



红日资本有限公司  
RED SUN CAPITAL LIMITED

3 February 2026

*To: The Independent Board Committee of  
Grace Wine Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
SOMERLEY CAPITAL LIMITED AND EDDID CAPITAL LIMITED  
FOR AND ON BEHALF OF HILL VALLEY INVESTMENT CO LTD  
TO ACQUIRE ALL THE ISSUED SHARES OF  
GRACE WINE HOLDINGS LIMITED (OTHER THAN THOSE SHARES  
ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY  
THE OFFEROR) AND TO CANCEL  
ALL OUTSTANDING SHARE OPTIONS OF  
GRACE WINE HOLDINGS LIMITED**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers, details of which are set out in the Composite Document dated 3 February 2026, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

The Company was informed by the Vendors that on 10 December 2025, the Offeror as purchaser entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Offeror conditionally agreed to acquire an aggregate of 589,480,000 Shares (equivalent to approximately 73.63% of the total issued share capital of the Company as at the Latest Practicable Date) for an aggregate consideration of approximately HK\$73,630,000, equivalent to HK\$0.12491 per Sale Share. Completion took place on 12 December 2025, and the First Instalment Consideration was paid by the Offeror on the same date. For the avoidance of doubt, without prejudice to the right of the Vendors to receive the Second Instalment Consideration, the

Completion occurred upon the completion of the transfer of the Sale Shares and the settlement of the First Instalment Consideration and was not subject to the Second Instalment Consideration having been paid.

Immediately before Completion, save for the Sale Shares owned by the Vendors and the 8,000,000 Share Options held by Ms. Judy Chan, the Offeror, Mr. Yang and the parties acting in concert with them did not own, control or have direction over any Shares or any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which are convertible and exchangeable into Shares. Upon Completion, the Offeror and the parties acting in concert with it are interested in 589,480,000 Shares in aggregate, representing approximately 73.63% of the total issued share capital of the Company. Pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code, the Offeror is required to make mandatory unconditional cash offers to acquire (i) the Offer Shares (being all issued Shares other than those already owned and/or agreed to be acquired by the Offeror) and (ii) to cancel all the outstanding Share Options.

As at the Latest Practicable Date, the Company has (i) 800,600,000 Shares in issue; and (ii) 12,400,000 outstanding Share Options conferring rights to subscribe for 12,400,000 new Shares with an exercise price of HK\$0.17 to HK\$0.186 per Share Option, all of which have been granted pursuant to the Share Option Scheme. Save for the Share Options mentioned above, the Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into the Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into the Shares or which confer rights to require the issue of Shares. The Company has no intention to grant any new share options under Share Option Scheme during the Offer Period.

#### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the non-executive Directors, namely Mr. Chow Christer Ho, Dr. Cheung Chai Hong, Mr. James Douglas Richard Field, Mr. Chan Tsz King Vincent and Mr. Kong Chi Hang Maurice, has been established to advise the Independent Shareholders as to whether the Offers are fair and reasonable and as to acceptance of the Offers. Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in the same regard.

#### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Offeror and its concert parties and their respective shareholders, directors or chief executives, or any of their respective associates. Accordingly, we are qualified to give independent advice to the Independent Board Committee regarding the Offers.

In the last two years, save for this appointment, we have not acted as an independent financial adviser to the independent board committee of the Company and/or the Independent Shareholders. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser and the engagement as stated above as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. In addition, having considered that (i) remuneration for our independent financial adviser engagement in relation to the Offers is fixed and at market level, and is not conditional upon the outcome of the Offers; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company and the Offeror, their respective controlling shareholders and any parties acting in concert with any of them, we consider that we are independent from the Group pursuant to Rule 17.96 of the GEM Listing Rules and Rule 2 of the Takeovers Code.

#### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Group, the Directors and/or management of the Company (the "Management"). We have assumed that all information, representations and opinions contained or referred to in the Composite Document or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Composite Document have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Composite Document. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Company will notify the Shareholders of any material changes to information contained or referred to in the Composite Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed as soon as practicable when there is any material changes to the information contained or referred to herein as well as changes to our opinion, advice and/or recommendation, the information and representations provided and made to us and the information contained in this letter, if any, after the Latest Practicable Date as soon as possible and up to the close of the Offer Period.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offers since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

This letter is issued to the Independent Board Committee solely for their consideration in respect of the Offers, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

## **PRINCIPAL TERMS OF THE OFFERS**

The Offers will be made by Somerley Capital Limited and Eddid Capital Limited, on behalf of the Offeror and in compliance with the Takeovers Code on the following basis:

### **The Share Offer**

For each Offer Share ..... HK\$0.12491 in cash

The Share Offer Price of HK\$0.12491 is equal to the purchase price per Sale Share paid by the Offeror pursuant to the Sale and Purchase Agreement.

The Share Offer will be extended to all Shareholders other than the Offeror in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer will be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of the Composite Document.

As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid, and the Company has no intention to declare, make or pay any dividend or other distributions prior to the close of the Share Offer.

## **The Option Offer**

For cancellation of each Share Option ..... HK\$0.0001 in cash

Pursuant to Rule 13 of the Takeovers Code, the Offeror will make an appropriate cash offer to the Optionholders for the cancellation of the Share Options. The Option Offer Price would normally be the see-through price which represents the amount by which the Share Offer Price per Offer Share exceeds the exercise price of each Share Option. Under the Option Offer, as the exercise price of all outstanding Options exceeds the Share Offer Price, the “see-through” price is negative and the Option Offer Price is set at the nominal amount of HK\$0.0001 per Share Option.

