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14 October 2025

To the Independent Board Committee

SHUNTEN INTERNATIONAL (HOLDINGS) LIMITED

Unit D, 7/F, KC100
100 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

Dear Sir or Madam,

MANDATORY CONDITIONAL CASH OFFER BY PRIME SECURITIES LIMITED ON BEHALF OF LEADING VIRTUE HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF SHUNTEN INTERNATIONAL (HOLDINGS) LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer. Details of the Offer are set out in the "Letter from the Board" contained in the Composite Document dated 14 October 2025 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

THE OFFER

On 12 September 2025, the Offeror and Mr. Cheung, each as the Purchaser, and Prosper Rich and Hammer Capital Consulting, each as the Seller, entered into the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, (i) the Offeror has agreed to acquire 552,982,240 Shares from Prosper Rich for a consideration of HK\$13,271,573 and 181,057,793 Shares from Hammer Capital Consulting for a consideration of HK\$4,345,387, representing a total of 734,040,033 Shares for a total consideration of HK\$17,616,960; and (ii) Mr. Cheung has agreed to acquire 32,000,000 Shares from Hammer Capital Consulting for a consideration of HK\$768,000. The Sale Shares, totaling 766,040,033 Sale Shares represent approximately 24.65% of the Company's total issued share capital. The aggregate consideration for the Sale Shares is HK\$18,384,960, equivalent to approximately HK\$0.024 per Sale Share.

Completion and settlement of the aggregate consideration for the Sale Shares of HK\$18,384,960 thereunder took place on the same date of the Sale and Purchase Agreement, being 12 September 2025. Immediately before Completion and after completion of the Prosper Rich Disposal, the Offeror and parties acting in concert with it (excluding 552,982,240 Shares owned by Prosper Rich, a Seller and a party presumed to be acting in concert with the Offeror prior to the Completion) owned 750,494,000 Shares (representing approximately 24.15% of the total issued Shares). Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 1,516,534,033 Shares (representing approximately 48.80% of the total issued Shares).

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). Prime Securities will, on behalf of the Offeror, make the Offer in compliance with the Takeovers Code.

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Leung Winson Kwan Yau, Ms. Dong Jian Mei and Mr. Lam Chik Shun Marcus, has been established to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

The non-executive Director, Ms. So Tsz Kwan ("**Ms. So**"), has not been included in the Independent Board Committee as Ms. So has been serving as vice president at Ruima Hong Kong Limited, a company controlled by Ms. Leung Lisa, and is therefore not independent in relation to the Offer.

THE INDEPENDENT FINANCIAL ADVISER

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. As the Independent Financial Adviser with respect to the Offer, our role is to provide the Independent Board Committee with an independent opinion and recommendations as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code.

We (i) are not associated or connected, financially or otherwise, with the Company or the Offeror or the Sellers, their respective substantial or controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror or the Sellers, their respective substantial or controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Composite Document.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) the remuneration for our engagement to opine on the Offer is at market level and not conditional upon the outcome of the Offer; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company or the Offeror or the Sellers, their respective substantial or 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 or the Offeror or the Sellers, their respective substantial or controlling shareholders or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the annual report of the Company for the year ended 31 March 2025 (the “**2024/2025 Annual Report**”); and (ii) other information as set out in the Composite Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us by the Company, the directors and the management of the Company (collectively the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Independent Shareholders of any material changes to information contained or referred to in the Composite Document as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be informed as soon as possible when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date, and up to the close of the Offer Period.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to Company contained or referred to in the Composite Document, and information relating to Company provided to us by Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

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

PRINCIPAL TERMS OF THE OFFER

Prime Securities Limited, on behalf of the Offeror, is making the Offer in compliance with the Takeovers Code on the following basis:

The Offer

For each Offer Share. HK\$0.024 in cash

Pursuant to the Takeovers Code, the Offer Price must not be lower than the purchase price per Sale Share payable by the Purchasers to the Sellers under the Sale and Purchase Agreement. The Offeror has therefore decided to set the Offer Price at HK\$0.024, which is equal to the price per Sale Share paid by the Purchasers under the Sale and Purchase Agreement.

The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights and interests attaching thereto, including all rights to any dividends or other distributions declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of the Composite Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background and financial information of the Group

1.1 Background of the Group

The Group is principally engaged in the sale, marketing and distribution of health and beauty supplements and products and property investment in Hong Kong. The Group's health and beauty supplements and products are sold under the proprietary brands developed and managed by the Group ("**Proprietary Brands**") and a private label brand specifically developed for and owned by a renowned retail chain of health and beauty products in Hong Kong and Macau. The Group mainly sells and distributes its products through (i) a renowned local retail chain distributor; (ii) its own special designated counters; and (iii) at the Hong Kong Brands and Products Expo. The Group also has its own e-commerce online platform and designated cross-border e-commerce platforms in Mainland China.

For its property investment business, the Group owns various industrial, commercial and residential use properties in Hong Kong for investment holding and leasing purposes.

1.2 Financial information of the Group

Set out below are tables summarizing certain key financial information of the Group for its financial years ended 31 March ("**FY**") 2024 and 2025 ("**FY2024**" and "**FY2025**", respectively) as extracted from the 2024/2025 Annual Report.

