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5 June 2025

To the Independent Board Committee and Independent Shareholders

400 Orchard Road
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Singapore 238875

Dear Sir/Madam,

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARE FOR EVERY FIVE (5) EXISTING SHARES HELD ON THE RECORD DATE ON NON-UNDERWRITTEN BASIS;
(2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver in relation to the Rights Issue, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 5 June 2025 (the "**Circular**"). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 16 April 2025, the Board proposed to implement the Rights Issue on the basis of two (2) Rights Shares for every five (5) existing Shares held on the Record Date at the Subscription Price of HK$1.12 per Rights Share, to raise up to approximately HK$313.81 million before expenses by way of issuing up to 280,185,244 Rights Shares.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an under-subscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly. There is no minimum subscription level or minimum amount to be raised under the Rights Issue as required under the laws of Singapore, which is the Company's jurisdiction of incorporation.

Listing Rules Implications

The Rights Issue is not subject to minority shareholders' approval requirement under Chapter 7 of the Listing Rules. This is because (i) the Company has not conducted any rights issue, open offer, or specific mandate placing within the 12-month period immediately preceding the Last Trading Date, and (ii) the Rights Issue will not increase either the total number of issued Shares (excluding treasury shares) or the market capitalisation of the Company by more than 50%. As such, the Rights Issue does not require minority shareholders' approval under Chapter 7 of the Listing Rules. Additionally, the theoretical dilution impact of the Rights Issue is below the 25% threshold under Rule 7.27B of the Listing Rules.

Takeovers Code Implications

However, as at the Latest Practicable Date, assuming (i) there is no change in the issued share capital of the Company from the Last Trading Date up to and including the Record Date, and (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc., and Mr. Renaldo Santosa, who have undertaken to accept 99,054,014 Rights Shares under the Irrevocable Undertaking, and Japfa Ltd, which has accepted its entitlement to 5,014,415 Rights Shares, the shareholding interest of the Controlling Shareholders and Japfa Ltd will increase from approximately 37.14% to 45.27% of the enlarged issued share capital of the Company upon completion of the Rights Issue. The aggregate shareholding interest of the Controlling Shareholders and parties acting in concert, or presumed to be acting, with them will increase from approximately 42.75% to 50.15%.

For illustrative purposes, assuming that the Controlling Shareholders, Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc., and Japfa Ltd apply for and are allotted the maximum excess Rights Shares permitted under Rule 7.21(3)(b) of the Listing Rules, being 176,116,815 Rights Shares, the shareholding interest of the Controlling Shareholders and Japfa Ltd would further increase to 55.10%, and the aggregate shareholding interest of the Controlling Shareholders and parties acting in concert, or presumed to be acting, with them would further increase to 59.11% upon completion of the Rights Issue.

In this scenario, the acceptance in full by the Controlling Shareholders and/or parties acting in concert, or presumed to be acting, with them of their provisional allotment of Rights Shares, together with any excess Rights Shares they are allotted, would trigger an obligation under Rule 26 of the Hong Kong Takeovers Code to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them. This obligation would be waived only if the Whitewash Waiver is granted by the Executive and the Whitewash Waiver Resolutions is approved by the Independent Shareholders at the EGM. The Whitewash Waiver Resolutions, which include the approval of both the Rights Issue and the Whitewash Waiver, require (i) more than 50% of the independent votes cast by Independent Shareholders in favour of the Rights Issue, and (ii) at least 75% of the independent votes cast in favour of the Whitewash Waiver at the EGM. The Controlling Shareholders and their concert parties will abstain from voting on these resolutions.

Our role as the Independent Financial Adviser is to evaluate whether the Whitewash Waiver and the Rights Issue is fair and reasonable and in the best interests of the Independent Shareholders, taking into account, inter alia, the reasons for and effects of the Rights Issue, including potential dilution, and the terms of the Rights Issue.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising (i) all the independent non-executive Directors, Mr. SUN Patrick (Chairman), Mr. CHANG Pan, Peter and Mr. LI Shengli, and (ii) Mr. Tamotsu MATSUI, being the non-executive Director who does not have any interest nor presumed to be acting in concert with the Controlling Shareholders, to advise the Independent Shareholders in respect of the EGM Resolutions. As (a) Ms. Gabriella SANTOSA, being a non-executive Director, is one of the Controlling Shareholders, and (b) Ms. GAO Lina, being a non-executive Director, holds 135,000 Shares and is presumed to be acting in concert with the Controlling Shareholders under class (6) presumption under the definition of "acting in concert" pursuant to the Hong Kong Takeovers Code, they will not be members of the Independent Board Committee.

THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has approved our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Rights Issue and the Whitewash Waiver. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue and the Whitewash Waiver is in the interests of the Company and the Independent Shareholders as a whole; and (iii) how to vote on the relevant resolutions to be proposed at the EGM in relation to the Rights Issue and the Whitewash Waiver.

We (i) are not associated or connected, financial or otherwise, with the Company, the Company's controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) we have not acted as an independent financial adviser or financial adviser in relation to any transactions of the Company, the Company's controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them in the last two years prior to the date of the Circular.

Pursuant to Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Whitewash Waiver is at market level and not conditional upon the outcome of the Whitewash Waiver; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration), the Company's controlling shareholders or any parties acting, or presumed to be 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 and not associated with the Company, the Company's 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 and the Independent Shareholders in respect of the Whitewash Waiver.

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 December 2023 (the "**2023 Annual Report**"); (ii) the results announcement of the Company for the year ended 31 December 2024 (the "**2024 Results Announcement**") and the annual report of the Company for the year ended 31 December 2024 (the "**2024 Annual Report**"); (iii) the Whitewash Waiver; and (iv) other information contained or referred to in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the EGM. The Company will notify the Shareholders of any material changes to the information contained or referred to in the Circular as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. Shareholders will also be informed as soon as practicable 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.

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 at the time they were made or will be untrue, inaccurate or misleading at the date of the EGM, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We 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 relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

1.1. General principal business

The Group is primarily engaged in dairy farming in the PRC, focusing on the production and sale of high-quality raw milk to leading national and regional dairy manufacturers such as Mengniu, Bright Dairy, and Meiji. It is the fourth-largest producer of raw milk in the PRC by production volume in 2024. The business is divided into two main segments: raw milk production and beef cattle farming, with an additional ancillary business that includes milk product sales and feed production.

The Group's shares were successfully listed on the Main Board of the Stock Exchange on 30 December 2022 (the "**Listing**"), raising total net proceeds of approximately HK$105.28 million. These funds have been fully utilized for the following purposes: (i) purchasing milking equipment, (ii) acquiring vehicle equipment for cow raising and feeding, (iii) purchasing cooling equipment and other breeding-related facilities, and (iv) constructing cow manure treatment facilities.

The raw milk segment is the Group's core business, accounting for 78.4% of total revenue of the year ended 31 December 2024. During the year ended 31 December 2024, while raw milk production volume increased by 6.6% and sales volume rose by 4.2%, revenue from raw milk sales declined by 13.5%. This was primarily due to a 17.0% drop in the average selling price during the same period, which resulted from weak demand and market oversupply. Despite these challenges, the Group managed to reduce feed costs by 19.0%, thereby maintaining its gross margins. The Group operates 11 large-scale dairy farms in Inner Mongolia and Shandong, strategically positioned to optimize production and access to key markets.

The beef cattle segment operates alongside the dairy business, utilising dairy herds for breeding. Revenue from beef cattle sales saw a significant increase of 37.6%, driven by a 64.5% rise in sales volume, despite a 16.4% decrease in the average selling price. The Group owns two large-scale beef cattle feedlots, with a total herd of 35,707 heads as at 31 December 2024.

1.2. Financial information of the Group

1.2.1. Extract of consolidated statement of profit or loss

	For the year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
REVENUE	3,802,915	3,924,360	3,683,841
Cost of sales	(3,788,788)	(3,906,318)	(3,666,842)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	843,216	694,044	564,084
Gains/(losses) arising from changes in fair value less cost to sell of beef cattle	25,648	(3,624)	(90,047)
Gross profit	882,991	708,462	491,036
Other income and gains	50,281	94,691	66,961
Losses arising from changes in fair value less costs to sell of other biological assets	(158,183)	(667,883)	(1,260,646)
Administrative expenses	(334,442)	(225,553)	(231,529)
Finance costs	(219,797)	(268,948)	(282,295)
Research and development costs	–	–	(13,587)
Other expenses	(46,027)	(10,826)	(15,616)
PROFIT/LOSS FOR THE PERIOD	158,079	(488,791)	(1,269,287)

1.2.2. Extract of consolidated statement of financial position

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
NON-CURRENT ASSETS	8,145,179	8,434,586	7,482,170
Property, plant and equipment	3,175,200	3,361,082	3,159,924
Right-of-use assets	1,356,311	1,518,608	1,400,676
Other intangible assets	3,301	5,103	3,506
Biological assets	3,450,288	3,541,014	2,905,038
CURRENT ASSETS	2,595,207	2,742,778	2,389,905
Cash and cash equivalents	397,946	273,999	281,921
Inventories	1,304,146	1,311,682	1,151,662
Biological assets	380,267	512,402	419,136
Trade receivable	350,961	367,049	296,703

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
CURRENT LIABILITIES	2,488,343	3,252,649	3,642,059
Interest-bearing bank borrowings	868,093	2,016,413	2,462,495
Trade payable	1,058,287	785,309	692,302
Other payables and accruals	477,394	368,999	390,991
NON-CURRENT LIABILITIES	2,678,242	2,849,049	2,422,504
Interest-bearing bank borrowings	1,304,344	1,383,910	1,035,897
Lease liabilities	1,254,817	1,434,714	1,356,503
Total equity	5,573,801	5,075,666	3,807,512
NAV per Share	8.0	7.2	5.4

Year ended 31 December 2022 ("FY2022") compared with year ended 31 December 2023 ("FY2023")

In FY2023, the Group recorded a slight increase in revenue, reaching RMB3.9 billion compared to RMB3.8 billion in FY2022, representing a 3.2% growth. This is mainly attributable to: (i) a 9.8% growth in raw milk sales volume and (ii) a 4.1% increase in beef cattle sales volume and partially offset by the decrease in the selling price of raw milk and beef cattle. The cost of sales, which mainly consists of the cost of raw milk and beef cattle, also increased, rising from RMB3.79 billion in FY2022 to RMB3.9 billion in FY2023, representing a 3.1% increase which was generally in line with the decrease in revenue during FY2023. Before taking into account the raw milk fair value adjustments, the costs of raw milk business for FY2023 amounted to RMB2,647.6 million, representing a year-on-year growth of 7.1% from FY2022, mainly due to the increase in direct materials which was due to the increase in the number of milkable cows. Before taking into account the beef cattle fair value adjustments, the costs of the beef cattle business for FY2023 amounted to RMB353.6 million, representing a year-on-year increase of 24.9% from FY2022, mainly due to the increase in direct materials as a result of the increase of beef cattle sales volume.