The Option Offer will be extended to all Optionholders (whether their respective Share Options are vested or not) in accordance with the Takeovers Code. Following acceptance of the Option Offer, the Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

The Offers will be unconditional in all respects when made.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

### **1. Financial information of the Group and outlook**

#### ***1.1 Historical financial information of the Group***

The Company was incorporated in the Cayman Islands with limited liability. The Shares are listed on GEM. The principal activity of the Company is investment holding. The Group is an award-winning, established wine maker based in Shanxi Province, PRC. Since commencing operations in 1997, the Group has been committed to making quality, value for money wine, catering to a wide range of customer taste and pricing preferences. The Group’s portfolio of wine products targets at various consumers, from executive clientele and corporate customers with higher spending power to the more price-conscious mass market.

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2023 and 2024 as extracted from the annual report of the Group for the year ended 31 December 2024 (the “2024 Annual Report”) and the six months ended 30 June 2024 and 2025 as extracted from the interim report of the Group for the six months ended 30 June 2025 (the “2025 Interim Report”), respectively:

*Summary of the consolidated statement of comprehensive income of the Group*

	For the six months ended 30 June		For the year ended 31 December	
	2025	2024	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	18,775	13,175	34,553	64,985
Cost of sales	(6,152)	(1,921)	(8,251)	(17,340)
Gross profit	12,623	11,254	26,302	47,645
Loss before tax from continuing operations	(2,571)	(1,590)	N/A	N/A
Profit/(loss) from a discontinued operation	569	(835)	N/A	N/A
(Loss)/profit before tax	(2,002)	(2,425)	(35,336)	11,461
(Loss)/profit after tax	(2,901)	(3,531)	(41,018)	10,220
Loss for the period attributable to:				
Owners of the Company	(2,745)	(3,531)	(41,018)	10,220
Non-controlling interests	(156)	—	—	—

*Financial performance for the six months ended 30 June 2024 (“1H2024”) and the six months ended 30 June 2025 (“1H2025”)*

Based on the 2025 Interim Report, the revenue from continuing operations increased by RMB5.6 million or 42.4% from RMB13.2 million for 1H2024 to RMB18.8 million for 1H2025 as a result of the increase in total sales volume of both entry-level wines and high-end wines. The Group sold 208,000 bottles in 1H2025 as compared to 170,000 bottles in 1H2024, while the average selling price increased from RMB77.4 per bottle in 1H2024 to RMB90.5 per bottle in 1H2025.

The overall gross profit from continuing operations increased by RMB1.3 million or 11.5% from RMB11.3 million for 1H2024 to RMB12.6 million for 1H2025. The increase was due to the increase in sales. The gross profit margin decreased from 85.4% for 1H2024 to 67.2% for 1H2025. The decrease was primarily attributable to an update of the parameters in relation to the calculation

of the cost of sales which better aligns with the latest sales pattern and this approach will continue to be applied going forward. The resulting higher cost of sales led to a lower gross profit margin.

The loss after tax reduced by RMB0.6 million or 17.8% from RMB3.5 million for 1H2024 to RMB2.9 million for 1H2025. The reduction in loss after tax was attributable to (i) the increase in gross profit of RMB1.3 million; (ii) the change from loss to profit of a discontinued operation of RMB1.4 million; (iii) the reduction in income tax expense of RMB0.2 million and partly offset by (i) the reduction of other income and gains, net of RMB1.9 million; (ii) the increase of selling, distribution and administrative expenses of RMB0.5 million. The profit for the period from a discontinued operation was attributable to the disposed distillery business. A profit of RMB0.6 million from the discontinued operation was recognised for 1H2025 (1H2024: a loss of RMB0.8 million from the discontinued operation).

*Financial performance for the year ended 31 December 2023 ("FY2023") and the year ended 31 December 2024 ("FY2024")*

We noted from the 2024 Annual Report that the Group's revenue decreased by RMB30.4 million or 46.8% from RMB65.0 million for FY2023 to RMB34.6 million for FY2024 as a result of the decrease in sales volume due to poor market sentiments in China. The Group sold approximately 438,000 bottles in FY2024 as compared to 738,000 bottles in FY2023 and the average selling price decreased from RMB88.1 per bottle in FY2023 to RMB78.9 per bottle in FY2024.

The Group's overall gross profit decreased by RMB21.3 million or 44.7% from RMB47.6 million for FY2023 to RMB26.3 million for FY2024, primarily due to the decrease in total sales. The overall gross profit margin increased from 73.3% for FY2023 to 76.1% for FY2024 resulting from cost controls.

The Group changed from profit of RMB10.2 million in FY2023 to loss of RMB41.0 million in FY2024. The change from profit to loss was attributable to (i) the reduction of gross profit of RMB21.2 million; (ii) the impairment losses of non-current non-financial assets of RMB25.7 million in FY2024 (FY2023: nil); and (iii) the increase in income tax expense of RMB4.4 million resulting from the increase in deferred tax expenses resulting from the reorganisation of the subsidiaries in the PRC. The impairment losses of RMB25.7 million in FY2024 were resulted from the expected disposal of the Group's distillery business.