Extract of consolidated statement of profit or loss

	For the year ended 31 March	
	FY2025	FY2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	205,048	235,586
— <i>Health and beauty supplements and products business</i>	<u>199,918</u>	<u>230,580</u>
— <i>Property investment business</i>	<u>5,130</u>	<u>5,006</u>
Cost of sales	<u>(47,095)</u>	<u>(51,374)</u>
Gross profit	157,953	184,212
<i>Gross profit margin</i>	77.0%	78.2%
Other income, gains or losses	941	1,643
Selling and distribution expenses	(53,131)	(54,499)
Administrative expenses	(102,002)	(103,802)
Reversal of/(impairment loss) under expected credit loss model on trade and other receivables	202	(203)
Fair value change of investment properties	(30,400)	(15,000)
Finance costs	<u>(6,931)</u>	<u>(7,777)</u>
(Loss)/profit before taxation	(33,368)	4,574
Taxation	<u>(2,875)</u>	<u>(4,056)</u>
(Loss)/profit for the year	<u>(36,243)</u>	<u>518</u>

The Group's revenue decreased by 13.0% from HK\$235.6 million in FY2024 to HK\$205.0 million in FY2025. This decline was mainly attributable to weak local retail market conditions and consumer sentiment in Hong Kong and Macau, as well as the reduction of spending power and change in consumption pattern of visitors which affected the Group's health and beauty supplements and products business. The Group's property investment revenue meanwhile increased marginally from HK\$5.0 million in FY2024 to HK\$5.1 million in FY2025. For our further discussion on the general market, please see the section headed "2. Industry development and outlook".

Relative to revenue, the Group's cost of sales decreased by a lesser extent of 8.4% from HK\$51.4 million in FY2024 to HK\$47.1 million in FY2025 as there was an increase in production staff cost despite lower revenue. As a result, the Group's overall gross profit decreased by 14.3% from HK\$184.2 million in FY2024 to HK\$158.0 million in FY2025, and gross profit margin decreased marginally by 1.2 percentage points from 78.2% in FY2024 to 77.0% in FY2025. The Group's selling and distribution expenses similarly decreased, though by a lesser of 2.5% from HK\$54.5 million in FY2024 to HK\$53.1 million in FY2025, due to the lower commission expenses to promoters linked to the drop in sales in retail shops with the presence of promoters. Administrative expenses, which consisted mainly of fixed expenses such as employee salaries and benefits, depreciation of plant, property and equipment and consultancy fees, had meanwhile stayed relatively stable despite lower revenue.

The Group's recorded fair value loss of investment properties widened by 102.7% from HK\$15.0 million in FY2024 to HK\$30.4 million in FY2025 due to the ongoing deterioration of property market conditions in Hong Kong.

As a result of the foregoing, the Group recorded a loss of HK\$36.2 million in FY2025, compared to HK\$0.5 million in profit recorded in FY2024. Overall, the Group's expenses had not decreased to the same extent as its revenue, resulting in operating losses as analysed below, and further aggravated by the increase in fair value loss of investment properties.

To consider the Group's underlying operating performance, we have conducted an analysis by excluding the fair value change of investment properties which was not directly related to the Group's daily operations. The adjusted net (loss)/profit for the year attributable to the owners of the Company (the "**Adjusted Net (Loss)/Profit**") was arrived at by adding back the fair value loss of investment properties to the Group's (loss)/profit for the year attributable to owners of the Company. The table below is depicted for illustrative purposes only and is not in accordance with HKFRS Accounting Standards.

Extract of consolidated statement of profit or loss

	For the year ended	
	31 March	
	FY2025	FY2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
(Loss)/profit for the year attributable to owners of the Company	(36,243)	571
Adjustment:		
Fair value change of investment properties	<u>30,400</u>	<u>15,000</u>
Adjusted Net (Loss)/Profit	<u>(5,843)</u>	<u>15,571</u>

With reference to the above table, we observed that the Group's operating performance, which was principally attributable to the health and beauty supplements and products, had deteriorated from an Adjusted Net Profit of HK\$15.6 million in FY2024 to an Adjusted Net Loss of HK\$5.8 million in FY2025.

Extract of consolidated statement of financial position

	As at 31 March	
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	218,788	258,379
— Investment properties	176,700	207,100
— Property, plant and equipment	10,961	12,719
— Other non-current assets	31,127	38,560
Current assets	70,116	85,955
— Inventories	24,893	25,880
— Trade and other receivables, prepayments and deposits	37,100	45,033
— Tax recoverable	2,591	2,342
— Cash and cash equivalents	5,532	12,700
Total assets	288,904	344,334
Current liabilities	145,557	165,500
— Trade payables, other payables and accruals	20,930	21,094
— Bank and other borrowings	118,955	110,965
— Other current liabilities	5,672	33,441
Non-current liabilities	8,002	7,226
— Lease liabilities	5,730	6,460
— Deferred tax liabilities	2,272	766
Total liabilities	153,559	172,726
Net assets	135,345	171,608

The main component of the Group's non-current assets was investment properties, which decreased by 14.7% from HK\$207.1 million as at 31 March 2024 to HK\$176.7 million as at 31 March 2025 in line with the aforesaid recognition of fair value losses of properties. As at 31 March 2025, the Group's investment property portfolio comprised (i) a commercial and residential building located in Sham Shui Po, Kowloon; (ii) industrial properties located in Kwai Chung, New Territories; and (iii) a residential premise located in Mid-levels in Hong Kong, valued at HK\$106.1 million, HK\$42.6 million and HK\$28.0 million respectively.