Gross profit decreased from RMB882.9 million in FY2022 to RMB708.4 million in FY2023, representing a 19.8% decline. This was mainly due to (i) a 8.2% decrease in raw milk selling price and (ii) a 7.6% decrease in beef cattle selling price. In particular, gross profit of the Group's raw milk business amounted to RMB694.0 million for FY2023, representing a decrease of 17.7% compared to the previous year, which was mainly due to the decrease in sales price of raw milk and the increase in cost of sales. Gross profit of the Group's beef cattle business amounted to a loss of RMB3.6 million, representing a decrease of 114.1% as compared to the previous year, which was mainly due to the decrease in sales price of beef cattle by 7.6% and the increase in cost of sales.

Other income and gains increased from RMB50.3 million in FY2022 to RMB94.7 million in FY2023, which was mainly due to the gain from modification of lease term amounting to RMB23.1 million as well as an increase in government grants and technical service fees. The Group's losses from changes in the fair value of biological assets, increased from RMB158.2 million in FY2022 to RMB667.9 million in FY2023, a key driver of the Group's deteriorated performance in FY2023, which was primarily due to lower market prices for raw milk used in the assumption to derive the fair value of biological assets. Additionally, administrative expenses decreased from RMB334.4 million during FY2022 to RMB225.6 million during FY2023 which was mainly due to the absent of one-off expenses in relation to listing expenses as well as lower share-based payment expenses incurred during the FY2023. Finance costs increased from RMB219.8 million in FY2022 to RMB268.9 million in FY2023, reflecting higher average bank borrowings and higher borrowing costs.

Due to the foregoing, the Group's reported a loss of RMB488.8 million for FY2023, a contrast to the profit of RMB158.1 million in FY2022. However, the Group continued to enhance its operational efficiency. Notably, the annualised average milk yield per milkable cow reached a record high of 13.6 tonnes in 2023, representing a year-on-year increase of 2.3%, which was attributable to in-depth understanding of herd management, accumulated upgrade in genetic breeding technologies, and increase in dairy cow numbers reaching peak lactation phases.

Year ended 31 December 2023 ("FY2023") compared with year ended 31 December 2024 ("FY2024")

The Group's revenue decreased by 6.1% from RMB3.9 billion in FY2023 to RMB3.7 billion in FY2024. This was primarily driven by a 17.0% decline in raw milk selling prices and a 16.4% decrease in beef cattle selling prices, which offset the impact of a 4.2% increase in milk sales volume and a 64.5% increase in cattle sales volume during FY2024. The cost of sales decreased by 6.1%, from approximately RMB3.9 billion to RMB3.7 billion, which was generally in line with the decrease in revenue. Before taking into account the raw milk fair value adjustments, cost of sales of the raw milk business for FY2023 decreased from RMB2.6 billion to RMB2.3 billion for FY2024. Such decrease was primarily due to the decrease in direct materials of raw milk business, mainly as a result of decrease in the number of milkable cows and the decrease in the feeding costs. Before taking into account the beef cattle fair value adjustments, cost of sales of beef cattle business increased from RMB353.6 million to RMB562.9 million, which was due to the increase in direct materials as a result of increase in beef cattle sales volume and partially offset by the decrease in the feeding cost. As a result, gross profit declined by 30.7%, from RMB708.5 million in FY2023 to RMB491.0 million in FY2024.

Losses arising from changes in the fair value less costs to sell of other biological assets, which increased by 88.7% from RMB667.9 million in FY2023 to RMB1,260.6 million in FY2024 was mainly due to lower raw milk price used in the assumption to drive fair value of biological assets. Such large losses were the main drivers to the Company's enlarged loss during FY2024. Operating expenses increased, with administrative expenses amounted to RMB231.5 million in FY2024, representing a year-on-year increase of 2.6% and research and development expenses increased by RMB13.6 million during FY2024. Finance costs also grew from RMB268.9 million to RMB282.3 million.

As a result of the foregoing, the Group reported a deeper loss of RMB1.3 billion in FY2024, compared to a loss of RMB488.8 million in FY2023.

As at 31 December 2022 compared with as at 31 December 2023

As at 31 December 2023, the Group's non-current assets increased from approximately RMB8.1 billion as at 31 December 2022 to approximately RMB8.4 billion as at 31 December 2023. This growth was primarily driven by the acquisition of property, plant, and equipment, as well as the capitalisation of biological assets during FY2023 – reflecting the Group's continued expansion and investment efforts. Biological assets, a significant portion of the non-current assets, grew from approximately RMB3.45 billion as at 31 December 2022 to approximately RMB3.54 billion as at 31 December 2023.

Current assets grew from approximately RMB2.6 billion as at 31 December 2022 to approximately RMB2.7 billion as at 31 December 2023. This rise was mainly driven by (i) an increase in biological assets which increased from RMB380.3 million to RMB512.4 million; (ii) an increase in prepayments, other receivables and other assets which increased from RMB155.9 million to RMB277.4 million; and offset by (iii) a decrease in cash and cash equivalents which decreased from RMB398.0 million to RMB274.0 million.

Current liabilities also increased from approximately RMB2.5 billion as at 31 December 2022 to approximately RMB3.3 billion as at 31 December 2023. This was primarily due to a rise in interest-bearing bank borrowings, which increased from RMB868.1 million in 2022 to RMB2.02 billion as at 31 December 2023. Non-current liabilities increased from approximately RMB2.7 billion as at 31 December 2022 to approximately RMB2.8 billion as at 31 December 2023, largely due to an increase in long-term borrowings to support the Group's ongoing expansion and investment initiatives, such as in research and innovation to improve production efficiency, and the increase in lease liabilities.

The Group's total equity declined from approximately RMB5.6 billion as at 31 December 2022 to approximately RMB5.1 billion as at 31 December 2023, primarily due to the net loss recorded for the year, which reduced retained earnings. While there was a moderate increase in the valuation of biological assets, this was largely attributable to improvements in operational efficiency, specifically, the increase in annualised average milk yield per milkable cow, which contributed positively to the fair value of the Group's dairy herd.

The total liabilities during the year resulted in an increase in the Group's gearing ratio, which rose from 63.0% as at 31 December 2022 to 97.0% as at 31 December 2023. This reflects the Group's growing reliance on debt financing to support its business expansion and capital investments, thereby increasing its financial leverage and exposure to interest rate fluctuations and liquidity risks.

As at 31 December 2023 compared with as at 31 December 2024

As of 31 December 2023, the Group reported total non-current assets of RMB8.4 billion, which decreased to RMB7.5 billion by 31 December 2024. This reduction was primarily driven by a decline in biological assets, which decreased from RMB3.5 billion as at 31 December 2023 to RMB2.9 billion as at 31 December 2024. The decrease in biological assets was mainly attributable to the impact of fair value adjustments reflecting lower market prices. Additionally, property, plant, and equipment decreased slightly from RMB3.4 billion in 2023 to RMB3.2 billion in 2024, while right-of-use assets also decreased from RMB1.5 billion to RMB1.4 billion.

Current assets declined from RMB2.7 billion as of 31 December 2023, to RMB2.4 billion as of 31 December 2024, indicating reduced liquidity. While cash and cash equivalents saw a modest increase from RMB274.0 million to RMB282.0 million, the overall decrease in current assets was primarily driven by a drop in biological assets, which fell from approximately RMB512.0 million to RMB419.0 million, and a reduction in inventories from RMB1.3 billion to RMB1.2 billion.

Total equity decreased from RMB5.1 billion as of 31 December 2023 to RMB3.8 billion as of 31 December 2024, mainly due to the net loss incurred during the year, driven by lower gross profit and losses from fair value changes in biological assets. The increase in gearing ratio, from 97.0% in FY2023 to 130.0% in FY2024, reflects a higher reliance on debt financing, primarily to fund long-term investments in strategic initiatives that are expected to take more than two to three years to generate significant returns.

These initiatives include supply-side consolidation, with the Group reserving land for its fourth raw milk production site, Pure Source Farm 4, as part of its preparation for future growth. While construction has been temporarily paused, the groundwork reflects the Group's long-term strategic planning. The Group also intends to upgrade its beef cattle herd to premium breeds like Wagyu and Angus and focusing on genetic advancements to enhance productivity and efficiency, alongside improvements in feed quality. While these investments contribute to short-term financial pressure, they are expected to position the Group for stronger profitability and competitive advantage in the long run.

Going concern as at 31 December 2024

We note that the consolidated financial statements of the Group for the year ended 31 December 2024 have been prepared on a going concern basis, notwithstanding the Group's net current liabilities of approximately RMB1,252 million, substantial short-term borrowings, and a net loss of approximately RMB1,269 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. However, the Company has implemented various mitigating measures, including improving operational efficiency, enhancing cost controls, renegotiating banking facilities, and exploring new sources of funding. These initiatives reflect Management's commitment to restoring the Group's financial stability. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2024 on a going concern basis. In this regard, we consider that the Rights Issue serves to address the Group's net current liabilities position and short-term debt burden, thereby alleviating the going concern pressure. We further note from our discussion with the Management that the Group is optimistic for a positive turn in its sectors during the second half of 2025 in light of the expected recovery in the milk prices in the second half of 2025, which we note is consistent with the outlook outlined in the industry reports from our independent research mentioned under the section headed "1.2.2.1 Outlook of the Group" of this letter.

The auditors have issued an unmodified opinion, confirming that the consolidated financial statements give a true and fair view of the Group's financial position, performance, and cash flows for the year in accordance with IFRS and the Hong Kong Companies Ordinance. Furthermore, as disclosed in the sections headed "5. Material changes" and "6. Financial and trading prospects of the Group" of the Circular, there has been no material adverse change in the financial position of the Group since 31 December 2024.

1.2.2.1. ***Outlook of the Group***

The Group continues to leverage advanced technologies and high standards in its operations, focusing on genetic improvement programs such as in vitro fertilisation and embryo transfer to enhance dairy cow productivity. It maintains strict quality control measures and all of its 11 dairy farms are currently SQF certified, ensuring the quality of raw milk.

Raw milk business

Despite industry headwinds, namely declining milk prices and rising production costs, the Group remains committed to operational efficiency, product quality, and market expansion. In FY2024, the Group's raw milk production increased by 6.6% to 916,600 tonnes, while milk yield per milkable cow improved by 2.9%, reflecting the Group's ability to deliver performance even under adverse condition. Furthermore, it achieved a 19.0% reduction in feed costs per kg of raw milk compared to FY2023, helping to sustain profitability amid market pressure.

Beef cattle business

The beef cattle segment also faced difficulties. The gross loss for FY2024 widened to RMB90 million, primarily driven by a 16.4% decline in prices. Our independent research, based on the OECD-FAO *Agricultural Outlook 2021-2030* (the "**OECD-FAO Report**") jointly issued by The Organization of Economic Cooperation and Development ("**OECD**") and The Food and Agriculture Organization ("**FAO**") of the United Nations, indicates that the sector has experienced price volatility and possible dumping behaviour from competitors. Nevertheless, government support and anti-dumping policies, for instance, price undertakings aimed to set minimum price which exporters can sell their products, are expected to stabilise the market, with recovery anticipated in the second half of 2025. Long-term industry prospects remain positive, with the OECD-FAO Report projecting an 8.0% increase in China's per capita beef consumption by 2030, following a 35% rise over the past decade. The Group aims to capitalise on this trend by enhancing operational efficiency, expanding production capacity, and strengthening its market position.