*Summary of the consolidated statement of financial position of the Group  
extracted from the 2024 Annual Report and the 2025 Interim Report*

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)	2023 RMB'000 (audited)
Non-current assets	64,833	170,181	191,140
Current assets	134,852	148,380	140,057
<b>Total assets</b>	<b>199,685</b>	<b>318,561</b>	<b>331,197</b>
Non-current liabilities	6,789	65,571	38,721
Current liabilities	22,029	26,858	25,656
<b>Total liabilities</b>	<b>28,818</b>	<b>92,429</b>	<b>64,377</b>
<b>Net current assets</b>	<b>112,823</b>	<b>121,522</b>	<b>114,401</b>
<b>Net assets</b>	<b>170,867</b>	<b>226,132</b>	<b>266,820</b>
Issued capital	675	675	—
Reserves	89,046	225,457	—
Non-controlling interest	81,146	—	—

*Financial position as at 30 June 2025 and 31 December 2024*

Total assets of the Group amounted to RMB199.7 million as at 30 June 2025, which decreased significantly from the total assets of RMB318.6 million as at 31 December 2024. The significant decrease was resulted from the disposal of the Group's distillery business which decreased the property, plant and equipment of the Group of RMB98.6 million from RMB144.7 million as at 31 December 2024 to RMB46.1 million as at 30 June 2025. The total assets of the Group as at 30 June 2025 mainly comprised (i) inventories of RMB91.6 million; (ii) property, plant and equipment of RMB46.1 million; (iii) cash and cash equivalents of RMB34.5 million; and (iv) right-of-use assets of RMB13.1 million.

Total liabilities of the Group recorded at RMB28.8 million as at 30 June 2025, which decreased significantly from the total liabilities of RMB92.4 million as at 31 December 2024. The significant decrease was resulted from the disposal of the Group's distillery business which decreased the interest-bearing bank borrowings from RMB62.4 million as at 31 December 2024 to nil as at 30 June 2025. The total liabilities of the Group as at 30 June 2025 mainly consisted of (i) other payables and accruals of RMB16.2 million; (ii) tax payable of RMB5.2 million; (iii) deferred tax liabilities of RMB4.4 million; and (iv) lease liabilities of RMB2.6 million.

The net assets of the Group amounted to RMB170.9 million as at 30 June 2025, which decreased significantly from RMB226.1 million as at 31 December



2024. The decrease in net assets was mainly attributable to the special dividends of RMB89.3 million paid after the disposal.

*Financial position as at 31 December 2024 and 31 December 2023*

Total assets of the Group amounted to RMB318.6 million as at 31 December 2024, which broadly in line with the total assets of the approximately RMB331.2 million as at 31 December 2023. The total assets of the Group as at 31 December 2024 mainly comprised (i) property, plant and equipment of RMB144.7 million; (ii) inventories of RMB99.2 million; (iii) cash and cash equivalents of RMB34.5 million; (iv) right-of-use assets of RMB19.2 million; and (v) prepayments, deposits and other receivables of RMB13.9 million.

Total liabilities of the Group recorded at RMB92.4 million as at 31 December 2024, which increased significantly of RMB28.0 million from the total liabilities of the RMB64.4 million as at 31 December 2023. The increase in total liabilities was mainly attributable to the increase in interest-bearing bank borrowings from RMB34.7 million as at 31 December 2024 to RMB62.4 million as at 30 June 2025 which represented an increase of RMB27.6 million. The total liabilities of the Group as at 31 December 2024 mainly consisted of (i) interest-bearing bank borrowings of RMB62.4 million; (ii) other payable and accruals of RMB16.3 million; (iii) tax payable of RMB5.7 million; (iv) deferred tax liabilities of RMB4.1 million; and (v) lease liabilities of RMB2.7 million.

The net assets of the Group amounted to RMB226.1 million as at 31 December 2024, which is lower than the net assets of the Group of RMB266.8 million as at 31 December 2023. The decrease in the net assets of the Group was mainly attributable to the change in profit in FY2023 to loss in FY2024.

**1.2 Historical dividend of the Group**

As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid, and the Company has no intention to declare, make or pay any dividend or other distributions prior to the close of the Share Offer. If, after the date of the Joint Announcement, any dividend or other distribution is made or paid in respect of the Offer Shares, the Offeror will reduce the Share Offer Price by an amount equal to that of the dividend or other distribution pursuant to Note 11 to Rule 23.1 of the Takeovers Code.

The Company declared special dividend of HK\$0.12058 per Share in April 2025 in relation to the completion of very substantial disposals in March 2025. The Company declared HK\$0.0062 per Share special final dividend for the year ended 31 December 2021. Save as the abovementioned, the Company has not declared any dividend since 2021.

As stated above, it seems that the Company has not maintained a practice of declaring dividends on an annual basis. Therefore, we consider that it is inappropriate to use dividend yield as analysis to the fairness and reasonableness of the Share Offer Price.

### *1.3 Outlook and prospects of the Group*

As stated in 2025 Interim Report, in the first half of 2025, China's wine market showed signs of slight recovery, driven by shifting consumer preferences. Interest in white and sparkling wines continued to grow, particularly among younger consumers. This diversification in demand was partly supported by the rising popularity of Western cuisine in China, which pairs well with these wine styles.

