a fluctuation of the trading volume of the Shares. Such instability on the trading volume of Shares creates concern on whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the trading price of Shares;
- (iii) the Implied P/B Ratio is higher than all the P/B Ratio of the Comparable Companies;
- (iv) the Implied P/S Ratio is higher than or equal to all the P/S Ratio of the Comparable Companies;
- (v) the Group was in slight profit-making position for FY2022 (net profit margin: 1.0%) and even suffered from loss-making positions for FY2023 and FY2024;
- (vi) the Group's net assets decreased from approximately HK\$81.8 million as at 31 December 2022 to approximately HK\$61.2 million as at 31 December 2023 and further decreased to approximately HK\$42.9 million as at 31 December 2024; and
- (vii) the prospect of the Group remains uncertain as discussed in the paragraph headed "1.3. Overview and outlook of the Group" above in this letter,

we are of the view that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

ANALYSIS OF THE CANCELLATION PRICE FOR THE OPTION OFFER

12. Principal terms of the Option Offer

Please refer to the paragraph headed “2. The Option Offer” above in this letter for detailed information on the principal terms of the Option Offer.

13. Our view

As at the Latest Practicable Date, the Company has 3,000,000 outstanding Share Options in respect of 3,000,000 Shares. The exercise price of the outstanding Share Options is HK\$0.2066 per Share Option. All Share Options were granted under the share option scheme of the Company adopted on 23 September 2016.

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 to the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise price of the Share Options and the Share Offer Price. Under the Option Offer, given that the exercise price of the outstanding Share Options is above the Share Offer Price, the outstanding Share Options are out-of-money and the Option Offer Price for the cancellation of each outstanding Share Option is set at a nominal value of HK\$0.01.

Pursuant to the paragraph headed “Effect of accepting the Offers” under the section headed “Letter from Jin Yi Financial”, acceptance of the Option Offer by Optionholders will result in the cancellation of those outstanding Share Options, together with all rights attaching thereto. Share Options will lapse automatically (to the extent not exercised and accepted under the Option Offer) on the date upon the close of the Offers.

Given that (i) the “see-through” value of the outstanding Share Options is zero; and (ii) the Share Options will lapse automatically (to the extent not exercised and accepted under the Option Offer) on the date upon the close of the Offers, we consider that the Option Offer Price of HK\$0.01 per Share Option is fair and reasonable so far as the Optionholders are concerned.

RECOMMENDATION

The Share Offer

Having considered the principal factors and reasons as discussed above, in particular,

- (i) as discussed in the paragraph headed “1.3. Overview and outlook of the Group”, the prospect of the Group remains uncertain;
- (ii) the financial performance of the Group remains unsatisfactory, in particular that the Group only had a slight profit of approximately HK\$5.3 million for FY2022 and even suffered from a loss of approximately HK\$18.5 million and HK\$18.4 million for FY2023 and FY2024 respectively;
- (iii) the Group’s net assets decreased from approximately HK\$81.8 million as at 31 December 2022 to approximately HK\$61.2 million as at 31 December 2023 and further decreased to approximately HK\$42.9 million as at 31 December 2024;

- (iv) the closing price of the Shares was generally in a decreasing trend throughout the Pre Joint Announcement Review Period;
- (v) despite there was a surge of share price from HK\$0.065 per Share on the Last Trading Day to HK\$0.082 per Share on 16 June 2025 after the publishment of the Joint Announcement, such increase in the closing price of the Shares may not be sustained and highly fluctuated;
- (vi) the historical trading volume of the Shares during the Pre Joint Announcement Review Period are very thin and even had no trading of Shares in July 2024 and September 2024;
- (vii) the fluctuation of trading volume of Shares during the Post Joint Announcement Review Period creates concern on whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange at a fixed cash price within a short period of time without creating downward pressure on the trading price of Shares;
- (viii) the Implied P/B Ratio is higher than all the P/B Ratio of the Comparable Companies; and
- (ix) the Implied P/S Ratio is higher than or equal to all the P/S Ratio of the Comparable Companies.

We are of the opinion that the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to accept the Share Offer. **Notwithstanding the above, we note that the Shares had been trading above the Share Offer Price after the publication of the Joint Announcement, closed at HK\$0.082 per Share as at the Latest Practicable Date. In this connection, the Independent Shareholders who wish to realise their investments in the Group are reminded that they should carefully and closely monitor the trading price and trading volume of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open market, where possible, instead of accepting the Share Offer, if the net proceeds from the ultimate sale of such Shares after factoring costs would be higher than that receivable under the Share Offer, and only to accept the Share Offer if the Independent Shareholders (especially those with large blocks of Shares) encounter difficulties to sell their Shares in the open market due to the liquidity issue at the Share Offer Price or a price higher than the Share Offer Price.**

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

The Independent Shareholders should also note that (i) there is no guarantee that the trading price of the Shares will or will not sustain at a level above the Share Offer Price during the Offer Period and after the close of the Offers; and (ii) they may not be able to realise their investments in the Shares at a price higher than the Share Offer Price when they are going to dispose part of or all of their Shares given the thin historical trading volume of the Shares during the Pre Joint Announcement Review Period and the instability of trading volume of the Shares during the Post Joint Announcement Review Period.

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 broker, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

The Option Offer

Given that (i) the “see-through” value of the outstanding Share Options is zero; and (ii) the Share Options will lapse automatically (to the extent not exercised and accepted under the Option Offer) on the date upon the close of the Offers, we consider that the Option Offer Price of HK\$0.01 per Share Option is fair and reasonable so far as the Optionholders are concerned. On such basis, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Optionholders to accept the Option Offer.

Yours faithfully,
For and on behalf of
Dakin Capital Limited



Tam Kin Fong
Managing Director

Note: Mr. Tam Kin Fong is a responsible officer of Dakin Capital Limited, which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.