Industry trends

From our independent research, we note that the dairy industry has been facing challenges. According to the *China Dairy Economic Monthly Report* (May 2024 Issue 178)[1], milk prices averaged RMB3.4/kg in April 2024 in the PRC, marking a 1.7% decrease compared to the previous month, and the lowest since October 2018. At the same time, the National Dairy Industry Technology System[2] reported raw milk production costs reached RMB3.82/kg in the PRC in 2024, matching the historical highs seen in 2022. As a result, many dairy farms had been operating at a loss, prompting closure of many smaller farms and industry consolidation. In response, dairy operators have prioritised cost control, milk yield, and cash flow management. Against this backdrop, the Group has made significant investments in productivity improvement, with a view to better navigating market conditions and supporting its long-term sustainability.

The outlook of the industry in 2025 remains uncertain in light of the ongoing trade tensions between the PRC and the United States (the "**US**"). In April 2025, the PRC raised tariffs on imports from the US from 84% to 125% in retaliation to increased US tariffs, affecting a wide range of products, including livestock feed. While in May 2025, the PRC and the US reached an agreement on a 90-day pause, lowering the tariffs on imports from the US to 10%, the ongoing trade tensions between the two countries continue to pose uncertainty. According to the Management, the Group has proactively responded by diversifying its feed supply sources and securing longer term contracts to ensure cost control for near term procurement. The Group has strategically diversified its sources of feed supply to better manage political and supply chain risks. This approach enhances the Group's resilience by ensuring access to alternative supply channels.

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1 The China Dairy Economic Monthly Report is published by the Dairy Economic Research Office of the National Dairy Industry of the PRC. This office is an institution within the Chinese diary sector, providing regular updates and analysis on market conditions.

2 The National Dairy Industry Technology System was established in October 2007 and is affiliated with China Agricultural University.

Despite the aforementioned challenges and uncertainties, according to the Dairy Industry Information Network[3], the domestic oversupply of raw milk is expected to reach a turning point in the second half of 2025, with the average milk price expected to recover moderately to a range from RMB3.10 to 3.65/kg. Meanwhile, it is expected that cost-saving and efficiency improvements in dairy farming will continue, helping to alleviate the current losses in the sector.

In conclusion, we note that the Group's strategy remains aligned with its long-term vision, which focuses on operational efficiency, market expansion, and investment in sustainability. While the proposed Rights Issue is not underwritten, the Company has secured irrevocable undertakings from certain Controlling Shareholders, with an expected minimum subscription amount of approximately HK$110.94 million, providing a degree of funding certainty. A strengthened financial position is expected not only to support the execution of the Group's ongoing initiatives, but also to enhance its financial flexibility in navigating a challenging operating environment. In our view, the Rights Issue is reasonably likely to achieve its stated objectives of reducing gearing and supporting the Group's long-term growth trajectory, particularly given the secured irrevocable commitments and alignment of the stated use of proceeds.

2. Reasons for and benefits of the Rights Issue

2.1. Funding needs

Assuming there is no change in the total number of issued Shares from the Last Trading Date up to and including the Record Date and all Rights Shares to be issued under the Rights Issue have been taken up in full, (i) the gross proceeds of the Rights Issue will be approximately HK$313.8 million, and (ii) the net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK$5.0 million) are estimated to be approximately HK$308.8 million. The net price per Rights Share (after deduction of estimated professional fees and other related expenses) is estimated to be approximately HK$1.10. Pursuant to the Irrevocable Undertaking given by certain Controlling Shareholders, the minimum amount to be raised under the Rights Issue is expected to be HK$110.94 million.

The Company intends to apply such net proceeds as to:

(i) about 63.15% of the net proceeds (approximately HK$195 million which is equivalent to approximately US$25 million) to fully repay a short-term loan facility of US$25 million with a financial institution for the purpose of providing working capital for the Group. The loan facility was utilised on 27 February 2025 and is due on 26 August 2025. The proceeds of the loan facility have been used to provide short-term liquidity to the Group's farming operations in the PRC;

3 The Dairy Industry Information Network (RuYeZiXun) is the official media platform of *China Dairy* magazine. *China Dairy* was first published in January 2002. It is China's first comprehensive journal that provides all-around information services for the dairy industry.

(ii) about 27.37% of the net proceeds (approximately HK$84.53 million which is equivalent to approximately RMB79.46 million) to be used for the repayment of onshore working capital facilities and interests with a financial institution in the PRC. Such loan facilities were utilised on 17 January 2025 and were used as working capital in the Group's dairy farms located in Shandong and Inner-Mongolia of the PRC. The due date of the loan facilities is on 17 July 2025; and

(iii) the remaining 9.48% of the net proceeds (approximately HK$29.28 million) to be used for the Group's general working capital purposes, including, but not limited to, normal feed material procurement, purchase of silages and other working capital needs.

As the Rights Issue will proceed on a non-underwritten basis, the actual amount of the net proceeds from the Rights Issue cannot be ascertained as at the Latest Practicable Date. In the event there is an under-subscription of the Rights Issue, the net proceeds of the Right Issue will shall be applied in the order of priority as set out above, starting with the repayment of the US$25 million loan facility. Any remaining net proceeds will be used for general working capital. If proceeds fall short of HK$279.53 million, the Group intends to cover the shortfall using its internal cash resources to ensure the necessary repayments are met.

Size of the Rights Issue

Although there is no guaranteed minimum amount to be raised by the Rights Issue, the Irrevocable Undertakings by (i) Mr. Renaldo SANTOSA; (ii) Ms. Gabriella SANTOSA; (iii) Highvern Trustees Limited (as trustee of the Scuderia Trust); (iv) Rangi Management Limited; (v) Tasburgh Limited; and (vi) Tallowe Services Inc, provides reasonable assurance that at least HK$110.94 million will be raised. As such, we consider the Rights Issue to be reasonably structured to meet the Group's short-term funding needs.

Further, we consider the size of the Rights Issue to be appropriate in light of the Group's imminent capital requirements and reliance on debt financing. The targeted gross proceeds of approximately HK$313.8 million, representing approximately 28.4% of the Company's market capitalisation (based on the closing price as at the Last Trading Day), appears to be a pragmatic response to address the Group's near-term liquidity pressure. The allocation of proceeds, largely for the repayment of short-term borrowings used to support the Group's working capital used to fund core operations, reflects the Company's focused and purpose-driven approach in undertaking the Rights Issue.

2.2. Suitable fund raising method

As described in the "Letter from the Board", we noted that the Management has considered other financing alternatives (i) debt financing; and (ii) equity financing.

2.2.1. Debt Financing

In respect of debt financing, it would result in an additional interest burden and increased financial costs for the Group, given the Group's high gearing ratio of 130.0% in FY2024. This would further drive up the gearing ratio and place additional liquidity pressure on the Group.

2.2.2. Equity Financing

2.2.2.1. Placing and subscription of new Shares

Placing and subscription of new shares would raise a relatively smaller amount of capital compared to the Rights Issue, depending on various factors such as the pricing and demand for the shares. Moreover, this approach could result in immediate dilution of existing shareholders' interests, as it would not provide them with the opportunity to participate in the enlarged capital base of the Company. Given that the Company's intention is to offer shareholders the opportunity to maintain or increase their shareholding, the placing and subscription of new shares may not be the most suitable funding method for the Company.

2.2.2.2. Open offer

Although an open offer gives qualifying shareholders the chance to participate, similar to a Rights Issue, it does not provide the same level of flexibility and protection. A Rights Issue gives all existing shareholders the priority right to subscribe for new shares in proportion to their current holdings, ensuring they are not diluted unless they choose not to participate. This allows shareholders more options to manage their investments and preserves their ownership stake. In contrast, an open offer does not allow shareholders to trade their entitlements and limits participation, which could lead to dilution even for those who wish to maintain their stake. We note that the Company's decision to pursue a rights issue reflects a consideration of fairness to existing shareholders, allowing them the opportunity to preserve their proportionate interests.

Having considered (i) the feasibility of the various fund-raising methods; (ii) the potential financing costs; and (iii) the opportunity for the existing Shareholders to maintain their shareholding in the Company and the additional flexibility afforded by the Rights Issue, the Management, whose view is set out in the section headed

"Reasons for the Rights Issue and the Use of Proceeds" in the "Letter from the Board", is of the view, and we concur, that the Rights Issue is the most suitable fund raising method to the Group.

2.3. *Financial Effect*

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue.

2.3.1. *Liquidity*

As of 31 December 2024, the Group reported cash and bank balances of approximately RMB282 million, with current interest-bearing bank borrowings of around RMB2.5 billion. The current secured bank loans carry an effective interest rate ranging from approximately 3.9% to 4.8%. Given that 63.15% of the net proceeds from the Rights Issue will be applied towards the repayment of existing short-term debt obligations, including US$25 million short-term loan facility and other working capital loans, the Group's liquidity position will improve upon completion of the Rights Issue.

By reducing its short-term debt obligations, the Group will alleviate immediate repayment pressures, thereby preserving cash flow for other initiatives. This will enable the Group to allocate more financial resources towards its core business operations, ensuring stability and continuity in its farm operations in the PRC, amidst a challenging environment. Furthermore, the repayment of these liabilities will reduce reliance on external borrowings and lower the Group's exposure to refinancing risks, strengthening its financial flexibility in the long run.

2.3.2. *Net assets*

The Rights Issue will lead to an increase in the Group's total equity as 9.48% of net proceeds will be recognised as Shareholder's equity, because a portion of the net proceeds will be recognized as Shareholders' equity, specifically through the issuance of new shares. This results in a direct increase in the equity base of the Group, as the new shares are subscribed by existing or new shareholders. While part of the proceeds may be used to settle existing liabilities, the overall effect is an improvement in net assets, as the infusion of new capital enhances the Group's financial position and reduces debt levels. The recognition of 9.48% of net proceeds as Shareholders' equity reflects the proportion of capital raised that directly contributes to the equity structure.

In addition, by reducing its outstanding borrowings, the Group will also enhance its asset quality, as a lower portion of total assets will be tied to financial liabilities. This strengthens the Group's financial position and reinforces its ability to secure financing at more favourable terms, if needed.

2.3.3. Gearing ratio

As at 31 December 2024, the Group's gearing ratio, which is measured on the basis of the Group's total debts divided by equity attributable to owners of the Company, was approximately 130.0%. Since a substantial portion of the Rights Issue proceeds will be used to repay short-term liabilities, the total debt level will decline, leading to a reduction in the Group's gearing ratio.

A lower gearing ratio reduces financial risks associated with high leverage. The Group will have a stronger equity base and improved debt-servicing capability. Moreover, a lower gearing ratio may facilitate future fundraising efforts.

In summary, the improved financial position resulting from the Rights Issue will enhance the Group's ability to pursue future growth opportunities. With a stronger liquidity position, improved net assets, and lower gearing ratio, the Group will have greater financial flexibility to fund capital expenditures, invest in operational efficiencies, or explore expansion initiatives.

Furthermore, the Rights Issue allows the Group to strengthen its capital base without incurring additional debt, therefore, avoiding higher interest burdens and the restrictive covenants often associated with traditional financing methods, as detailed in the section "2.2 Suitable fundraising methods". This positions the Group for future capital market activities, as it will have an improved financial profile that may attract further investor interest.