China's domestic wine industry is undergoing transformation, with the consumer market becoming increasingly polarised. The high-end segment recorded notable growth, while the mass market, which accounts for the majority of consumption, lagged behind. More consumers are gravitating towards high-quality domestic wines. Despite the high-end segment's positive momentum, the broader wine market continues to face challenges: overall consumption remains below previous peaks, and domestic producers are navigating a competitive environment marked by fluctuating import patterns evolving consumer preferences.

According to the China Chamber of Commerce for Import and Export of Foodstuffs, Native Produce and Animal By-products, in the first three months of 2025, China's alcohol exports a total amount of US\$430 million, representing a year-on-year increase of 6.7%, the export volume was 209.2 million liters, representing a year-on-year increase of 15.7%<sup>1</sup>. Also, according to the "China Liquor Industry '15th Five-Year Plan' New Cultural Construction '139' Plan" released by China Liquor Industry Association on 12 November 2025 which focuses on cultural heritage and innovation, aiming to promote the global influence of China's liquor industry culture and enhance market competitiveness of China's liquor industry.

During 6M2025, the upgrade of the Shanxi winery has been completed and the Group is expected to attract more visitors and boost sales. The Group also partnered with additional distributors to extend market coverage and continued to enhance product quality and brand recognition. Furthermore, Grace Vineyard Tasya's Reserve Marselan and Tasya's Reserve Chardonnay were selected for Cathay Pacific Airways' business-class "Chinese Classics" programme. Grace Vineyard Angelina Cabernet Franc Sparkling Wine won Gold at the 15th (2025) Asian Wine Quality Competition. Shanxi Grace Vineyard was further recognised as one of the "Gifts of Shanxi: Presents to the World" by the Selection of Sites for Foreign Affairs.

<sup>1</sup> <https://www.cccfna.org.cn/maoyitongji/hangyetongji/ff808081964273600196f5c19efa0edb.html>

In the second half of 2025, the Group expects trading conditions to remain challenging due to subdued consumer sentiment, slow macroeconomic recovery and intensifying competition in the mass market. The high-end segment is anticipated to remain resilient, supported by continued premiumisation and brand recognition. The Group will focus on strengthening its market position through targeted sales expansion, product innovation, and disciplined cost management, while leveraging its strengthened balance sheet to capture selective growth opportunities.

Based on the aforesaid and in particular China's wine market showed signs of slight recovery in 6M2025, we consider that the overall prospects and outlook of the Group would be positive.

## **2. Information on the Offeror and the intention of the Offeror in relation to the Group**

### ***2.1 Information on the Offeror and Mr. Yang***

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the Latest Practicable Date, the Offeror is ultimately, beneficially and wholly-owned by Mr. Yang. Mr. Yang is the sole director of the Offeror.

Mr. Yang, aged 52, is the founder of 1919 Group Co., Ltd\* (壹玖壹玖集團有限公司) (the "1919 Group") and the chairman and general manager of 1919 Wines & Spirits Platform Technology Co., Ltd\* (壹玖壹玖酒類平臺科技股份有限公司).

Headquartered in Chengdu, Sichuan Province, the 1919 Group is principally engaged in liquor retail and supply chain management services and provision of both online and offline instant liquor purchase services with delivery. It owns the 1919 Quick Drink APP, third-party e-commerce flagship stores and offline stores in the PRC. The 1919 Group was appointed as an executive member of the 8th Council of the China Alcohol Circulation Association\* (中國酒類流通協會第八屆理事會).

Mr. Yang was appointed as a member of the 16th Chengdu Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十六屆成都市委員會) and the Ambassador for Attracting Investment and Intelligence (武侯區建圈強鏈招商引智大使) in February 2023. Mr. Yang was accredited as Top 10 Leading Figures of Small and medium-sized Enterprises in the Western Region (十大西部中小企業領軍人物) in May 2023.

As at the Latest Practicable Date, Mr. Yang does not hold any directorship in any listed company in Hong Kong and is not a substantial shareholder (as defined in the GEM Listing Rules) of any listed company in Hong Kong.

Considering Mr. Yang's background and experience in wine industry in the PRC, we are of the view that Mr. Yang may bring positive influence to the business of the Group.

## *2.2 Intention of the Offeror in relation to the Group*

It is the intention of the Offeror to continue the Group's existing principal business following close of the Offer. The Offeror will conduct a detailed review of the existing principal business operations and financial position of the Group. Based on the review results, the Offeror will formulate business strategies for the Group's future development, and may explore other business opportunities from time to time and consider whether any acquisition or disposal of assets, fund-raising activity or business restructuring plan should be pursued with a view to achieving business diversification and/or long-term business growth of the Group. Notwithstanding the above, as at the Latest Practicable Date, the Offeror has no specific proposal for any acquisition or disposal of assets, fund-raising activity or business restructuring in relation to the Group and has not entered into any specific agreement or arrangement with the Group in connection therewith. In the event that any suitable opportunity for such corporate actions arises, further announcement(s) will be made by the Company in accordance with the GEM Listing Rules and the Takeovers Code as and when appropriate.

### *Proposed change to the composition of the Board*

As at the Latest Practicable Date, the Board consists of six Directors, comprising one executive Director, namely Ms. Judy Chan, two non-executive Directors, namely Mr. Chow Christer Ho and Dr. Cheung Chai Hong and three independent non-executive Directors, namely Mr. James Douglas Richard Field, Mr. Chan Tsz King Vincent and Mr. Kong Chi Hang Maurice.