The Group's other non-current assets comprised (i) property, plant and equipment; (ii) right-of-use assets; (iii) intangible assets; and (iv) prepayments and deposits, all of which, apart from the Group's prepayments and deposits, have stayed relatively stable. The Group's non-current prepayments and deposits, which mainly related to prepayments to independent IT service providers for developing customised operating systems, decreased by 77.9% from HK\$10.7 million as at 31 March 2024 to HK\$2.4 million as at 31 March 2025. The Group recognised its (i) promoter commission calculation system; and (ii) smart vending machine as intangible assets after their completion and implementation during the year ended 31 March 2025, and this led to such decrease in prepayments and deposits as at 31 March 2025. The Group's current assets consisted of (i) inventories; and (ii) trade and other receivables, which both stayed relatively stable as at 31 March 2024 and 31 March 2025. The Group's cash and bank balances decreased from HK\$12.7 million as at 31 March 2024 to HK\$5.5 million as at 31 March 2025 as the Group had made repayment to a shareholder during FY2025. The main component of the Group's current liabilities was bank and other borrowings, which increased by 7.2% from HK\$111.0 million as at 31 March 2024 to HK\$119.0 million as at 31 March 2025. Such increase was largely attributable to drawdown of HK\$32.6 million new bank borrowings, net of repayments of HK\$24.6 million. We noted that, as disclosed in the 2024/2025 Annual Report, HK\$100.8 million of the HK\$119.0 million were borrowings due after one year, but as these borrowings contain a repayment on demand clause, they were recorded as current liabilities. The decrease in other current liabilities was largely attributable to the amounts due to a shareholder that was fully repaid during FY2025 as mentioned above. The Group's non-current liabilities, which remained relatively nominal and stable, consisted of (i) lease liabilities; and (ii) deferred tax liabilities.

The Group has not distributed dividends since 2015. As disclosed in the 2024/2025 Annual Report, the Board when determining its dividend policy will take into account several factors, including (i) the Group's financial results; (ii) interests of the shareholders; and (iii) general business conditions and strategies, and will attempt to balance its overall capital structure through the payment of dividends, new share issues and issue of new debt as it sees fit and appropriate.

In general, we observed that both the Group's financial performance and financial position had deteriorated due to adverse external circumstances, such as the lack of consumer spending for the health and beauty supplements and products business, while the value of its portfolio of investment properties continued to decline. We meanwhile noted that despite such adverse circumstances, the Group had managed to control its gross profit margins and stabilised its operating expenses. In terms of financial position, the main deterioration was the fair value losses of investment properties.

2. Industry development and outlook

As discussed in "1.1 Background of the Group", the Group is principally engaged in the health and beauty supplements and products business, as well as the property investment business in Hong Kong. As disclosed in the 2024/2025 Annual Report, the Management attributed the Group's decline in revenue to the sluggish local retail market, influenced by external uncertainties such as geopolitical tensions, and continuous slump of the stock and property market in Hong Kong. On the above basis, we have conducted independent research on the health and beauty supplements and products market, as well as the commercial, residential and industrial property market in Hong Kong.

Retail demand and consumer spending behaviours

We have reviewed the report titled "*Monthly Report — Visitor Arrival Statistics: Jul 2025*" (the "**HKTb Report**") issued by the Hong Kong Tourism Board, as well as the report titled "*Provisional Statistics of Retail Sales for July 2025*" (the "**Census Department Report**") issued by the Census and Statistics Department of Hong Kong.

The Hong Kong Tourism Board is a government-subvented body responsible for marketing and promoting Hong Kong as a travel destination worldwide, including the publication of tourism-related news, press releases, and statistical data. The Census and Statistics Department is a government agency that regularly publishes general-purpose public statistics in Hong Kong based on survey data, including information on retail consumption and spending patterns.

As discussed by the Management in the 2024/2025 Annual Report, the Hong Kong Government introduced measures to revitalise the tourism industry, including the resumption of the Multiple-entry Individual Visit Scheme for Shenzhen permanent residents and the organisation of various mega events. These initiatives coincided with a notable increase in visitor arrivals as reported by the Hong Kong Tourism Board, with the total number of visitors rising by 11.6% from 25.1 million between January and July 2024 to 28.0 million during the same period in 2025. Visitors from Mainland China, a key consumer demographic for the Group, grew by 10.4% from 19.3 million to 21.3 million over the same timeframe.

In response to these developments, the Group conducted a series of strategic brand positioning aimed at strengthening brand visibility and expanding market such as sponsoring a Hong Kong TV drama, launching advertisements through various distribution channels, and establishing flagship stores on Mainland China e-commerce platforms such as Tmall and Douyin. The Group also launched an integrated customer relationship management mobile application in June 2024 to enhance customer engagement and enable more targeted marketing strategies.

Albeit these efforts and the recovery in visitor numbers, the Group's revenue from health and beauty supplements and products have decreased year-on-year, resulting in a loss being recorded in FY2025 compared to a profit in FY2024. The Management attributed this to a change of consumer behaviour, with visitors shifting expenditure from shopping to other experiences, coupled with the strength of the Hong Kong dollar against certain non-US pegged currencies, which may have dampened discretionary spending.

According to the Census Department Report, the value of retail sales of Chinese drugs and herbs declined by 0.5% year-on-year for January to July 2025 compared with the same period in 2024, indicating a contraction in demand for traditional health products despite the rise in visitor arrivals. Additionally, increasingly budget-conscious consumers and higher outbound travel during holidays restricts the profitability of retail offerings, as Hong Kong residents undertake increased cross-border shopping in destinations such as Mainland China. Therefore, while tourism recovery provided a supportive backdrop, the Company's business may be largely affected by economic conditions and structural shifts in the spending patterns of both local and visiting consumers. The Management has indicated that they will continue to place emphasis on innovation by introducing new brands dedicated to premium health and beauty supplements and develop distinct brand identities for the Group's sustainable growth.