Considering that (i) the Group's financial position will be strengthened with improved liquidity, (ii) the net assets of the Group will increase, (iii) the gearing ratio will be reduced, and (iv) the Group will have enhanced financial flexibility and future fundraising capabilities, the Rights Issue is expected to have a positive impact on the Group's overall financial performance and long-term sustainability. Accordingly, the Management considers, and we concur, the Rights Issue to be in the best interests of the Group and its Independent Shareholders as a whole.

2.4. Dilution impact

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not take up the Rights Issue can, subject to the prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue.

For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 28.57%.

Please refer to the table below for further information on the effect of the Rights Issue on the overall shareholding structure of the Company.

As detailed in the table as of the Latest Practicable Date, assuming (i) no change in the Company's issued share capital up to and including the Record Date, and (ii) only Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc. and Mr. Renaldo Santosa have accepted all 99,054,014 Rights Shares pursuant to the Irrevocable Undertaking, and Japfa Ltd subscribe to its entitlements of 5,014,415 Rights Shares, the Controlling Shareholders' interest will rise from 37.14% to 45.27%, with their aggregate shareholding (including parties acting in concert) increasing from 42.75% to 50.15%.

If the Controlling Shareholders and the aforementioned parties also subscribe to the maximum excess Rights Shares allowed under Rule 7.21(3)(b) of the Listing Rules, totaling 176,116,815 Rights Shares, their interest would further increase to 55.10%, while their aggregate shareholding would reach 59.1%.

In such a scenario, their acceptance of the provisionally allotted and excess Rights Shares would trigger a mandatory general offer under Rule 26 of the Hong Kong Takeovers Code, unless the Whitewash Waiver is granted by the Executive and approved by Independent Shareholders at the EGM. The Whitewash Waiver Resolutions require (i) more than 50% of independent votes in favour of the Rights Issue, and (ii) at least 75% in favour of the Whitewash Waiver, with the Controlling Shareholders and their concert parties abstaining from voting.

Shareholder	As at the Latest Practicable Date		Immediately upon the completion of the Rights Issue (assuming full acceptance under the Rights Issue)		Immediately upon the completion of the Rights Issue (assuming no subscription by the Qualifying Shareholders (other than Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc, Mr. Renaldo SANTOSA and Japfa Ltd) under the Rights Issue)		Immediately upon the completion of the Rights Issue (assuming no subscription by the Qualifying Shareholders (other than Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc., Mr. Renaldo SANTOSA and Japfa Ltd) under the Rights Issue) and they have applied for and successfully been allotted the maximum excess Rights Shares	
	Number of Shares	*%*[1]	*Number of Shares*	*%*[11]	*Number of Shares*	*%*[11]	*Number of Shares*	*%*[11]
Controlling Shareholders[2]								
Rangi Management Limited	212,395,300[3][4][5]	30.32	297,353,420	30.32	297,353,420	36.96	441,129,526	44.98
Tasburgh Limited	21,342,875[3][4][5]	3.05	29,880,025	3.05	29,880,025	3.71	44,327,593	4.52
Tallowe Services Inc.	13,540,000[6]	1.93	18,956,000	1.93	18,956,000	2.36	28,121,591	2.87

Shareholder	As at the Latest Practicable Date		Immediately upon the completion of the Rights Issue (assuming full acceptance under the Rights Issue)		Immediately upon the completion of the Rights Issue (assuming no subscription by the Qualifying Shareholders (other than Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc, Mr. Renaldo SANTOSA and Japfa Ltd) under the Rights Issue)		Immediately upon the completion of the Rights Issue (assuming no subscription by the Qualifying Shareholders (other than Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc., Mr. Renaldo SANTOSA and Japfa Ltd) under the Rights Issue) and they have applied for and successfully been allotted the maximum excess Rights Shares	
	Number of Shares	*%*[1]	*Number of Shares*	*%*[11]	*Number of Shares*	*%*[11]	*Number of Shares*	*%*[11]
Renaldo SANTOSA	356,860[3][6][7]	0.05	499,604	0.05	499,604	0.05	741,172	0.08
Parties presumed to be acting in concert with Controlling Shareholders *(excluding certain* Directors[6])								
Japfa Ltd[3]	12,536,038	1.79	17,550,453	1.79	17,550,453	2.18	26,036,435	2.66
Sub-total for Controlling Shareholders and Concert Parties (excluding certain Directors)[8]	260,171,073	37.14	364,239,502	37.14	364,239,502	45.27	540,356,317	55.10
Other parties presumed to be acting in concert with Controlling Shareholders								
TAN Yong Nang	28,031,111[8][9]	4.00	39,243,555	4.00	28,031,111	3.48	28,031,111	2.8
Edgar Dowse COLLINS	8,124,060[8]	1.16	11,373,684	1.16	8,124,060	1.01	8,124,060	0.83
YANG Ku	3,010,000[8]	0.43	4,214,000	0.43	3,010,000	0.37	3,010,000	0.31
GAO Lina	135,000[8]	0.02	189,000	0.02	135,000	0.02	135,000	0.01
Sub-total for Controlling Shareholders and Concert Parties	29,471,244	42.75	41,259,741	42.75	403,539,673	50.15	579,656,488	59.11
Meiji (China) Investment Company, Limited	155,451,785[10]	22.19	217,632,499	22.19	155,451,785	19.32	155,451,785	15.85
Public Shareholders	245,540,083	35.05	343,756,116	35.05	245,540,083	30.52	245,540,083	25.04
Total	*700,463,112*	*100.00*	980,648,356	100,00	804,531,541	*100.00*	980,648,356	*100.00*

Notes:

(1) The calculation is based on the total number of 700,463,112 issued Shares as at the Latest Practicable Date.

(2) This includes only the Controlling Shareholders that directly hold Shares. Under Listing Rules, Controlling Shareholders also include Ms. Gabriella SANTOSA, the Scuderia Trust, Highvern Trustees Limited (as trustee of the Scuderia Trust), Magnus Nominees Limited, Fidelis Nominees Limited and Fusion Investment Holdings Limited.

(3) Rangi Management Limited is wholly owned by Fusion Investment Holdings Limited. Tasburgh Limited holds 21,342,875 Shares. The shares in each of Fusion Investment Holdings Limited and Tasburgh Limited are collectively held by Magnus Nominees Limited and Fidelis Nominees Limited as bare trustees on trust for their sole shareholder, Highvern Trustees Limited, as trustee of the Scuderia Trust, which is a reserved power discretionary trust. The Shares held by Rangi Management Limited and Tasburgh Limited are assets of the Scuderia Trust. Mr. Renaldo SANTOSA and Ms. Gabriella SANTOSA are appointed as the joint investment power holders of the Scuderia Trust. Under the terms of the Scuderia Trust, they are jointly entitled, as investment power holders, to direct the trustee of the Scuderia Trust, Highvern Trustees Limited, to procure to the best of its ability that the directors of Fusion Investment Holdings Limited and Tasburgh Limited act in accordance with his instructions in relation to the investments of the Scuderia Trust. By virtue of the SFO, each of Mr. Renaldo SANTOSA, Ms. Gabriella SANTOSA and Highvern Trustees Limited (as trustee of the Scuderia Trust) is deemed to be interested in the Shares held by Rangi Management Limited and Tasburgh Limited, and Fusion Investment Holdings Limited is deemed to be interested in the Shares held by Rangi Management Limited. Rangi Management Limited is also deemed interested in Japfa Ltd's direct holding of 12,536,038 Shares.

(4) Highvern Trustees Limited is a professional trustee.

(5) MNM Holdings Limited is the holding company of Highvern Trustees Limited, which has an interest in the Shares as trustee of the Scuderia Trust and the Capital Two Trust. MNM Holdings Limited is wholly owned by Martin John Hall and Naomi Julia Rive in equal shareholding proportions. By virtue of the SFO, each of MNM Holdings Limited, Martin John Hall and Naomi Julia Rive is deemed to be indirectly interested in the Shares that Highvern Trustees Limited is interested in.

(6) Tallowe Services Inc. holds 13,540,000 Shares. Tallowe Services Inc. is wholly owned in equal shares by Magnus Nominees Limited as bare trustee for Mr. Renaldo SANTOSA and Fidelis Nominees Limited as bare trustee for Ms. Gabriella SANTOSA.

(7) Mr. Renaldo SANTOSA holds 356,860 Shares through his client account with a financial institution.

(8) These Directors are presumed to be acting in concert with the Controlling Shareholders under class (6) presumption under the definition of "acting in concert" pursuant to the Hong Kong Takeovers Code. This presumption will cease to apply after completion of the Rights Issue.

(9) The Shares of Mr. TAN Yong Nang include (i) 17,431,111 Shares are held by Great Alpha Investments Limited, which is wholly-owned by Mr. TAN; and (ii) 10,600,000 Shares is held by Great Delta Investments Limited under a discretionary family trust whose trustee is Butterfield Trust (Asia) Limited. Mr Tan is the investment manager of the Trust.

(10) Meiji (China) Investment Company, Limited, which is a subsidiary of Meiji Holdings Company Limited (a company listed on the Tokyo Stock Exchange), is presumed to be acting in concert with the Controlling Shareholders under class (1) presumption under the definition of "acting in concert" pursuant to the Hong Kong Takeovers Code. The Company has made an application for, and the Executive has granted, the rebuttal of the class (1) presumption that Meiji (China) Investment Company, Limited and the Controlling Shareholders are persons acting in concert for purpose of Hong Kong Takeovers Code under the definition of "acting in concert".

(11) The aggregate of the percentage figures in the above table may not add up to 100% due to rounding of the percentage figures to two decimal places.

The potential dilution impact also affects the Non-Qualifying Shareholders who, due to regulatory or legal restrictions, are unable to participate in the Rights Issue. However, the Non-Qualifying Shareholders, as set out in the section "Rights of Overseas Shareholders" in the "Letter from the Board" will potentially receive any net proceeds (over HK$100) from the sale of their nil-paid Rights Shares in the market, if a premium can be obtained, as a form of compensation. Taking this into consideration together with the funding needs as outlined in the section headed "2. Reasons for and benefits of the Rights Issue", we are of the view that the terms of the Rights Issue are fair and reasonable so far as the Non-Qualifying Shareholders are concerned.

Having considered that (i) all Qualifying Shareholders have an equal opportunity to participate in the capital enlargement and will not face dilution if they fully exercise their provisional allotments, (ii) they may also realise their nil-paid rights in the market, subject to availability, and (iii) the Non-Qualifying Shareholders will potentially receive any net proceeds (over HK$100) from the sale of their nil-paid Rights Shares in the market, if a premium can be obtained, as a form of compensation, we are of the view that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned. Any potential dilution would only affect those who choose not to subscribe for their pro-rata Rights Shares, which is a result of their own investment decision, and the Non-Qualifying Shareholders who are unable to participate in the Rights Issue, due to regulatory or legal restrictions.

2.5. Section summary

Considering (i) the reasons for the Rights Issue, including the need to raise funds to repay short-term debts and enhance the Company's liquidity; (ii) the benefits of the Rights Issue, such as strengthening the Group's financial position, reducing debt, and providing flexibility for future growth; (iii) the potential dilution effect, which only affect (a) Qualifying Shareholders who choose not to participate and (b) Non-Qualifying Shareholders who will potentially receive any net proceeds (over HK$100) from the sale of their nil-paid Rights Shares in the market, if a premium can be obtained, as a form of compensation; and (iv) the Group's intention to continue developing its business strategy as outlined at the time of listing, we concur with the Management that the Rights Issue is the most suitable fund raising method to the Group under the current circumstances.