Pursuant to the Sale and Purchase Agreement, following the Completion, the Offeror shall procure that during the period from the date of Completion and ending on the date on which the Consideration is settled in full, (i) Ms. Judy Chan and/or her designated persons remain as the executive Director and a director of the relevant subsidiaries which she serve as a director as at the date of the Sale and Purchase Agreement and (ii) Dr. Cheung Chai Hong remains the non-executive Director.

Save and except for Ms. Judy Chan and Dr. Cheung Chai Hong, all other existing Directors will resign with effect from after the publication of the closing announcement on the Closing Date (being the earliest date as permitted under the Takeovers Code). The Offeror intends to nominate Mr. Liu Yunqiang, Ms. Xiong Xia and Mr. Zhao Mingjun as executive Directors, Mr. Zhao Guodong as a non-executive Director and Mr. Leung Ming Shu, Dr. Wang Renrong and Dr. Xu Yan as independent non-executive Directors with effect from after the Composite

Document is posted on the date of despatch of this Composite Document (being the earliest date as permitted under the Takeovers Code). None of the above proposed Directors was a Shareholder or otherwise held any interest in the Shares as at the Latest Practicable Date. Further announcement(s) and/or disclosure(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

Considering the Offeror (i) will continue with the existing business of the Group; (ii) will conduct assessment on the existing principal business and determine whether any development or opportunities are necessary to support the long-term growth; and (iii) has profound experience in wine industry in the PRC, we consider the intention of the Offeror, may bring positive influence to the business of the Group.

### **3. The Share Offer Price**

#### ***3.1 The Share Offer Price comparison***

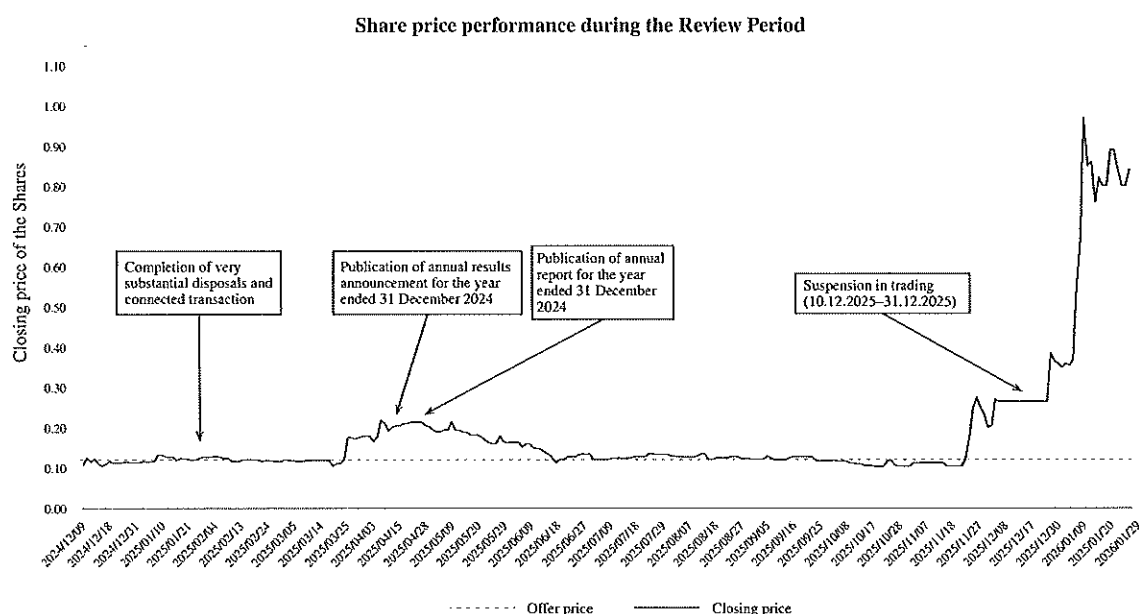
The Share Offer Price of HK\$0.12491 per Offer Share represents:

- (i) a discount of approximately 85.13% to the closing price as quoted on the Latest Practicable Date, i.e. HK\$0.84 per Share;
- (ii) a discount of approximately 52.86% to the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on 9 December 2025, being the Last Trading Day;
- (iii) a discount of approximately 46.85% to the average closing price of HK\$0.235 per Share based on the daily closing prices as quoted on GEM of the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 44.56% to the average closing price of approximately HK\$0.2253 per Share based on the daily closing prices as quoted on GEM of the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 15.47% to the average closing price of approximately HK\$0.1478 per Share based on the daily closing prices as quoted on GEM of the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;

- (vi) a discount of approximately 59.86% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.3112 per Share as at 31 December 2024, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB226,132,000 (equivalent to approximately HK\$249,129,624) as at 31 December 2024 by 800,600,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a premium of approximately 1.17% to the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.1235 per Share as at 30 June 2025, calculated by dividing the Group's unaudited consolidated net assets attributable to the Shareholders of approximately RMB89,721,000 (equivalent to approximately HK\$98,845,626) as at 30 June 2025 by 800,600,000 Shares in issue as at the Latest Practicable Date.