Property market in Hong Kong

As discussed in "1.2 Financial information of the Group", the Group's investment properties recorded a second consecutive decrease in fair value. The industrial and commercial property market continues to face challenges and grapple with declining rents and rising vacancies due to limited new demand and weak market sentiment. In the residential sector, recovery has remained slow despite the removal of property cooling measures in February 2024, constrained by an unfavourable economic climate and persistently high interest rates. The Management anticipates the Hong Kong property market to remain challenging, particularly for commercial and retail premises, and has indicated that the Group will adopt a prudent approach to managing its property portfolio with a focus on enhancing occupancy rates and sustaining stable rental income.

We have reviewed two reports issued by CBRE Research titled “2025 Hong Kong Real Estate Market Outlook”; and “Hong Kong Residential Market 2025 Outlook) (collectively, the “**CBRE Reports**”). CBRE Research, a division of CBRE Group, Inc, is a leading global real estate services and investment firm with extensive research capabilities and a strong presence in institutional markets.

According to the CBRE Reports, landlords are forecasted to offer discounted rents to stimulate leasing demands in 2025. Furthermore, while anticipated interest rate cuts may ease household struggles and support local spending, the strong Hong Kong dollar is likely to sustain outbound spending and limit visitor spending. CBRE Research projects a rise in retail rents by up to 5% in 2025 to match increasing demand supported by emerging retail and food concepts made possible from affordable rental terms. For the residential property market, CBRE Research expects a mild recovery in rents by up to 5% in 2025 due to the previous removal of property curbs in 2024 and further government initiatives expected to result in 60,000 local units changing hands in 2025, a 10% increase year-on-year. Lower property taxes and Hong Kong’s easing borrowing rate may encourage end-users to shift from renting to buying. Conversely, Hong Kong’s industrial property sector may face further headwinds amidst intensifying trade tensions between Mainland China and the United States, dampening leasing momentum in the trade segment. A combination of cost-conscious warehouse occupiers, higher volume of lease expiries and weakened demand within the export and logistics industry prompted a decline in rental concession of 5% from 2024 to 2025.

Overall, CBRE Research appears to hold a cautious view on the outlook of Hong Kong’s commercial, residential and industrial property market in 2025 due to a combination of cautious spending from tourists, substantial vacancies for residential property due to migration of locals, and macroeconomic tensions. As such, we are of the view that the Group’s stated focus on prudent portfolio management and occupancy optimisation is consistent with prevailing market conditions.

Having considered the above independent research and recent financial performance of the Group as discussed in the section headed “1.2 Financial information of the Group”, the Offer may represent an opportunity for certain Independent Shareholders who wish to exit their investment in the Company which is currently (i) loss making; and (ii) operating under challenging business environment.

3. Background of the Offeror

3.1 The Offeror and its substantial/controlling shareholder

The Offeror is a company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, Mr. Cheung is the sole shareholder and sole director of the Offeror. The Offeror is principally engaged in investment holding. Mr. Cheung is the chairman of the Board and an executive Director. For further details, please see “Information on the Offeror” in the “Letter from Prime Securities” and Appendix IV “General Information of the Offeror” of the Composite Document.

3.2 The Offeror's intention in relation to the Group

According to the “Letter from Prime Securities” of the Composite Document, following the completion of the Offer, the Offeror intends to continue the existing businesses of the Group.

The Offeror has no intention to (i) acquire new business for the Group; (ii) introduce any major changes to, dispose of or downsizing the existing business and operation of the Group; (iii) discontinue the employment of any employees of the Group or to make significant changes to any employment; (iv) dispose of or re-deploy the fixed assets of the Company other than those in its ordinary and usual course of business; or (v) to nominate or appoint new Directors to the Board. However, the Offeror will continuously review the business of the Group and 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. The Board has noted the intentions of the Offeror in respect of the Group and its employees and will render cooperation and support to the Offeror.

3.3 Listing status of the Company

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares. For further details, please see the “Letter from Prime Securities” of the Composite Document.

4. The Offer

4.1 Comparisons of value

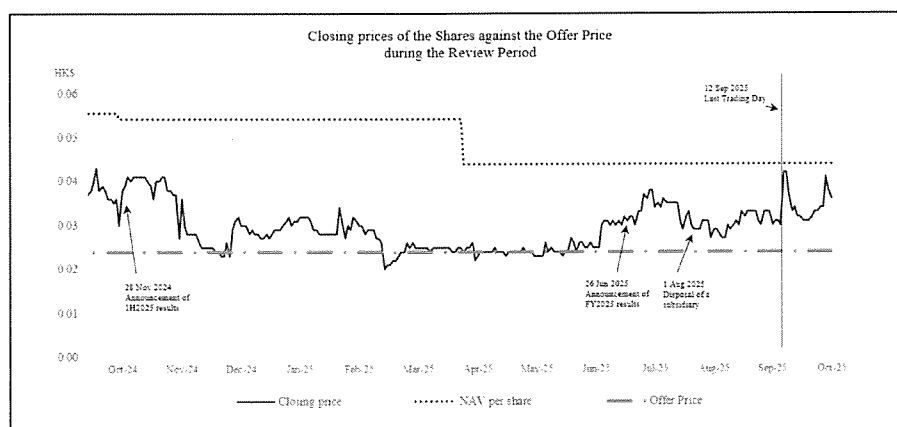
The Offer Price of HK\$0.024 per Share represents:

- a) a discount of approximately 33.33% to the closing price of HK\$0.036 per Share as quoted on the Stock Exchange on 10 October 2025, being the Latest Practicable Date;
- b) a discount of approximately 22.58% to the closing price of HK\$0.031 per Share as quoted on the Stock Exchange on 11 September 2025, being the last Business Day before the Offer Period;
- c) a discount of approximately 20.00% to the closing price of HK\$0.030 per Share as quoted on the Stock Exchange on the date of the Joint Announcement;
- d) a discount of approximately 25.00% to the average closing price of HK\$0.032 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Joint Announcement;

- e) a discount of approximately 22.58% to the average closing price of HK\$0.031 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the date of the Joint Announcement;
- f) a discount of approximately 25.00% to the average closing price of approximately HK\$0.032 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the date of the Joint Announcement;
- g) a discount of approximately 22.58% to the average closing price of approximately HK\$0.031 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the date of the Joint Announcement;
- h) a discount of approximately 45.45% to the audited consolidated net asset value attributable to owners (“NAV”) of the Company of approximately HK\$0.044 per Share as at 31 March 2025 calculated based on the information as set out in the Company’s annual report for the year ended 31 March 2025; and
- i) a discount of approximately 54.72% to the adjusted NAV per Share of approximately HK\$0.053 per Share as at 31 March 2025 calculated based on the information as set out in “Appendix II — Financial information of the Group” of the Composite Document.

4.2 Historical price performance of the Shares

Set out below is a chart illustrating relative movement of the closing prices of Shares as quoted on the Stock Exchange during the period commencing from 12 September 2024, being 12 months before the date of the Joint Announcement and up to the date of the Joint Announcement (“**Pre-Announcement Period**”), and subsequently up to and including the Latest Practicable Date (the “**Post-Announcement Period**”) (collectively, the “**Review Period**”). We consider a period of approximately one year is adequate and representative to illustrate the recent price movements of the Shares which reflect (i) market and investors’ reaction towards the latest developments of the Group, including its financial performance and position, outlook and prospects; and (ii) prevailing market sentiment. We are of the view that this allows us to conduct a meaningful comparison between these closing prices of the Shares and the Offer Price.



Source: Stock Exchange

During the Review Period, the highest and lowest closing price of the Shares were HK\$0.043 per Share and HK\$0.020 per Share recorded on 17 September 2024 and 19 February 2025 respectively. The average daily closing price over the period was approximately HK\$0.030.

The Offer Price, being HK\$0.024 per Share, represents a discount of approximately 19.25% to the average closing price during the Review Period. When compared to the maximums of the trading range, the Offer Price reflects a discount of 44.19% to the highest closing price of HK\$0.043 and a premium of 20.00% to the lowest closing price of HK\$0.020.

We noted that although the Shares traded below the Offer Price during certain brief intervals, they closed above the Offer Price for 217 days out of 265 days of the Review Period.

Pre-announcement Period

As illustrated in the above chart, the Share price at the beginning of the Review Period (i.e. 12 September 2024) rose from HK\$0.036 to HK\$0.043 on 17 September 2024, the highest price recorded during the Review Period. Subsequently, the Share price experienced a sharp one-day decline from HK\$0.036 on 27 September 2024 to HK\$0.030 on 30 September 2024, before rising to a closing price of HK\$0.038 the day after. Thereafter, the Shares experienced another one-day decline from HK\$0.037 on 30 October 2024 to HK\$0.027 on 31 October 2024, before similarly rising to HK\$0.036 on 1 November 2024.

After the Company announced its interim results in late November 2024 for the six months ended 30 June 2024, the Shares traded at relatively stable levels before declining to HK\$0.020 on 19 February 2025, the lowest price recorded during the Review Period. For the next four months, the Shares traded at levels around the Offer Price (i.e. HK\$0.024). Following the Company's announcement of its final results for the year ended 31 March 2025 in late June 2025, the Share price rose from HK\$0.033 on 4 July 2025 to a peak of HK\$0.038 on 9 July 2025. We noted that the Company's announcement of the disposal of a subsidiary thereafter on 14 July 2025 appeared not to have effect on Share price. On the date of the Joint Announcement, the Share price closed at HK\$0.030.

Post-announcement period

Following the publication of the Joint Announcement and up to and including the Latest Practicable Date, the Shares traded in the range of HK\$0.031 and HK\$0.042. We noted that the Shares surged briefly as markets resumed trading following the public holiday on 7 October 2025. As at the Latest Practicable Date, the Share price closed at HK\$0.036 per Share.

Save for the announcements of financial results as further discussed in the section headed "1.2 Financial information of the Group", we are not aware of any other public announcements or events published by the Company during the Review Period that may have had a material impact on the price movement of the Shares. We are also not aware of any reason which could have spurred a higher level of Share prices during the Post-Announcement Period other than the presence of the Offer. We have also discussed with the Management regarding historical trend of Share price, and the Management is not aware of any particular reasons for fluctuations of Share price during the Review Period.

Considering that the prices of the Shares closed above the Offer Price on most trading days during the Review Period, in particular throughout the Post-Announcement Period, we are of the view that the Offer Price is not attractive and is not fair and not reasonable from the perspective of the historical market trading price performance of the Shares.

Independent Shareholders should note that the information set out above is not an indication of the future performance of the Shares and that the price of the Shares may increase or decrease during the period between the Latest Practicable Date and the close of the Offer Period.