3. Principal terms of the Rights Issue

3.1. Summary of the key terms

Basis of the Rights Issue	:	Two (2) Rights Shares for every five (5) existing Shares held at the close of the business on the Record Date
Subscription Price	:	HK$1.12 per Rights Share
Number of Shares in issue as at the Last Trading Date	:	700,463,112 Shares
Total number of Rights Shares	:	Up to 280,185,244 Rights Shares

Number of Rights Shares being undertaken by certain Controlling Shareholders	:	As at the Latest Practicable Date the Board has received the Irrevocable Undertaking given by certain Controlling Shareholders, namely, (i) Mr. Renaldo SANTOSA; (ii) Ms. Gabriella SANTOSA; (iii) Highvern Trustees Limited (as trustee of the Scuderia Trust); (iv) Rangi Management Limited; (v) Tasburgh Limited; and (vi) Tallowe Services Inc. Pursuant to the Irrevocable Undertaking, (1) the Shares of the abovementioned Controlling Shareholders will continue to be held by each of Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc. and Mr. Renaldo SANTOSA on the Record Date; (2) each of them will accept their respective entitlements to the provisional allotment of an aggregate of 99,054,014 Rights Shares; and (3) each of them shall not sell or transfer their respective Shares before the completion or lapse of the Rights Issue. For the avoidance of doubt, Rangi Management Limited made the Irrevocable Undertaking only on behalf of itself and the Shares held by itself and not for Japfa Ltd, a Company listed on the Mainboard of the SGX-ST nor the 12,536,038 Shares held by Japfa Ltd in which Rangi Management Limited is deemed to be interested. Whether or not Japfa Ltd will take up any Rights Shares and/or Excess Rights Shares will be determined by its board of directors in due course.
Gross proceeds to be raised from the Rights Issue	:	Up to approximately HK$313.81 million

In order to assess the fairness and reasonableness of the terms of the Rights Issue, we have conducted the following analysis:

3.2. The Subscription Price

The Subscription Price of HK$1.12 per Rights Share represents:

(a) a discount of approximately 30.00% based on the closing price of HK$1.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 29.11% to the closing price of HK$1.58 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 29.11% to the average closing price of approximately HK$1.58 per Share as quoted on the Stock Exchange for the five consecutive trading days preceding to the Last Trading Day;

(d) a discount of approximately 27.27% to the average closing price of approximately HK$1.54 per Share as quoted on the Stock Exchange for the ten consecutive trading days preceding to the Last Trading Day;

(e) a discount of approximately 20.57% to the average closing price of approximately HK$1.41 per Share as quoted on the Stock Exchange for the 30 consecutive trading days preceding to the Last Trading Day;

(f) a discount of approximately 5.08% to the average closing price of approximately HK$1.18 per Share as quoted on the Stock Exchange for the 90 consecutive trading days preceding to the Last Trading Day;

(g) a discount of approximately 2.61% to the average closing price of approximately HK$1.15 per Share as quoted on the Stock Exchange for the 180 consecutive trading days preceding to the Last Trading Day;

(h) a discount of approximately 22.76% to the theoretical ex-rights price of approximately HK$1.45 per Share based on the closing price of HK$1.58 per Share as quoted on the Stock Exchange on the Last Trading Day;

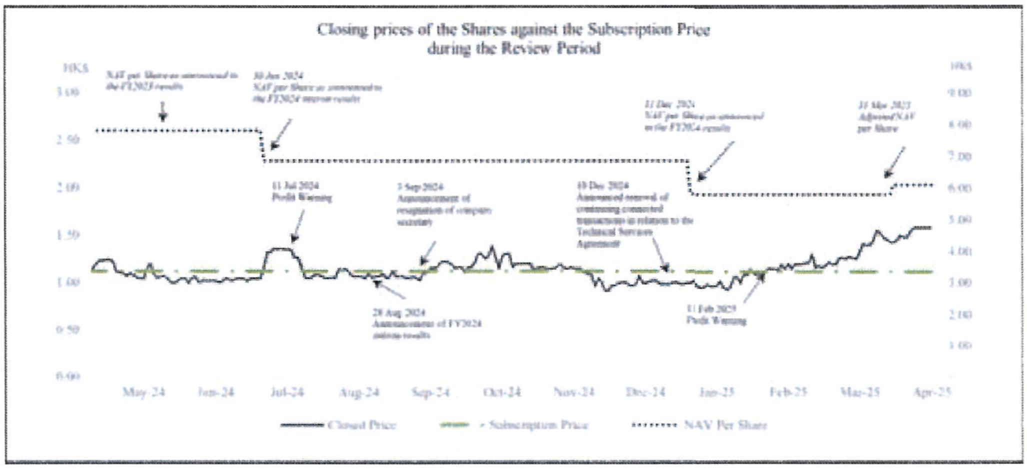
(i) a discount of approximately 80.95% to the audited net asset value ("**NAV**") per Share of approximately HK$5.88 as of 31 December 2024. This calculation is based on the Group's audited consolidated net asset value of RMB3,807.5 million (equivalent to HK$4,112.1 million) divided by 700,463,112 issued Shares; and

(j) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 8.23%, represented by a discount of the theoretical diluted price of approximately HK$1.45 per Share to the benchmarked price of approximately HK$1.58 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK$1.58 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days preceding the Last Trading Day of approximately HK$1.58).

To evaluate the fairness and reasonableness of the Subscription Price, we have carried out the following analysis:

(a) Historical price performance of the Shares

Set out below is the chart illustrating the historical closing price of Shares during the period from 16 April 2024, being 12 months immediately preceding the Last Trading Day (the "**Review Period**"). We consider that a period of 12 months, which reflects the prevailing market sentiment, is adequate to illustrate the recent price movement of the Shares for the purpose of conducting a reasonable comparison.



Source: The website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the above chart, the closing price of the Shares have been relatively stable, with a high of HK$1.58 recorded on 9, 11, 14, 15, 16, 23 April 2025 and a low of HK$0.91 recorded on on 22, 25 November 2024 during the Review Period. The average daily closing price per Share was HK$1.14 during the Review Period.

We note that the Subscription Price of HK$1.12 per Rights Share is below the daily closing prices per Share throughout the Review Period and represents (i) a discount of approximately 29.11% from the highest closing price; (ii) a premium of approximately 23.08% to the lowest closing price; and (iii) a discount of approximately 1.75% to the average daily closing price during the Review Period.

We believe that the recent market prices of the Shares serve as a reliable indicator of the market's assessment of various aspects of the Company, including its financial performance and future prospects. The stability in the Share price suggests that investors have maintained a relatively consistent view of the Company's development. Accordingly, we consider it fair and reasonable to reference recent market closing prices in determining the Subscription Price. Furthermore, setting the Subscription Price at a discount to the prevailing market price could enhance the attractiveness of the Rights Issue, encouraging Qualifying Shareholders to participate and thereby maintain their proportional interest in the Company while also benefiting from its future growth opportunities.

Furthermore, as discussed in the section headed "3.6 Comparison with the recent rights issue transactions" below, we also noted that it is common market practice to set the Subscription Price at a discount to prevailing market prices to increase the attractiveness for shareholders to participate in a rights issue.

In addition, we note that the Subscription Price of HK$1.12 represents a notable discount to the Group's net asset value ("**NAV**"). It reflects:

i. a discount of approximately 85.69% to the audited NAV per Share of approximately HK$7.83 as of 31 December 2023. This calculation is based on the Group's audited consolidated net asset value of RMB5,075.7 million (equivalent to HK$5,481.7 million based on the exchange rate of HK$1.08 to 1 RMB) as set out in the annual report of the Company for the year ended 31 December 2023 divided by 700,463,112 issued Shares as of 31 December 2023;

ii. a discount of approximately 80.95% to the audited NAV per Share of approximately HK$5.88 as of 31 December 2024. This calculation is based on the Group's audited consolidated net asset value of RMB3,807.5 million (equivalent to HK$4,112.1 million based on the exchange rate of HK$1.08 to 1 RMB) as disclosed in the annual report of the Company for the year ended 31 December 2024 divided by 700,463,112 issued Shares as of 31 December 2024;

iii. discount of approximately 83.65% to unaudited net asset value per Share as at 30 June 2024 of approximately RMB6.34 (equivalent to approximately HK$6.85) (based on the net asset value attributable to the owners of the Company as at 30 June 2024 of approximately RMB4,441.9 million (equivalent to approximately HK$4,797.2 million) as set out in the interim report of the Company for the six months ended 30 June 2024 and 700,463,112 Shares in issue as at the Latest Practicable Date); and

iv. a discount of approximately 81.67% to latest published audited consolidated net asset value per Share as at 31 December 2024, adjusted for the revaluation surplus arising from the valuation of the Group's property interests as at 31 March 2025, of approximately RMB5.65 (equivalent to approximately HK$6.11) (based on the net asset value attributable to the owners of the Company as at 31 December 2024 of approximately RMB3,807.5 million (equivalent to approximately HK$4,112.1 million) as disclosed in the annual report of the Company for the year ended 31 December 2024, adjusted for the revaluation surplus of the Group's property interests as at 31 March 2025 of approximately RMB152.3 million (equivalent to approximately HK$164.5 million), and 700,463,112 Shares in issue as at the Latest Practicable Date).

Adjusted net asset value

In evaluating the Subscription Price, we have taken into account the Group's adjusted NAV, which is provided by the Company and calculated based on the audited net asset value attributable to the Shareholders ("**NAV**") as at 31 December 2024, adjusted with reference to the valuation report (the "**Valuation**") as at the valuation date (i.e. 31 March 2025). As stated in the Circular, details of the adjustments are set out in the table below:

	RMB'000
Audited NAV as at 31 December 2024	3,807,512
Add: net revaluation surplus arising from the Valuation[1]	152,337
Adjusted NAV	**3,959,849**
Adjusted NAV per Share:	
In RMB[2]	5.65
In HK$[2,3]	6.11
Discount of the Subscription Price over the Adjusted NAV per Share	81.67%

Notes:

1. This represents the net revaluation surplus calculated by comparing the market value of the properties held by the Group from the Valuation, over the corresponding book value of the properties as at 31 March 2025.

2. It is calculated based on 700,463,112 Shares in issue as at the Latest Practicable Date.

3. Based on the exchange rate of HK$1.08 to 1 RMB.

Considering the Shares has been trading at a substantial discount to the NAV and adjusted NAV per Share during the Review Period, we are of the view that the NAV per Share is not a meaningful benchmark to determine the Subscription Price and the prevailing market price, which reflects the value of the Shares as perceived by the market having considered the Group's business, outlook and prevailing market conditions, is more relevant in determining the fairness and reasonableness of the Subscription Price. Taking into account the above and respective discounts of the Subscription Price against the prevailing market price (as described in this paragraph) are within the range of that of the Comparables as further discussed in the section headed "3.6 Comparisons with recent rights issue transactions" below, we consider the Subscription Price to be fair and reasonable.

(b) Trading liquidity of the Shares

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares as compared to (i) the total number of issued Shares and (ii) the Shares held by the public Shareholders during the Review Period.