### 3.2 Historical Share price performance

We have reviewed and analysed the closing price of Shares (i) for approximately 12 months immediately prior to the Last Trading Day commencing on 9 December 2024 and up to and including the Last Trading Day (the “**First Review Period**”); and (ii) from the day immediately following the date of the Joint Announcement up to and including the Latest Practicable Date (the “**Second Review Period**” together with the First Review Period, the “**Review Period**”) below:



Source: [www.hkex.com.hk](http://www.hkex.com.hk)

The Share Offer Price of HK\$0.12491 represents (a) a discount of approximately 32.64% to the average closing price of approximately HK\$0.185 per Share during the Review Period; (b) a discount of approximately 52.86% over the closing price of HK\$0.265 per Share on the Last Trading Day; (c) a discount of approximately 85.13% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

#### *First Review Period*

During the First Review Period, the closing price of the Shares remained stable from 9 December 2024 until late March 2025 ranging from HK\$0.106 to HK\$0.133 after the announcement of fulfilment of all conditions precedent in relation to the very substantial disposals and proposed declaration of special dividend after the very substantial disposals on 24 March 2025. After the said announcement, the closing price of the Shares increased from HK\$0.12 on 25 March 2025 to HK\$0.219 on 9 April 2025.

After 9 April 2025, the closing price of the Shares decreased gradually from HK\$0.219 on 9 April 2025 to HK\$0.113 on 19 June 2025. The closing price of the Shares remained stable from 19 June 2025 to 26 November 2025 ranging from HK\$0.103 to HK\$0.136. The closing price of the Shares increased significantly from HK\$0.125 on 26 November 2025 to HK\$0.248 on 28 November 2025. The closing price of the Shares then remained fluctuated until the Last Trading Day. As confirmed by the Directors, the Directors were not aware of any matters related to the Group which might have a material effect on the price of Shares during this period.

#### *Second Review Period*

The Second Review Period recorded closing price ranging from HK\$0.265 to HK\$0.97 (the “**Second Review Period Price Range**”), with an average closing price of HK\$0.518 per Share. During the Second Review Period, the closing price of the Shares experienced a notable increase upon the resumption of trading on 31 December 2025 after the Joint Announcement has been published, with the closing price surging from HK\$0.265 on the Last Trading Day to HK\$0.385 on the trading day after the publication of the Joint Announcement, representing an increase of approximately 45.28%. Based on our discussion with Management, save for the publication of the Joint Announcement, the Management were not aware of any material matters potentially caused the aforesaid movement. We consider that the notable increase in closing price per Share were primarily attributable to the market reaction and anticipation to the Offers following release of the Joint Announcement.

Shareholders should note that the information set out above is not an indicator of the future performance of Shares and that the price of Shares in the future may increase or decrease from its closing price as at the Latest Practicable Date.

### 3.3 Historical liquidity of the Shares

The table below sets out the trading volume of Shares during the Review Period:

Month/period	Number of trading days in the month/period	Average daily trading volume per trading day in the month/period	Percentage of average daily trading volume to total number of Shares in issue <i>Approximate % (Note 1)</i>	Percentage of average daily trading volume to total number of Shares held by public <i>Approximate % (Note 2)</i>
<b>First Review Period</b>				
<b>2024</b>				
December (from 9 December 2024)	15	1,267,333	0.16	0.60
<b>2025</b>				
January	19	335,789	0.04	0.16
February	20	215,000	0.03	0.10
March	21	666,667	0.08	0.32
April	19	825,263	0.10	0.39
May	20	379,000	0.05	0.18
June	21	213,333	0.03	0.10
July	22	320,455	0.04	0.15
August	21	120,000	0.01	0.06
September	22	130,000	0.02	0.06
October	20	115,000	0.01	0.05
November	20	699,500	0.09	0.33
December (Note 3) (up to and including the Last Trading Day)	7	872,500	0.11	0.41
<b>Second Review Period</b>				
<b>2025</b>				
December (31 December 2025)	1	18,460,000	2.31	8.74
<b>2026</b>				
January	21	6,269,735	0.78	2.97

Source: [www.hkex.com.hk](http://www.hkex.com.hk)



*Notes:*

1. Calculated based on the total number of the Shares in issue at the end of month/period.
2. Calculated based on the total number of the Shares held by public shareholders as set out in the Letter from the Board as at the Latest Practicable Date.
3. During the Review Period, the trading in the Shares had been halted on 10 December 2025 and trading was resumed on 31 December 2025.

As set out in the table above, during the First Review Period, the percentage of average daily number of Shares traded relative to the total number of Shares in issue ranged from approximately 0.01% to 0.16%, with an average of approximately 0.06%. It is noted that in 11 out of the 13 months, the trading percentage falls below the percentage of 0.1%. In addition, the percentage of average daily trading volume to the total number of Shares held by public shareholders ranged from approximately 0.05% to 0.6%, with an average of approximately 0.22%, and it is noted that 5 out of the 13 months recorded a percentage below the percentage of 0.1%. It is further noted, during the First Review Period, there were a total of 247 trading days, of which 56 days recorded no trading of Shares.

During the Second Review Period, the percentage of average daily trading volume of the Shares relative to the total number of Shares in issue were approximately 1.54%, and approximately 5.86% relative to the total number of Shares held by public Shareholders.

Given the percentage of average daily trading volume to total number of Shares in issue and to total number of Shares held by public Shareholders generally remained below 0.1% during the Review Period, the trading liquidity of the Shares have been considered thin and inactive in the open market. On this basis, Shareholders should be aware that, such may impose limitation on potential investor participation, and thus may face challenges when attempting to realise their investment or dispose their Shares in the open market, depending on their shareholding size, could potentially exert downward pressure on the price of the Shares.