4.3 Historical trading liquidity of the Shares

The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares and total number of issued Shares held by the Independent Shareholders.

Month	Number of trading days	Average daily trading volume (number of Shares)	Approximate % of average daily trading volume to the total number of issued Shares ⁽¹⁾	Approximate % of average daily trading volume to the total number of issued Shares held by the Independent Shareholders ⁽¹⁾
Pre-Announcement Period				
2024				
September	12	1,945,667	0.06%	0.12%
October	21	1,131,810	0.04%	0.07%
November	21	2,806,095	0.09%	0.18%
December	20	603,400	0.02%	0.04%
2025				
January	19	3,405,895	0.11%	0.21%
February	20	8,303,854	0.27%	0.52%
March	21	3,808,952	0.12%	0.24%
April	19	2,480,421	0.08%	0.16%
May	20	2,440,200	0.08%	0.15%
June	21	1,645,714	0.05%	0.10%
July	22	1,528,727	0.05%	0.10%
August	21	1,479,048	0.05%	0.09%
September ⁽²⁾	10	1,461,200	0.05%	0.09%
Minimum		603,400	0.02%	0.04%
Maximum		8,303,854	0.27%	0.52%
Average		2,585,770	0.08%	0.16%
Post-Announcement Period				
September ⁽³⁾	12	27,360,000	0.88%	1.72%
October ⁽⁴⁾	6	35,124,667	1.13%	2.21%
Minimum		27,360,000	0.88%	1.72%
Maximum		35,124,667	1.13%	2.21%
Average		29,948,222	0.96%	1.88%
Review Period				
Minimum		603,400	0.02%	0.04%
Maximum		35,124,667	1.13%	2.21%
Average		4,444,351	0.14%	0.28%

Source: Stock Exchange

Notes:

- (1) Based on the total number of issued Shares at the respective month-end as disclosed on the Stock Exchange.

- (2) Up to and including 12 September 2025, being the date of the Joint Announcement.
- (3) From 15 September 2025 up to and including 30 September 2025.
- (4) From 1 October 2025 up to and including 10 October 2025, being the Latest Practicable Date.

As illustrated in the table above, we noted that the trading liquidity of the Shares was fairly thin. During the Review Period, the percentage of average daily trading volume of the Shares to (i) the total number of issued Shares; and (ii) the total number of issued Shares held by the Independent Shareholders, ranged from approximately 0.02% to 1.13% and 0.04% to 2.21%, respectively, with an average of approximately 0.14% and 0.28%.

The average daily trading volume of the Shares during the Pre-Announcement Period was approximately 2,585,770 Shares, representing 0.08% of the total number of issued Shares and 0.16% of the total number of Shares held by the Independent Shareholders.

We observed that the trading volume for the Shares increased substantially following the publication of the Joint Announcement. Notably, after the publication of the Joint Announcement, the average daily trading volume of the Shares increased to 29,948,222 shares (representing 0.96% and 1.88% of the total number of issued Shares and the total number of Shares held by the Independent Shareholders, respectively) during the Post-Announcement Period. It can therefore be concluded that the presence of the Offer has spurred significant trading activities in the Shares which otherwise had been generally illiquid during the Pre-Announcement Period.

In the absence of the Offer, Independent Shareholders would only be able to dispose of their Shares on-market to realise their investment in the Company. Given that the average trading volume during the Pre-Announcement Period had been generally thin as discussed above, we are of the view that any sale of a large number of Shares on the market over a short period of time may be difficult without exerting downward pressure on the market price of Shares. Furthermore, the increased turnover in the Post-Announcement Period was likely primarily underpinned by the presence of the Offer and may not persist after the Offer Period. Consequently, subject to the Offer becoming unconditional, the Offer may provide an opportunity for Independent Shareholders to dispose of their Shares at a fixed price.

4.4 Adjusted NAV per Share

Reference is made to the valuation of the properties of the Group as at 31 July 2025 conducted by Ravia Global Appraisal Advisory Limited with respect to the Group's properties in Hong Kong.

Based on the paragraph headed “Adjusted Net Asset Value” set out in “Appendix II — Financial Information of the Group” contained in the Composite Document, set out below is the calculation of the Adjusted NAV per Share taking into account the effect of the net revaluation surplus attributable to the Shareholders arising from the valuation of the properties of the Group as set out in the Valuation Report.

	HK\$
Audited net asset value of the Group as at 31 March 2025	136,624,000
Adjustments:	
Add: Appraised market value of the properties of the Group attributable to the Shareholders as at 31 July 2025	213,800,000
Less: The audited carrying amount of the properties of the Group attributable to the Shareholders as at 31 March 2025	183,874,000
Net revaluation surplus attributable to the Shareholders	29,926,000
Less: The difference between the consideration under the Provisional Agreement (as defined below) and the appraised value of Property 1 in the Valuation Report ⁽²⁾	<u>(1,900,000)</u>
Adjusted NAV	<u>164,650,000</u>
Adjusted NAV per Share as at 31 March 2025 and the Latest Practicable Date⁽¹⁾	<u>0.053</u>

Note:

- (1) Calculated based on 3,107,893,440 Shares in issue as at 31 March 2025 and the Latest Practicable Date.
- (2) The Group entered into a provisional agreement (the “**Provisional Agreement**”) on 14 July 2025 in relation to the intended disposal of Giant Bloom Holdings Limited, an indirect wholly-owned subsidiary of the Group which holds Property 1 in the Valuation Report at an agreed sale consideration of HK\$28 million and the appraised value of Property 1 is HK\$29.9 million as at 31 July 2025 in the Valuation Report.