Month	Number of trading days	Average daily trading volume of Shares	Average daily trading volume as a percentage to the total number of issued Shares(1)(2)	Average daily trading volume as a percentage to the total number of issued Shares held by public Shareholders(1)(3)
2024				
April (from 16 April 2024)	11	9,342	0.001%	0.004%
May	21	32,229	0.005%	0.013%
June	19	22,343	0.003%	0.009%
July	22	37,753	0.005%	0.015%
August	22	9,559	0.001%	0.004%
September	19	41,076	0.006%	0.017%
October	21	38,312	0.005%	0.016%
November	21	67,143	0.010%	0.027%
December	20	22,900	0.003%	0.009%
2025				
January	19	84,366	0.012%	0.034%
February	20	49,839	0.007%	0.020%
March	21	79,947	0.011%	0.033%
April (up to the Last Trading Day)	11	164,007	0.023%	0.067%

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

(1) Calculated based on the total number of issued Shares as at each month end/period.

(2) The calculation is based on the average daily trading volume divided by total number of issued Shares as at the end of each relevant month/period.

(3) The calculation is based on the average daily trading volume divided by total number of issued Shares held by the public Shareholders (i.e. 245,540,083 Shares) as at the Last Trading Day.

As illustrated in the above table, the percentage of average daily trading volume to (i) the total number of issued Shares and (ii) the total number of Shares held by public Shareholders ranged from approximately 0.001% to 0.0023% and approximately 0.004% to 0.067% respectively. The average daily trading volume of the Shares during the Review Period was approximately 47,695 Shares, representing approximately 0.007% of the total number of issued Shares and approximately 0.019% of the total number of Shares held by public shareholders as at the Latest Practicable Date, indicating that the Shares were generally illiquid in the open market. Given the thin trading volume of the Shares, we consider that the Company is unlikely to raise equity funds (by other means than the Rights Issue) without substantial discount to the prevailing Share price as the subscribers (irrespective of existing or new shareholders) may experience difficulty in dealing their Shares in the open market after the subscription and any sale of a significant number of such new Shares on the market may exert downward pressure on the market price of the Shares.

Taking into account (i) the financial performance and financial conditions of the Group as discussed the section headed "1.1 Financial information of the Group" above; and (ii) the consistent trend of the closing price of the Shares during the Review Period as discussed in the section headed "Historical price performance of the Shares" above, we are of the view that, from the perspective of trading liquidity of the Shares, the Rights Issue is an appropriate equity financing method for the Group and the Subscription Price thereunder is fair and reasonable.

3.3. Excess application

We note that the Company has adopted the following principles for the allocation of Excess Rights Shares. We are of the view that the process is fair and equitable, with allocations made pro-rata to Qualifying Shareholders based on their shareholdings on the Record Date, excluding Rights Shares applied for under PALs. If unclaimed Rights Shares exceed Excess Rights Shares applied for, full allocation is generally granted. No preference is given for odd-lot top-ups, and applications from Controlling Shareholders or their associates are subject to limits to ensure compliance with Rule 7.21(3)(b) of the Listing Rules. This rule disregards applications for Excess Rights Shares by Relevant Shareholders if the total amount exceeds the maximum limit, which is the number of Rights Shares offered minus the amount taken up under their assured entitlement.

Additionally, any application that would breach the public float requirement under Rule 8.08 of the Listing Rules is rejected. For shares held by nominee companies or in CCASS, the nominee is treated as a single Shareholder, and beneficial owners are encouraged to register their shares in their own names to individually participate in the Excess Rights allocation. These practices align with typical market norms and adhere to the Listing Rules.

From our review of Comparables, detailed under the section "3.6 Comparison with the recent rights issue transactions", we note that 17 out of 40 also permitted the application for excess rights shares. Therefore, we consider the Company's approach, which complies with Rule 7.21(3)(b) and Rule 8.08 of the Listing Rules, and is in line with common market practice to be fair and reasonable.

3.4. Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis, irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that the Rights Issue is under-subscribed, the size of the Rights Issue will be reduced accordingly. It is also noted that there is no minimum subscription level or minimum amount to be raised under the Rights Issue, in line with the applicable laws in Singapore.

Considering that only 5 out of 40 of the Comparables, as outlined in the section "3.6 Comparison with Recent Rights Issue Transactions," implemented an underwritten arrangement, and acknowledging that the Rights Issue presents an opportunity for the Group to raise capital, we are of the opinion that the Rights Issue is aligned with market practices and serves the best interests of the Company and its Independent Shareholders.

3.5. Irrevocable Undertaking

The Irrevocable Undertaking from Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc. and Mr. Renaldo Santosa ensures their acceptance of a total of 99,054,014 Rights Shares. If only Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc., Mr. Renaldo Santosa, and Japfa Ltd accept their Rights Shares, the shareholding interest of the Controlling Shareholders and Japfa Ltd will increase from approximately 37.14% to 45.27%. If they take up the maximum excess Rights Shares, their shareholding could rise further to 55.10%, with the aggregate shareholding of the Controlling Shareholders and parties acting in concert reaching 59.11%. This would trigger a mandatory general offer under Rule 26 of the Hong Kong Takeovers Code, unless the Whitewash Waiver is granted, which is then dependent on the Whitewash Waiver Resolutions.

Accordingly, the Whitewash Waiver Resolutions, which require (i) more than 50% of Independent Shareholders voting in favour of the Rights Issue, and (ii) at least 75% voting in favour of the Whitewash Waiver at the EGM, have been duly proposed and set out for consideration. The Controlling Shareholders and their concert parties will abstain from voting. Please refer to our analysis under the paragraph "Whitewash Waiver" for further details.

3.6. Comparison with the recent rights issue transactions

In evaluating the fairness and reasonableness of the terms of the Rights Issue, we have conducted a comparative analysis of recent rights issue exercises. Applying the criteria of (i) rights issues undertaken by companies listed on the Stock Exchange, and (ii) rights issues for which the relevant prospectuses were issued during the period from 1 October 2024, being approximately 6 months immediately preceding the Last Trading Day, we have identified a set of 40 comparable transactions (the "**Comparables**"). The list of Comparables below is exhaustive based on our selective criteria.

We acknowledge that none of the Comparables share the same principal business activities of the Group, and there are differences in terms of market capitalization, financial positions and operating scale. However, in the context of rights issues, we consider that the key market dynamics, such as the level of discount to prevailing market price, underwriting arrangements and subscription structure, are often influenced by broader investor sentiment rather than solely the issuer's industry sector. Accordingly, while the Comparables are not industry-specific, we consider that they provide reasonable reference points for how the recent market generally approaches rights issues. This includes prevailing trends in pricing and structuring. We also consider that the length of the review period of six months is adequate and can fairly and reasonably reflect prevailing market conditions and captures sufficient rights issue activity for trend analysis. It should be noted that, when forming our opinion, we take into account the analysis below together with all other factors stated in this letter as a whole.

The major terms of the Comparables are summarised below:

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the closing price on the last trading day	the closing price for the five consecutive trading days up to and including the last trading day	the theoretical ex-right price based on the closing price on the last trading day	Theoretical dilution effect (%)	Excess Application	Funds raised (HK$ million)	Underwriting
2-Oct-24	Shougang Century Holdings Limited	The company is primarily engaged in the manufacture and sale of steel cords for radial tyres used in trucks, off-road vehicles, and passenger cars, as well as sawing wires and hose wires.	103	1:5	10.00	8.20	(1.35)	(1.38)	Y	129.30	N
7-Oct-24	Guangdong – Hong Kong Greater Bay Area Holdings Limited	The company is primarily engaged in property development, sales, and property management services, while also operating a trading business focused on non-ferrous metals and chemical products within the domestic market.	1396	1:2	(22.03)	(21.77)	(15.85)	(8.28)	Y	62.41	N
22-Oct-24	Shougang Fushan Resources Group Limited	The company is primarily engaged in coking coal mining, including the exploration, production, and processing of raw and clean cooking coal in China, and owns several coal mines and a coal preparation plant.	639	1:30	1.96	2.52	1.51	(0.05)	Y	155.40	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over			Theoretical dilution effect	Excess Application	Funds raised	Underwriting
					the closing price on the last trading day	the closing price for the five consecutive trading days up to and including the last trading day	the theoretical ex-right price based on the closing price on the last trading day	*(%)*		*(HK$ million)*	
24 Oct 2024	China New Consumption Group Limited	The company is a foundation contractor primarily engaged in subcontracted bored piling and specialized foundation works, including the removal of existing foundations for urban renewal or railway projects, and also operates a construction machinery rental business.	8275	1:2	(5.66)	(7.41)	(4.76)	(2.47)	N	24.00	N
25 Oct 2024	V&V Technology Holdings Limited	The company is primarily engaged in the sales of electronic components such as integrated circuits and panels for various electronic products, and also provides independent design house services for original brand and design manufacturers.	8113	1:2	(31.51)	(26.04)	(23.47)	(10.50)	Y	24.20	N
6-Nov-24	Innovax Holdings Limited	The company is primarily engaged in providing a range of financial services, including corporate finance advisory, IPO sponsorship, compliance advisory, securities dealing, asset management, and money lending services.	2680	1:2	(67.39)	(68.35)	(59.02)	(22.78)	N	12.00	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the closing price on the last trading day	Premium/(Discount) of the subscription price over the closing price for the five consecutive trading days up to and including the last trading day	Premium/(Discount) of the subscription price over the theoretical ex-right price based on the closing price on the last trading day	Theoretical dilution effect (%)	Excess Application	Funds raised (HK$ million)	Underwriting
7-Nov-24	Crown International Corporation Limited	The company is primarily engaged in property investment, development, and sales in China, with additional operations in healthcare planning, hotel management, financial consultancy, and corporate office services.	727	1:2	0.0	12.3	0.0	N/A	Y	155.40	N
7-Nov-24	Palinda Group Holdings Limited	The company is primarily engaged in the wine business, including the sale and distribution of wine and grapes, as well as operating food products, investment in securities, and providing money lending services.	8179	1:2	(18.7)	(9.4)	(18.7)	(6.2)	Y	71.70	N
21-Nov-24	IRC Limited	The company is primarily engaged in the production and development of industrial commodities, with operations in iron ore mining, engineering, and the production of vanadium pent oxides and related products in China.	1029	1:2	(15.0)	(17.2)	(10.5)	(6.0)	Y	362.10	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the closing price on the last trading day	Premium/(Discount) of the subscription price over the closing price for the five consecutive trading days up to and including the last trading day	Premium/(Discount) of the subscription price over the theoretical ex-right price based on the closing price on the last trading day	Theoretical dilution effect (%)	Excess Application	Funds raised *(HK$ million)*	Underwriting
25-Nov-24	Gaodi Holdings Limited	The company is primarily engaged in the packaging and sales of seafood products, including dried seafood, algae, fungi, seafood snacks, and frozen seafood, mainly operating in China.	1676	1:2	37.9	38.9	12.1	(0.04)	N	30.80	N
28-Nov-24	Dragon Rise Group Holdings Limited	The company is primarily engaged in foundation works in Hong Kong, including excavation, lateral support, pile cap construction, and ancillary services for commercial and residential building projects.	6829	1:1	(48.70)	(48.19)	(32.20)	(24.36)	N	93.68	Y
29-Nov-24	Kingkey Financial International (Holdings) Limited	The company is primarily engaged in providing securities brokerage, margin financing, underwriting, money lending, insurance brokerage, and asset management services, with additional operations in livestock breeding and fur sales.	1468	1:2	(2.6)	(4.3)	N/A	(1.4)	Y	417.51	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the closing price on the last trading day	Premium/(Discount) of the subscription price over the closing price for the five consecutive trading days up to and including the last trading day	Premium/(Discount) of the subscription price over the theoretical ex-right price based on the closing price on the last trading day	Theoretical dilution effect (%)	Excess Application	Funds raised *(HK$ million)*	Underwriting
19-Dec-24	China 33 Media Group Limited	The company is primarily engaged in outdoor and digital advertising, film and entertainment investment, and prepaid card services, with operations in print media advertising, billboard and LED promotions, and distribution of film and TV rights, mainly in the domestic market.	8087	3:2	(7.41)	(8.31)	(3.10)	(4.44)	Y	62.20	N
23-Dec-24	China Water Industry Group Limited	The company is primarily engaged in the exploitation and sale of renewable energy, water supply and sewage treatment, and property investment and development, including the sale of electricity, natural gas, and commercial and residential units.	1129	1:1	(49.85)	(49.54)	(33.20)	(33.20)	N	30.80	N
31-Dec-24	Far East Holdings International Limited	The company is primarily engaged in property investment, focusing on commercial units in Hong Kong, and also operates in short-term securities investment.	36	2:1	(35.77)	(35.27)	(15.66)	(23.85)	N	417.51	Y