Shareholders who wish to sell their Shares should carefully consider whether to accept the Offer or to sell their Shares in the open market based on the then market prices to avoid the sale proceeds from disposal on the market lower than the Share Offer Price.

### *3.4 NAV comparison*

With a view to assess the fairness and reasonableness of the Share Offer Price, we have conducted an assessment of the net asset value (“NAV”) per Share attributable to the Shareholders of the Company as at 30 June 2025, the NAV per share is HK\$0.12327 (calculated based on 800,600,000 shares in issue as at the Latest Practicable Date), of which the Offer Price of HK\$0.12491 represents a slight premium of approximately 1.33%. As set out in the Letter from the Board, the adjusted NAV per Share attributable to Shareholders by taking into account the effect of fair value gain arising from the valuation of the property interests of the Group is HK\$0.1250, the Offer Price of HK\$0.12491 represents a slight discount of approximately 0.072%.

#### *Market comparable analysis*

To further assess the fairness and reasonableness of the Share Offer Price, we have conducted market comparable analysis by comparing the price-to-sales ratio (the “P/S Ratio”) and the price-to-book ratio (the “P/B Ratio”) of the Company based on the closing price of the Share on the Last Trading Day. As we noted that the Company recorded a loss attributable to owners of the Company for the year ended 31 December 2024, the price-to-earnings ratio (“P/E Ratio”) analysis has not been adopted.

The Company is principally engaged in the production and sales of wine, operating its own vineyard/winery facilities for production. We attempted to identify a list of comparable companies within the same industry that also maintain their own winery/vineyard operations. Therefore, we have set out the criteria for the purpose of identifying the market comparables: (i) a company whose shares are listed on the Main Board of the Stock Exchange; and (ii) a company whose principal business include the production and sales of wine, operating its own vineyard/winery facilities for production, excluding those whose principal business only include trading and sales of wine given the Company operating its own vineyard/winery facilities for production. However, we noted that only a limited number of Hong Kong listed companies are principally involved in the same line of business with their own winery or vineyard for production. As such, we relaxed the selection criteria to include companies listed on other stock exchanges and with criteria (i) market capitalisation of less than RMB5 billion due to the fact that companies operating in the PRC with market capitalization of less than RMB5 billion are conventionally considered small/micro market capitalization firms; (ii) over 50% of revenue derived from the businesses of winery aggregately according to their latest published annual reports; and (iii) over 50% of revenue derived from the PRC market, we have identified four comparable companies (the “Comparable Companies”) that met the aforementioned extended selection criteria.

The table below sets out the P/S Ratio and the P/B Ratio of the Company for comparison purposes.

<b>Company (Stock Code)</b>	<b>Principal activity</b>	<b>P/S ratio (times) (Note 1)</b>	<b>P/B ratio (times) (Note 2)</b>
Dynasty Fine Wines Group Limited (828)	Manufacturing and sales of wine products	1.45	1.24
Wei Long Grape Wine Co Ltd. (603779)	Manufacturing and sales of wine products	4.65	3.74
Tonghua Grape Wine Co Ltd. (600365)	Manufacturing and sales of wine products	1.62	4.88
China Ouhua Winery Holdings Ltd. (CNOUHUA:KLS)	Brewing, bottling, sales and distribution of grape wines	1.87	0.25
The Company	Based on the Share Offer Price	2.63	1.01

*Notes:*

1. The P/S Ratio is calculated by dividing the market capitalisation as at the Last Trading Day by the revenue generated from the latest financial year of the respective company according to their latest financial information.
2. The P/B Ratio is calculated by dividing their market capitalisation as at the Last Trading Day by the net asset value attributable to owners of the respective company according to their latest unaudited financial information from respective latest interim report or latest audited financial information from respective latest annual report.

It is noted from the above table that the Comparable Companies recorded P/S Ratio ranges from approximately 1.45 times to 4.65 times with an average of approximately 2.40 times. It is also noted that the Comparable Companies recorded P/B Ratio ranges from approximately 0.25 times to 4.88 times with an average of approximately 2.53 times. The Company's P/S Ratio, based on the Share Offer Price would be approximately 2.63 times which is higher than the average P/S Ratio of the identified Comparable Companies. The Company's P/B Ratio, based on the Share Offer Price would be approximately 1.01 times, which is lower than the average P/B Ratio of the identified Comparable Companies.

### **3.5 Summary of our analysis**

Notwithstanding (a) the Company's P/S Ratio based on the Share Offer Price is higher than the average of the Comparable Companies; and (b) the Share Offer Price represents a premium over the NAV per Share, we consider the Share Offer Price to be not attractive after taking into account of (a) the closing price of the Shares increased significantly in the Second Review Period which the Share Offer Price is at a notable discount to the average closing price of Shares during the Second Review Period and substantially below the closing Share price of HK\$0.84 as at the Latest Practicable Date; (b) the historical trading liquidity of the Shares has been generally low in the open market during the First Review Period, but both price and liquidity has increased since the publication of the Joint Announcement during the Second Review Period which may be attributable to market reactions to the Offers and/or prospects of the Group being controlled by the Offeror after the Completion; (c) the Share Offer Price represents a slight discount to the adjusted NAV per Share; (d) the Offeror has profound experience in wine industry in the PRC which may bring positive influence to the business of the Group; and (e) the Company's P/B Ratio based on the Share Offer Price is lower than the average of the Comparable Companies.