4.5 Comparable analysis

In assessing the fairness and reasonableness of the Offer Price, we initially considered a comparative analysis using the price-to-earnings ratio (the “**P/E Ratio(s)**”), the price-to-sales ratio (the “**P/S Ratio(s)**”) and the price-to-book ratio (the “**P/B Ratio(s)**”), which are widely recognised valuation metrics for this purpose. However, as discussed in the section headed “1.2 Financial information of the Group”, the Company reported a loss for the latest financial year under both (i) the audited statement of profit or loss; and (ii) the unaudited, Adjusted Net (Loss)/Profit. Accordingly, we determined that the P/E Ratio not appropriate and have conducted our analysis on the P/S Ratio and the P/B Ratio.

Given (i) the availability and relevance of the P/S Ratio and P/B Ratio; (ii) the Company's principal business activities in the sale, marketing and distribution of health and beauty supplements and products; and (iii) the substantial portion of the Company's total assets represented by property interests held for investment as discussed above in the section headed "1. Background and financial information of the Group", we consider the application of the P/S Ratio and P/B Ratio to constitute an appropriate basis for assessing the fairness and reasonableness of the Offer Price.

We have set out the following criteria for the purpose of identifying the companies for this analysis (the "**Comparables**"):

- (i) a company whose shares are listed on the Main Board of the Stock Exchange;
- (ii) a company whose principal businesses include the sale and distribution of health and beauty supplements and related products in Hong Kong with more than 50% of revenue derived therefrom; and
- (iii) a company whose latest financial year revenue was up to HK\$1 billion, as we are of the view that companies with this range of revenue (compared to the Company's revenue of HK\$205 million in FY2025) can adequately reflect business and operating scales of small and medium enterprises similar to the Company. Companies which are significantly larger may have different capital structure, business model and cost structure.

Based on the above criteria, we identified an exhaustive list of five companies, the details of which are set out in the table below. We note that no company possesses an identical business model, scale of operation, trading prospects, target markets, product mix or capital structure as the Company. Nevertheless, we are of the view that the Comparables are appropriate reflections of prevailing market sentiment for companies engaged in the health and beauty supplements and products business and listed on the Main Board of the Stock Exchange.

Company name	Stock code	Description of principal businesses	% of revenue from health and/or beauty supplements and products ⁽²⁾	Revenue ⁽³⁾	NAV ⁽³⁾	Market capitalisation ⁽⁴⁾	P/S Ratio ⁽⁵⁾	P/B Ratio ⁽⁶⁾
				(HK\$ million)	(HK\$ million)	(HK\$ million)		
Tycoon Group Holdings Limited	3390	Engaged in the distribution and retail of proprietary Chinese medicine, health supplements, skincare, personal care, and other healthcare products through physical and online channels	Not disclosed	876.0	478.9	284.9	0.33	0.59

Company name	Stock code	Description of principal businesses	% of revenue from health and/or beauty supplements and products ⁽²⁾	Revenue ⁽³⁾ (HK\$ million)	NAV ⁽³⁾ (HK\$ million)	Market capitalisation ⁽⁴⁾ (HK\$ million)	P/S Ratio ⁽⁵⁾	P/B Ratio ⁽⁶⁾
JBM (Healthcare) Limited	2161	Engaged in the development, manufacture, and distribution of branded medicines, proprietary Chinese medicines, and health and wellness products including supplements and medical consumables	100%	782.3	1,082.0	2,461.6	3.15	2.28
Ausupreme International Holdings Limited	2031	Engaged in the retail and wholesale of health supplements, personal care products, and natural products such as honey and pollen, with operations across Hong Kong, Mainland China, Singapore, and Macau	95.4%	269.6	191.2	268.6	1.00	1.40
Herbs Generation Group Holdings Limited	2593	Engaged in the development and sale of health supplements, cosmetics, skincare, and pet health products under proprietary brands	Not disclosed	245.5	187.2	172.0	0.70	0.92
China Healthwise Holdings Limited	348	Engaged in the sales of Chinese and other pharmaceutical products and health supplements to wholesalers and retailers, alongside money lending and financial investment activities in Hong Kong	99.4%	113.6	(18.4)	118.0	1.04	N/A
						Minimum	0.33	0.59
						Maximum	3.15	2.28
						Median	1.00	1.16
						Mean	1.24	1.30
Company	932	Engaged in the development, manufacture, and distribution of health and beauty supplements and property investment in Hong Kong	97.5%	205.0 ⁽⁸⁾	136.6	74.6 ⁽⁷⁾	0.36 ⁽⁸⁾	0.55 ⁽⁹⁾

Source: Stock Exchange (www.hkex.com.hk)

Notes:

- (1) Where applicable, the exchange rate of RMB1:HK\$1.0914 was used as reported on the most recent bulletin data as published by the Hong Kong Monetary Authority as at the Latest Practicable Date.