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the closing price on the last trading day	the closing price for the five consecutive trading days up to and including the last trading day	the theoretical ex-right price based on the closing price on the last trading day	Theoretical dilution effect (%)	Excess Application	Funds raised (HK$ million)	Underwriting
31-Dec-24	HG Semiconductor Limited	The company is primarily engaged in the design, development, manufacturing, and sales of semiconductor products, including LED beads, lighting products, GaN chips, and fast-charging products, mainly within the domestic market.	6908	1:4	(36.00)	(40.00)	(31.03)	(8.29)	N	19.40	Y
8-Jan-25	Eminence Enterprise Limited	The company is primarily engaged in property investment and development, securities investment, and loan financing, including the ownership and rental of residential and industrial properties.	616	2:1	(8.00)	(24.34)	(13.53)	(21.30)	Y	362.10	N
10-Jan-25	Hatcher Group Limited	The company is primarily engaged in corporate finance advisory services, asset management, and securities brokerage, including placing, underwriting, and margin financing services.	8365	3:1	(31.50)	(24.01)	(10.33)	(23.62)	N	112.20	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over			Theoretical dilution effect (%)	Excess Application	Funds raised (HK$ million)	Underwriting
					the closing price on the last trading day	the closing price for the five consecutive trading days up to and including the last trading day	the theoretical ex-right price based on the closing price on the last trading day				
23-Jan-25	China Kingstone Mining Holdings Limited	The company is primarily engaged in the mining, processing, and trading of marble and marble-related products, with a focus on the Zhangjiaba Mine, and has also launched a virtual restaurant brand for delivery-only operations in the UK.	1380	2:5	16.28	19.62	11.11	N/A	N	72.75	N
27-Jan-25	Graphex Group Limited	The company is primarily engaged in the processing and sale of graphite products, including spherical graphite and graphene for renewable energy and electric vehicle applications, while also offering landscape design services and operating Thai cuisine restaurants in China and Italy.	6128	3:1	(32.00)	(28.27)	(10.53)	(24.00)	N	90.10	N
28-Jan-25	China Demeter Financial Investments Limited	The company is primarily engaged in the food and beverage business, including restaurant operations, alcoholic beverage distribution, money lending, financial services, children's education, and securities investment.	8120	1:2	(25.00)	(25.32)	(18.18)	(8.55)	N	15.58	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the closing price on the last trading day	the closing price for the five consecutive trading days up to and including the last trading day	the theoretical ex-right price based on the closing price on the last trading day	Theoretical dilution effect (%)	Excess Application	Funds raised (HK$ million)	Underwriting
13-Feb-25	China National Culture Group Limited	The company is primarily engaged in e-commerce, advertising, and movie production, including providing mobile device services, film production and distribution, and online product sales.	745	2:1	(31.97)	(31.51)	(2.85)	(21.29)	N	45.60	N
14-Feb-25	Mansion International Holdings Limited	The company is primarily engaged in the manufacturing and sale of baby clothing and accessories, operating through OEM business for overseas brands and OBM business under its own brand, Mides, with retail and wholesale operations in Hong Kong, China, and Macau.	8456	4:1	(22.90)	(23.50)	(5.50)	(18.80)	N	27.12	N
25-Feb-25	Xinming China Holdings Limited	The company is primarily engaged in property development, investment, and leasing, focusing on the development and sale of properties, as well as leasing out properties within the domestic market.	2699	4:1	(13.80)	(18.80)	N/A	(16.90)	N	16.20	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over			Theoretical dilution effect (%)	Excess Application	Funds raised (HK$ million)	Underwriting
					the closing price on the last trading day	the closing price for the five consecutive trading days up to and including the last trading day	the theoretical ex-right price based on the closing price on the last trading day				
3-Mar-25	China Wood International Holding Co., Limited	The company is primarily engaged in the trading of materials, car rental services, money lending, and financial investments, with additional operations in fund administration, public relations, and property investment.	1822	1:1	(45.00)	(48.60)	(29.10)	(24.90)	Y	119.70	N
3-Mar-25	KNT Holdings Limited	The company is primarily engaged in the manufacturing and sale of bridesmaid dresses, bridal gowns, special occasion dresses, fabrics. and accessories, mainly selling to American brand clothing companies.	1025	3:1	(9.38)	(10.22)	(2.52)	(8.08)	N	44.00	N
3-Mar-25	Royal Century Resources Holdings Limited	The company is primarily engaged in providing fitting out and engineering services, with additional operations in wine merchandising, furnishings design and procurement, money lending, financial services, and leasing construction equipment.	8125	3:1	(23.95)	(22.10)	(7.30)	(17.96)	N	44.00	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the closing price on the last trading day	the closing price for the five consecutive trading days up to and including the last trading day	the theoretical ex-right price based on the closing price on the last trading day	Theoretical dilution effect (%)	Excess Application	Funds raised (HK$ million)	Underwriting
3-Mar-25	Colour Life Services Group Co., Limited	The company is primarily engaged in providing property management services, including community services, pre-delivery services to property developers, consultancy, and value-added services such as online marketing and sales assistance.	1778	1:4	0.00	(2.14)	N/A	(0.43)	Y	39.10	N
5-Mar-25	Legend Strategy International Holdings Group Company Limited	The company is primarily engaged in operating budget hotels, providing hotel consultancy services, and involved in drama production, general trading, and investment through its *subsidiaries*.	1355	1:1	(49.71)	(49.60)	(33.08)	(24.86)	Y	94.20	N
7-Mar-25	Yues International Holdings Group Limited	The company is primarily engaged in providing logistics services, including transportation, warehousing, in-plant logistics, and customization services such as labeling and bundling.	1529	1:4	(7.14)	(20.25)	N/A	(21.74)	N	73.27	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the closing price on the last trading day	Premium/(Discount) of the subscription price over the closing price for the five consecutive trading days up to and including the last trading day	Premium/(Discount) of the subscription price over the theoretical ex-right price based on the closing price on the last trading day	Theoretical dilution effect (%)	Excess Application	Funds raised *(HK$ million)*	Underwriting
14-Mar-25	HSC Resources Group Limited	The company is primarily engaged in designing, supplying, and installing fire safety systems for buildings under construction, as well as the redevelopment, maintenance, and repair of fire safety systems for existing buildings and trading fire service accessories.	1850	4:1	(24.29)	(23.19)	N/A	(19.43)	N	30.70	N
21-Mar-25	CSI Properties Limited	The company is primarily engaged in the investment and trading of commercial and residential properties, including properties in Macau, and also participates in securities trading and investment.	497	18:10	5.88	5.14	2.04	N/A	Y	20.40	Y
24-Mar-25	China Saftower International Holding Group Limited	The company is primarily engaged in the manufacturing and sales of wires and cables, including copper and aluminum products, as well as semi-finished wires, aluminum strips, and cable accessories.	8623	1:2	(6.78)	(2.83)	(4.62)	(2.26)	N	6.07	N

					Premium/(Discount) of the subscription price over						
Prospectus Date	**Company name**	**Principal business**	**Stock code**	**Basis of entitlement**	**the closing price on the last trading day**	**the closing price for the five consecutive trading days up to and including the last trading day**	**the theoretical ex-right price based on the closing price on the last trading day**	**Theoretical dilution effect** *(%)*	**Excess Application**	**Funds raised** *(HK$ million)*	**Underwriting**
26-Mar-25	Luxxu Group Limited	The company is engaged in the manufacture and trading of watches, including the production and sales of self-owned brand watches, as well as luxury high-end watches and jewelry, collaborating with experts in various industries.	1327	1:1	(44.44)	(44.44)	N/A	(22.22)	N	23.00	N
26-Mar-25	Wan Kei Group Holdings Limited	The company is principally engaged in the provision of foundation works, with additional segments in land exploration, finance, and the trading of beauty and skin care products.	1718	1:1	(29.82)	(31.97)	(17.53)	(17.64)	N	61.36	N
28-Mar-25	Stream Ideas Group Limited	The company is primarily engaged in providing online advertising services, including social viral, engager, and mass blogging services. It operates platforms with front-end user interfaces, such as websites and mobile applications, to deliver these services.	8401	2:1	(15.00)	(16.50)	(5.56)	(11.58)	N	1,492.00	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the closing price on the last trading day	the closing price for the five consecutive trading days up to and including the last trading day	the theoretical ex-right price based on the closing price on the last trading day	Theoretical dilution effect (%)	Excess Application	Funds raised *(HK$ million)*	Underwriting
TBC	Yuzhou Group Holdings Company Limited	Yuzhou Group Holdings Co Ltd is involved in multiple sectors within the property industry. The company covers a broad spectrum of real estate activities from development and investment to management and hospitality.	1628	49:100	(73.68)	(72.99)	(65.28)	(24.23)	Y	40.80	N
TBC	Global Strategic Group Limited	The Company is an investment holding company engaged in natural gas operations, including sales, project investments, and pipeline installation, as well as leasing and technical support services. It also provides e-commerce solutions and consulting.	8007	4:1	(12.50)	(14.10)	(3.20)	(11.30)	Y	6.07	Y
TBC	Elife Holdings Limited	The company is an investment holding company specializing in supply chain services, branded goods, consumer products, and digital services.	223	1:1	(6.54)	(9.91)	(9.09)	(0.61)	Y	69.40	N

Prospectus Date	Company name	Principal business	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the closing price on the last trading day	the closing price for the five consecutive trading days up to and including the last trading day	the theoretical ex-right price based on the closing price on the last trading day	Theoretical dilution effect	Excess Application	Funds raised	Underwriting
								(%)		*(HK$ million)*	
TBC	China Energy Storage Technology Development Limited	The company is an investment holding company offering electronic manufacturing services, real estate services, energy storage products, and money lending.	1143	2:1	(36.36)	(35.78)	(16.00)	(24.24)	N	30.70	N
			Maximum		**37.90**	**38.90**	**12.10**	**(0.04)**			
			Minimum		**(73.68)**	**(72.99)**	**(65.28)**	**(33.20)**			
			Mean		**(20.46)**	**(20.74)**	**(14.01)**	**(14.03)**			
			Median		**(20.37)**	**(21.94)**	**(10.42)**	**(16.90)**			
	The Company			**5:02**	**(29.11)**	**(29.11)**	**(22.76)**	**(8.23)**	**Y**	**314**	**N**

Source: The website of the Stock Exchange (www.hkex.com.hk)

In evaluating the fairness and reasonableness of the terms of the Rights Issue, we have conducted an analysis of Comparables. The assessment focuses on key pricing considerations and market practices. Specifically, our analysis covers the discount levels of the subscription price, the theoretical dilution effect, and the adoption of compensatory arrangements.

Our analysis of the Comparables indicates that it is common market practice for listed companies to set the subscription price of rights issues at a discount to the prevailing closing price on the last trading day prior to the rights issue announcement (the "**LTD Price**") and the theoretical ex-rights price (the "**Ex-right Price**") based on the LTD Price. Among the Comparables, the discounts to the LTD Price ranged from approximately 73.68% to a premium of 37.90%, with a mean and median of approximately a discount of 20.46% and 20.37%, respectively. The discounts to the Ex-right Price ranged from approximately 65.28% to a premium of 12.10%, with a mean and median of approximately 14.01% and 10.42%, respectively. The Subscription Price discount in this case, at approximately 29.11% and 22.76% to the LTD Price and Ex-right Price, respectively, is higher than the mean and median but remains within the observed range, aligning with market norms. Considering the above and that the proposed Rights Issue seeks to strengthen the Group's financial position, reduce gearing, and improve flexibility in challenging operating environment (as elaborated under the paragraph headed "2.1 Funding Needs" above) and the objective of encouraging shareholder participation, we consider the discount level to be fair and reasonable.

Based on the Comparables, the theoretical dilution effect ranged from approximately 0.04% to 33.20%, with a mean and median of approximately 14.03% and 16.90%, respectively. The theoretical dilution effect of the Rights Issue, approximately 8.23%, is lower than the mean and the median but remains within the observed range of the Comparables. Notably, 22 Comparables exhibited similar or higher dilution effects. Given the above and the Company's strengthened financial position, through reduced gearing, and improved flexibility, and challenging market conditions (as further elaborated under the paragraphs headed "2.1 Funding Needs" and "2.3 Financial Effect" above), the theoretical dilution effect is considered reasonable.

3.7. Section summary

Having taken into account that the Subscription Price of HK$1.12 per Rights Share represents a discount to recent market prices, reflecting prevailing market conditions and the historical trading illiquidity of the Group's Shares, we note the following: (i) a discount of approximately 30.00% to the closing price on the Latest Practicable Date and 29.11% to the Last Trading Day, (ii) a discount of approximately 29.11% to the average closing prices over the five trading days up to and including the Last Trading Day, and (iii) a theoretical dilution effect of approximately 8.23%, represented by a discount of the theoretical diluted price to the benchmarked price under Rule 7.27B of the Listing Rules. Given these factors and considering that the terms of the Rights Issue are comparable to market practices, the Rights Issue is seen as a reasonable and viable means for the Group to strengthen its financial position. Therefore, the Rights Issue is considered fair and reasonable for the Company and the Independent Shareholders.

4. The Whitewash Waiver

As at the Latest Practicable Date, assuming (i) there is no change in the issued share capital of the Company from the Last Trading Date up to and including the Record Date, and (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc., and Mr. Renaldo Santosa, who have undertaken to accept 99,054,014 Rights Shares under the Irrevocable Undertaking, and Japfa Ltd, which has accepted its entitlement to 5,014,415 Rights Shares, the shareholding interest of the Controlling Shareholders and Japfa Ltd will increase from approximately 37.14% to 45.27% of the enlarged issued share capital of the Company upon completion of the Rights Issue. The aggregate shareholding interest of the Controlling Shareholders and parties acting in concert, or presumed to be acting, with them will increase from approximately 42.75% to 50.15%.

For illustrative purposes, assuming that the Controlling Shareholders, Rangi Management Limited, Tasburgh Limited, Tallowe Services Inc., and Japfa Ltd apply for and are allotted the maximum excess Rights Shares permitted under Rule 7.21(3)(b) of the Listing Rules, being 176,116,815 Rights Shares, the shareholding interest of the Controlling Shareholders and Japfa Ltd would further increase to 55.10%, and the aggregate shareholding interest of the Controlling Shareholders and parties acting in concert, or presumed to be acting, with them would further increase to 59.11% upon completion of the Rights Issue. In such case, as the Controlling Shareholders and Concert Parties would hold more than 50% of the voting rights in the Company, any further increase in voting rights by the Controlling Shareholders and Concert Parties would no longer incur any obligation under Rule 26 of the Takeovers Code to make a general offer for the Shares not already owned or agreed to be acquired by them.

We also note that the Group's business model has remained consistent since Listing, focused on dairy and cattle farming operations in the PRC. Based on our review, the proposed Rights Issue does not represent a shift in the Group's strategic direction. Rather, it is intended to stabilise the Group's capital base and support the sustainability of its existing operations. In this context, we consider that the granting of the Whitewash Waiver would not prejudice the interests of the Independent Shareholders. The potential triggering of a mandatory general offer obligation under the Takeovers Code (in the event of a low response from the Independent Shareholders to the Rights Issue) arises from the level of participation in the Rights Issue by the Independent Shareholders. On the contrary, as discussed under the paragraph headed "Suitable fund raising method", the Rights Issue is structured to benefit all shareholders proportionally by strengthening the Group's financial position. As there is no change in the Group's business strategy, shareholders are not being presented with a fundamentally altered investment proposition. As such, we consider that the Rights Issue, and the Whitewash Waiver sought in connection with it, maintain the principle that all shareholders are treated even-handedly, while allowing the Group to address its short-term liquidity needs without requiring a change in shareholder structure, except in the event that the Independent Shareholders choose not to take up their rights and entitlements.

In this scenario, the acceptance in full by the Controlling Shareholders and/or parties acting in concert, or presumed to be acting, with them of their provisional allotment of Rights Shares, together with any excess Rights Shares they are allotted, would trigger an obligation under Rule 26 of the Hong Kong Takeovers Code to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them. This obligation would be waived only if the Whitewash Waiver is granted by the Executive and the Whitewash Waiver Resolutions is approved by the Independent Shareholders at the EGM. The Whitewash Waiver Resolutions include the approval of both the Rights Issue and the Whitewash Waiver, require (i) more than 50% of the independent votes cast by Independent Shareholders in favour of the Rights Issue, and (ii) at least 75% of the independent votes cast in favour of the Whitewash Waiver at the EGM. The Controlling Shareholders and their concert parties will abstain from voting on these resolutions.

An application has been made by the Controlling Shareholders to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Takeovers Code. The Whitewash Waiver if granted by the Executive, would be subject to, among other things, the passing of the EGM Resolutions, i.e., resolutions approving (i) the Rights Issue by more than 50% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the EGM, as required under the Hong Kong Takeovers Code; and (ii) the Whitewash Waiver by at least 75% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the EGM. Shareholders other than Independent Shareholders shall abstain from voting on the EGM Resolutions at the EGM.

Based on our analysis of the benefits and terms of the Rights Issue, including (i) the need to raise funds to repay short-term debts and enhance the Company's liquidity; (ii) the benefits of the Rights Issue, such as strengthening the Group's financial position, reducing debt, and providing flexibility for future growth; (iii) the potential dilution effect, which only affects (a) Qualifying Shareholders who choose not to participate and (b) Non-Qualifying Shareholders, who are unable to participate due to regulatory and legal restrictions. Non-Qualifying Shareholders, as set out in the section "Rights of Overseas Shareholders" in the "Letter from the Board" will potentially receive any net proceeds (over HK$100) from the sale of their nil-paid Rights Shares in the market, if a premium can be obtained, as a form of compensation; and (iv) the Group's intention to continue developing its business strategy as outlined at the time of listing, we consider that the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. As such, we are of the view that the approval of the Whitewash Waiver, which is a prerequisite for the implementation of the Rights Issue, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole for the purpose of proceeding with the Rights Issue. Additionally, it is important to note the continuity of the Company's business since its Listing, which remains unchanged, and the fact that the Rights Issue is not intended to alter the Company's ongoing business strategy.

RECOMMENDATIONS

(a) Rights Issue

Having considered the following:

a. the Rights Issue address the Group's net current liabilities position and short-term debt burden, with targeted gross proceeds at approximately HK$313.8 million (representing around 28.4% of the Company's market capitalisation);

b. the Irrevocable Undertakings assure at least HK$110.9 million will be raised, providing funding support even in the event of under-subscription;

c. the proposed use of proceeds, as detailed under section "2.1 Funding Needs" addresses the Group's financial position, with a focus on repaying short-term borrowings, providing flexibility for future growth;

d. the potential dilution effect, which only affects (a) Qualifying Shareholders who choose not to participate and (b) Non-Qualifying Shareholders, who, due to regulatory or legal restrictions are unable to participate in the Rights Issue. Non-Qualifying Shareholders, as set out in the section "Rights of Overseas Shareholders" in the "Letter from the Board" will potentially receive any net proceeds (over HK$100) from the sale of their nil-paid Rights Shares in the market, if a premium can be obtained, as a form of compensation;

e. the Group's intention to continue developing its business strategy as outlined at the time of listing;

f. the fact that the Rights Issue is the most suitable fundraising method to the Group under the current circumstances; and

g. the terms of the Rights Issue are consistent with prevailing market practices, as evidenced by our review of recent rights issue transactions discussed in section "3.6 Comparison with recent rights issue transactions".

We are of the view that the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Rights Issue.

(b) Whitewash Waiver

Having considered the following:

a. the Whitewash Waiver is conditional upon the approval of the Rights Issue and its terms;

b. the resulting change in shareholding of the Controlling Shareholders and their concert parties and the potential dilution effect would be a consequence of the Rights Issue from the non-participation of the Non-Qualifying Shareholders (who are ineligible) and any decision by Qualifying Shareholders not to subscribe to their entitlements;

c. the Non-Qualifying Shareholders will potentially receive any net proceeds (over HK$100) from the sale of their nil-paid Rights Shares in the market, if a premium can be obtained, as a form of compensation;

d. the Rights Issue (and by extension the Whitewash Waiver) does not represent a shift in the Group's business strategy since Listing and is intended to stabilize the Group's capital base; and

e. the Whitewash Waiver maintains the principle that all Shareholders are treated even-handedly, while allowing the Group to address its short-term liquidity needs without requiring a change in shareholder structure, except in the event that the Independent Shareholders choose not to take up their rights and entitlements.

We are of the view that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Whitewash Waiver.

As different Independent Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Circular, 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 behalf of
Altus Capital Limited

Arnold Ip	**Charlotte Khoo**
Responsible Officer	*Responsible Officer*

*Mr. Arnold Ip ("**Mr. Ip**") 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. Ip has over 35 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.*

*Ms. Charlotte Khoo ("**Ms. Khoo**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. Ms. Khoo has about 15 years of experience in corporate finance and advisory in Hong Kong, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser and independent financial adviser in various corporate finance transactions. Ms. Khoo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*