Having considered that the P/B Ratio based on the Share Offer Price is lower than the average of the Comparable Companies, we believe the valuation of the Company as implied by the Share Offer Price represents a discount to market norms. As such we consider the Share Offer Price to be not attractive and is not fair and reasonable so far as the Independent Shareholders are concerned. Nevertheless, the Independent Shareholders should also note that (i) there is no guarantee that the Share price will sustain at a level above the Share Offer Price and/or after the Offer Period; and (ii) the Independent Shareholders (regardless to their amount of shareholdings) 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 of their partial or entire holdings. In such circumstances, the Share Offer might provide an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares at the Share Offer Price.

## **4. The Option Offer**

With reference to the paragraph headed "2. SHARE CAPITAL" in Appendix IV to the Composite Document, as at the Latest Practicable Date, save for the 12,400,000 outstanding Share Options granted pursuant to the Share Option Scheme conferring rights to subscribe for 12,400,000 new Shares with an exercise price of HK\$0.17 to HK\$0.186 per Share Option, the Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into the Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into the Shares or which confer rights to require the issue of Shares. The Company has no intention to grant any new share options under Share Option Scheme during the Offer Period.

The Option Offer is unconditional in all respects and is not conditional upon any minimum level of acceptances being received or any other conditions. Given that the exercise price of the outstanding Share Options (being HK\$0.17 to HK\$0.186 per Share Option) is higher than the Share Offer Price, the Share Options are out-the-money and the Option Offer Prices are set at a nominal price of HK\$0.0001. As the Share Offer Price under the Option Offer Price are based on the Share Offer Price of HK\$0.12491, which is offered to all Independent Shareholders, our view on the Option Offer Price is same as that on the Share Offer Price. Given that we consider the Share Offer Price is not fair and reasonable, the price offered for the Share Options, are also considered by us to be not fair and reasonable.

In view of the fact that the recent Share market price had been, and was as at the Latest Practicable Date, above the relevant exercise prices of the Share Options, the Optionholders may, to the extent their respective circumstances permit, exercise their rights under the Share Options and dispose of their Offer Shares on the market if there is sufficient trading liquidity in the market and the market price is above the exercise price (to the extent such excess in market price would be adequate to cover additional charges such as brokerage, transaction levies etc., which would not be applicable if the Offer Shares are tendered in acceptance of the Share Offer) during the Offer Period. However, if the market price of the Shares becomes below the exercise price of the Share Options, the Optionholders may consider accepting the Option Offer instead. The Optionholders are also reminded that in accordance with the Share Option Scheme, the Share Options will lapse automatically (to the extent not exercised) upon the close of the Offers as detailed in the paragraph headed "8. VALIDITY OF THE SHARE OPTIONS UPON CLOSE OF THE OFFERS" set out in the Appendix I to the Composite Document.

## RECOMMENDATION

Notwithstanding (a) the Company's P/S Ratio based on the Share Offer Price is higher than the average of the Comparable Companies; and (b) the Share Offer Price represents a slight premium over the NAV per Share, after taking into account the below principal factors and reasons for the Offers, including:

- (a) China's wine market showed signs of slight recovery in 6M2025;
- (b) Mr. Yang has profound experience in wine industry in the PRC which may bring positive influence to the business of the Group;
- (c) the Share Offer Price represents a discount of approximately 52.86% to the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) the Share Offer Price represents a slight discount to the adjusted NAV per Share;

- (e) the Company's P/B Ratio based on the Share Offer Price is lower than the average P/B Ratio of the Comparable Companies; and
- (f) the closing price of the Shares increased significantly in the Second Review Period which the Share Offer Price is at a notable discount to the average closing price of Shares during the Second Review Period and substantially below the closing Share price of HK\$0.84 as at the Latest Practicable Date,

we consider that the Offers (including the Share Offer Price) are not fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and the Optionholders not to accept the Offers.

We would like to remind the Independent Shareholders and the Optionholders (for the Optionholders, if they opt to exercise their rights under the Share Options to subscribe for the new Shares) that if they consider retaining their Shares or tendering less than all their Shares under the Share Offer should carefully consider the potential difficulties they may encounter in disposing their investments in the Shares after the close of the Share Offer in view of the historical low liquidity of the Shares and there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period. The Optionholders are also reminded that in accordance with the Share Option Scheme, the Share Options will lapse automatically (to the extent not exercised) upon the close of the Offers as detailed in the paragraph headed "8. VALIDITY OF THE SHARE OPTIONS UPON CLOSE OF THE OFFERS" set out in the Appendix I to the Composite Document.

Those Independent Shareholders and Optionholders (for the Optionholders, if they opt to exercise their rights under the Share Options to subscribe for the new Shares) who intend to accept the Share Offers are reminded to closely monitor the market price and the liquidity of the Shares during the period when the Offers remains open for acceptance and should consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer after having regard to the market price and the liquidity of the Shares.

As each individual Independent Shareholder and the Optionholders would have different investment objectives and/or circumstances, we recommend any Independent Shareholders and the Optionholders who may require advice in relation to any aspect of the Offers and/or the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Offers as set out in the Composite Document, its appendices and the accompanying Form of Acceptance.

Yours faithfully  
For and on behalf of  
**Red Sun Capital Limited**



**Robert Siu**  
Managing Director

*Mr. Robert Siu is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in the corporate finance industry.*

\* For identification purpose only