- (2) Percentage of revenue from health and/or beauty supplements and products of the Comparables are extracted from the respective latest published annual report prior to the Latest Practicable Date. Tycoon Group Holdings Limited and Herbs Generation Group Holdings Limited did not state that they were engaged in any other business, and no breakdowns of percentage revenue from other business were reported in their respective latest published annual reports. On this basis, we infer that more than 50% of their revenue were from health and/or beauty supplements and related products, satisfying the selection criteria as Comparables.
- (3) Revenue and NAV of the Comparables are extracted from the respective latest published annual report prior to the Latest Practicable Date.
- (4) Market capitalisation of the Comparables is calculated based on the average 30-day share closing price times the total number of shares in issue as at the Latest Practicable Date.
- (5) P/S Ratio of the Comparables is calculated based on the respective market capitalisation divided by the respective revenue of the Comparables as described in notes 4 and 3 above, respectively.
- (6) P/B Ratio of the Comparables is calculated based on the respective market capitalisation divided by the respective NAV of the Comparables as described in notes 4 and 3 above, respectively.
- (7) Implied market capitalisation of the Company is calculated based on the Offer Price multiplied by 3,107,893,440 Shares in issue as at the Latest Practicable Date.
- (8) Implied P/S Ratio of the Company is calculated based on the implied market capitalisation as described in note 7 above divided by the revenue of the Group as extracted from the 2024/2025 Annual Report.
- (9) Implied P/B Ratio of the Company is calculated based on the implied market capitalisation as described in note 7 above divided by the NAV of the Company as extracted from the 2024/2025 Annual Report.

As illustrated in the table above, the P/S Ratios of the Comparables range from approximately 0.33 times to 3.15 times, with the mean and median being approximately 1.24 times and 1.00 times, respectively. The implied P/S Ratio (the “**Implied P/S Ratio**”) of the Company based on the Offer Price and its revenue was approximately 0.36 times. Notwithstanding that the Implied P/S Ratio falls within the range of the Comparables, it is only slightly above the minimum and is significantly below the mean and median of the Comparables.

The P/B Ratios of the Comparables range from approximately 0.59 times to 2.28 times, with the mean and median being approximately 1.30 times and 1.16 times, respectively. The implied P/B Ratio (the “**Implied P/B Ratio**”) of the Company based on the Offer Price and NAV was approximately 0.55 times, falling below the minimum, and therefore outside the range of the Comparables. This Implied P/B Ratio remains the same when calculated using the Adjusted NAV.

Having considered that the Implied P/S Ratio and Implied P/B Ratio of the Company are substantially below both the mean and median of the Comparables or fall outside of the range of selected industry peers, we believe the valuation of the

Company as implied by the Offer Price is not attractive and we are of the view that, from the perspective of a comparable analysis, it is not fair and not reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATIONS

In summary, we have considered the below factors and reasons in arriving at our conclusion and recommendation in relation to the Offer:

- (i) as set out in the section headed “1. Background and financial information of the Group”, while we note that the Group managed to control its gross profit margins and stabilise operating expenses, its overall financial performance and position had deteriorated due to adverse external circumstances, recording an overall loss for the year and consecutive years of fair value losses on its property investment portfolio;
- (ii) as set out in the section headed “2. Industry development and outlook”, the increase in budget-conscious visitors and local preference for cross-border consumption have contributed to subdued consumer spending and a contraction in demand for Chinese drugs and herbs. Meanwhile, research houses maintain a cautious outlook on the property market in 2025, particularly the continued weakness of Hong Kong’s commercial and industrial property rental markets, which may further weigh on the capital value of the Group’s investment properties;
- (iii) as set out in the section headed “4.1 Comparisons of value” and “4.2 Historical price performance of the Shares”, the Offer Price represents substantial discounts to the closing prices per Share over various trading periods and a substantial discount of approximately 19.25% to the average closing price of the Shares during the Review Period;
- (iv) as further set out in the section headed “4.1 Comparisons of value”, from an underlying asset value comparison perspective, the Offer Price represents a significant discount of approximately 45.45% to the audited consolidated net asset value attributable to owners of the Company as at 31 March 2025;
- (v) as set out in the section headed “4.3 Historical trading liquidity of the Shares”, the average daily trading volume during the Pre-Announcement Period ranged only from 0.02% to 0.27% of the total number of issued Shares and from 0.04% to 0.52% of the total number of issued Shares held by the Independent Shareholders, reflecting persistently low liquidity that may impede large-scale disposals without further depressing the market price. Consequently, the Offer may provide an opportunity for Independent Shareholders to dispose of their Shares at a fixed price regardless of the number of Shares they hold and at activity levels underpinned by the Offer that may not persist after the close of the Offer Period; and

- (vi) as set out in the section headed “4.5 Comparable analysis”, the Implied P/S Ratio and Implied P/B Ratio based on the Offer Price are significantly below the mean and median or fall outside of the range of selected industry peers.

As set out in sections 4.1, 4.2, and 4.5 above, the Offer Price represents substantial discounts to recent market trading levels, the consolidated net asset value of the Company, and valuations of the Comparables. As such, while the Group’s recent financial performance has not been satisfactory and its outlook uncertain, on the balance, we are of the view that the Offer Price is not attractive and is not fair and not reasonable so far as the Independent Shareholders are concerned, and accordingly recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offer.

We noted that, for certain Independent Shareholders, they may consider exiting their investments in the Company in view of the Group’s deteriorating financial performance and the uncertain outlook for both its health and beauty supplements and products business and property investment portfolio. Given that the prevailing market price of the Shares as at the Latest Practicable Date is higher than the Offer Price, such Independent Shareholders should attempt to sell their Shares in the open market if they can obtain a higher price than the Offer price and if the trading liquidity of the Shares allow them to do so. Failing which, they can consider accepting the Offer which provides an opportunity for them to dispose of their Shares at a fixed price (if the Offer becomes unconditional).

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

Yours faithfully,
For and on behalf of
Altus Capital Limited



Chang Sean Pey
Responsible Officer

*Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions*