



19 August 2021

To: *The Independent Board Committee of Goal Forward Holdings Limited*

Dear Sirs and Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF
ACE SOURCE HOLDINGS LIMITED TO ACQUIRE ALL
THE ISSUED SHARES OF GOAL FORWARD HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
BY ACE SOURCE HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee in connection with the Offer. Details of the Offer are set out in this Composite Document dated 19 August 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context requires otherwise.

Reference is made to the Joint Announcement. On 29 June 2021 (after trading hours), the Vendor and Ace Source entered into the Share Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and Ace Source (or its nominee) has conditionally agreed to acquire, 520,000,000 Sale Shares (representing approximately 34.39% of the issued share capital of the Company as at the Latest Practicable Date), at a total cash consideration of HK\$78,000,000, being HK\$0.15 per Sale Share. On the same day, being 29 June 2021 (after trading hours), the Company and Ace Source entered into the Subscription Agreement, pursuant to which Ace Source has conditionally agreed to subscribe for, and the Company has agreed to allot and issue to Ace Source, 252,000,000 Subscription Shares (representing approximately 16.67% of the issued share capital of the Company as at the Latest Practicable Date), at a consideration of HK\$37,800,000, being HK\$0.15 per Subscription Share. Completion took place on 16 August 2021.

Immediately prior to Completion, Ace Source and parties acting in concert with it (excluding the Vendor) did not hold any Shares or control any voting rights over Shares. Upon Completion which took place on 16 August 2021 and as at the Latest Practicable Date, Ace Source was interested in 772,000,000 Shares, representing approximately 51.06% of the

issued share capital of the Company. Ace Source is therefore required under Rule 26.1 of the Takeovers Code to make the Offer for all the issued Shares (other than those already owned by Ace Source and parties acting in concert with it).

Immediately after Completion, the Vendor held 200,000,000 Shares, representing approximately 13.23% of the issued share capital of the Company as at the Latest Practicable Date.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all non-executive Directors, namely Mr. Wong Chung Yeung, Ms. Li On Lei, Mr. Ng Ki Man and Mr. Lo Siu Kit, who have no direct or indirect interest in the Offer, has been established by the Company in accordance with Rules 2.1 and 2.8 of the Takeovers Code to make a recommendation to the Independent Shareholders in respect of the Offer, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. We have been appointed by the Company to advise the Independent Board Committee in the same regard. Our appointment has been approved by the Independent Board Committee.

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company on the Subscription (the “**Subscription IFA Appointment**”), details of the Subscription are set out in the circular of the Company dated 28 July 2021. As at the Latest Practicable Date, the Subscription was completed and the Subscription IFA Appointment was ended. During the past two years immediately prior to date of this letter, save for the Subscription Appointment, we have not acted as a financial adviser (including as an independent financial adviser) to each of the Company, Ace Source and the parties acting in concert with it.

As at the Latest Practicable Date, we did not have any connection, financial or otherwise with the Group, Ace Source or any of their respective controlling shareholder, or any party acting, or presumed to be acting in concert with, or have control over any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, except the normal independent financial advisory fees paid or payable to us in connection with the Subscription IFA Appointment and this appointment regarding the Offer, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Ace Source or any of their respective controlling shareholder, or any party acting, or presumed to be acting in concert with, or have control over any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Offer pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have reviewed, amongst other things:

- (i) the Joint Announcement;
- (ii) the annual report of the Company for the year ended 31 March (“FY”) 2021 (the “**2021 Annual Report**”);
- (iii) the annual report of the Company for FY2020 (the “**2020 Annual Report**”);
- (iv) the property valuation report issued by BMI Appraisals Limited (the “**Valuer**”), being the independent property valuer to the Company, to value the property interests owned by the Group as at 31 May 2021 (the “**Valuation Report**”) with its full text enclosed in Appendix III to this Composite Document; and
- (v) other information as set out in this Composite Document.

We have also discussed with and reviewed the information provided to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”) regarding the business and outlook of the Group.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in this Composite Document and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in this Composite Document and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in this Composite Document were reasonably made after due enquiries and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any such statement contained in this Composite Document misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in this Composite Document, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee solely in connection with and for their consideration of the Offer, and except for its inclusion in this Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

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

PRINCIPAL TERMS OF THE OFFER

1. The Offer

Somerley is making the Offer for and on behalf of Ace Source pursuant to the Takeovers Code on the following basis:

For each Offer Share heldHK\$0.15 in cash

As at the Latest Practicable Date, there were 1,512,000,000 Shares in issue and the Company did not have any outstanding options, warrants or derivatives or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Save for the irrevocable undertakings as set out in the section headed “2. The Vendor’s Undertakings” below, as at the Latest Practicable Date, none of Ace Source or parties acting in concert with it had received any irrevocable commitment to accept or not to accept the Offer. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching thereto, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made.

As at the Latest Practicable Date, the Company had not declared any dividend which remains unpaid, and the Company does not intend to declare, make or pay any dividend or other distributions prior to the close of the Offer.

The Offer is unconditional in all respects.

Further details of the Offer are set out in the “Letter from Somerley” and the additional information contained in appendices to this Composite Document and the accompanying Form of Acceptance.

2. The Vendor’s Undertakings

As at the Latest Practicable Date, the Vendor held 200,000,000 Shares (the “**Retained Shares**”), representing approximately 13.23% of the issued share capital of the Company.

In accordance with terms of the Share Purchase Agreement, the Vendor has executed a deed of undertaking dated 16 August 2021 in favour of Ace Source, the SFC and the Stock Exchange, pursuant to which the Vendor has irrevocably and unconditionally undertaken that it will:-

- (i) not, and will not attempt to, whether directly or indirectly, sell, transfer or dispose of, charge, grant any option or right over, or otherwise create any encumbrance on or deal in all or any of the Retained Shares until the close of the offer period (as defined in the Takeovers Code) of the Offer; and
- (ii) not accept the Offer in respect of the Retained Shares.

Pursuant to the deed of undertaking, there are no circumstances in which the Vendor’s undertakings will cease to be binding.

Save as disclosed above, there are no restrictions on the disposition of the Retained Shares held by the Vendor under the terms of the Share Purchase Agreement after the close of the offer period (as defined in the Takeovers Code) of the Offer nor other arrangement between Ace Source and the Vendor regarding the Retained Shares.

3. Value of the Offer

As at the Latest Practicable Date, there were 1,512,000,000 Shares in issue and the Company did not have any outstanding warrants, derivatives, options or other securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such warrants, derivatives, options or other securities of the Company. On the basis of the offer price of HK\$0.15 (the “**Offer Price**”) per Sale Share, the entire issued share capital of the Company would be valued at HK\$226,800,000. As at the Latest Practicable Date, excluding the Sale Shares and Subscription Shares (i.e. 772,000,000 Shares) acquired by Ace Source pursuant to the Share Purchase Agreement and the Subscription Agreement and the Retained Shares (i.e. 200,000,000 Shares) held by the Vendor, a total of 540,000,000 Shares will be subject to the Offer. Accordingly, the maximum cash consideration payable by Ace Source if the Offer is accepted in full by the Independent Shareholders will be HK\$81,000,000.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regards to the Offer, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

Business of the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its issued Shares were listed on GEM of the Stock Exchange by way of placing on 13 October 2016 and have been listed on the Main Board of the Stock Exchange by way of transfer of listing (the “**Transfer of Listing**”) since 21 March 2019. The principal activity of the Company is investment holding. The Group is principally engaged in the sourcing, processing and supplying of food ingredients in Hong Kong. As at 31 March 2021, it supplies food ingredients (i.e. vegetables and fruits) to over 480 customer outlets and offers more than 1,300 types of food ingredients to the customers in Hong Kong. Its customers include gourmet restaurants, cafes, airlines, airport lounges, hotels to major catering groups and chain restaurants operators serving over hundreds of customer outlets.

Financial information of the Group

Set forth below is a summary of the consolidated financial information of the Group for FY2020 and FY2021 as extracted from the 2021 Annual Report. Further details are set out in Appendix II to this Composite Document.

Table 1: Summary of the consolidated financial performance of the Group

	FY2021 <i>(Audited)</i> <i>HK\$'000</i>	FY2020 <i>(Audited)</i> <i>HK\$'000</i>
Revenue	106,706	154,078
Cost of sales	<u>(93,458)</u>	<u>(134,853)</u>
Gross profit	13,248	19,225
Other income and gain – net	4,008	88
Selling and administrative expenses	(18,090)	(21,456)
Impairment of trade receivables	<u>(6,866)</u>	<u>(721)</u>
Operating loss	(7,700)	(2,864)
Finance costs – net	(416)	(562)
Share of loss of a joint venture	<u>(444)</u>	<u>(146)</u>
Loss before income tax	(8,560)	(3,572)

	FY2021 <i>(Audited)</i> <i>HK\$'000</i>	FY2020 <i>(Audited)</i> <i>HK\$'000</i>
Income tax credit/(expense)	<u>316</u>	<u>(1,174)</u>
Loss for the year	<u>(8,244)</u>	<u>(4,746)</u>
Loss for the year attributable to:		
the Shareholders	(8,240)	(4,739)
non-controlling interests	<u>(4)</u>	<u>(7)</u>
	<u>(8,244)</u>	<u>(4,746)</u>

Source: the 2021 Annual Report

The Group's total revenue was approximately HK\$106.7 million in FY2021, representing a decrease of approximately HK\$47.4 million or approximately 30.8% as compared to the total revenue of approximately HK\$154.1 million in FY2020 which was mainly attributable to: (i) the adversity of the general catering business environment; and (ii) the class suspension and temporary closure of schools due to the outbreak of COVID-19 pandemic (the "**Pandemic**"), resulting in a lower demand for food ingredients from the food service operators. In FY2020 and FY2021, the Group also operated as a single operating segment of sourcing, processing and supplying of food ingredients with a focus on the provision of vegetables and fruits to food service operators in Hong Kong.

Cost of sales of the Group decreased from approximately HK\$134.9 million in FY2020 to approximately HK\$93.5 million in FY2021, representing a decrease of approximately HK\$41.4 million or approximately 30.7% which was in line with the abovementioned fall in revenue during the year.

Owing to the changes in revenue and cost of sales stated above, the Group's gross profit decreased by approximately 31.3% from approximately HK\$19.2 million for FY2020 to approximately HK\$13.2 million for FY2021. However, the gross profit margin for FY2021 was approximately 12.4% which remained relatively stable as compared to approximately 12.5% for FY2020.

Selling and administrative expenses of the Group for FY2021 amounted to approximately HK\$18.1 million, representing a decrease of approximately 15.8% from approximately HK\$21.5 million for FY2020. It was primarily due to the payment of professional fee of approximately HK\$1.2 million in relation to the Transfer of Listing during FY2020 and rearrangements made to staff resources amid the outbreak of the Pandemic during FY2021.

Impairment on the Group's trade receivables during FY2021 increased substantially from approximately HK\$0.7 million for FY2020 to approximately HK\$6.9 million for FY2021 which was largely due to the adverse effects brought about by the Pandemic to the catering business environment which ultimately impacted on the Group's business.

Owing to the aforesaid factors, operating loss of the Group increased by approximately 165.5% from approximately HK\$2.9 million for FY2020 to approximately HK\$7.7 million for FY2021. Loss attributable to the Shareholders increased by approximately 74.5% from approximately HK\$4.7 million for FY2020 to approximately HK\$8.2 million for FY2021.

Table 2: Summary of the consolidated financial position of the Group

	As at 31 March	
	2021	2020
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	32,513	33,622
Right-of-use assets	46,985	48,759
Deposits and prepayments	17	5
Interest in a joint venture	275	719
	<u>79,790</u>	<u>83,105</u>
Total non-current assets		
Current assets		
Inventories	553	342
Trade receivables	19,747	31,902
Deposits and prepayments	8,061	9,275
Tax recoverable	–	3,120
Cash and cash equivalents	37,431	32,759
	<u>65,792</u>	<u>77,398</u>
Total current assets		
LIABILITIES		
Non-current liabilities		
Lease liabilities	2	–
Deferred tax liabilities	1,706	2,379
	<u>1,708</u>	<u>2,379</u>
Total non-current liabilities		

	As at 31 March	
	2021	2020
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities		
Trade payables	3,893	3,425
Accruals and other payables	3,190	4,540
Borrowings	43,395	48,536
Current income tax liabilities	105	105
Lease liabilities	20	3
	<u>50,603</u>	<u>56,609</u>
Total current liabilities	50,603	56,609
Equity attributable to the Shareholders		
Share capital	12,600	12,600
Share premium	46,971	46,971
Other reserve	100	100
Retained earnings	33,611	41,851
	<u>93,282</u>	<u>101,522</u>
Non-controlling interest	(11)	(7)
	<u>93,271</u>	<u>101,515</u>
Total equity	93,271	101,515

Source: the 2021 Annual Report

As at 31 March 2021, total assets of the Group were approximately HK\$145.6 million, representing a decrease of approximately HK\$14.9 million or 9.3% as compared to that as at 31 March 2020. The decrease in the total assets was primarily attributable to, among others, the significant decrease in trade receivables of approximately HK\$12.2 million which was mainly attributable to the impairment as mentioned above. Such total assets of the Group as at 31 March 2021 was mainly comprised of: (i) right-of-use assets amounted to approximately HK\$47.0 million; (ii) cash and cash equivalents amounted to approximately HK\$37.4 million; (iii) property, plant and equipment amounted to approximately HK\$32.5 million; and (iv) trade receivables amounted to approximately HK\$19.7 million, which accounted for approximately 32.3%, 25.7%, 22.3% and 13.5% of the total assets of the Group as at 31 March 2021 respectively. As at 31 March 2021, the total liabilities of the Group were approximately HK\$52.3 million, representing a decrease of approximately HK\$6.7 million or 11.4% as compared to that as at 31 March 2020. Such decrease was mainly attributable to, among others, the decrease in borrowings of approximately HK\$5.1 million. As a result of the decrease in borrowings, the gearing ratio of the Group slightly decreased from approximately 47.8% as at 31 March 2020 to approximately 46.5% as at 31 March 2021. As at 31 March 2021, the equity

attributable to the Shareholders decreased by approximately HK\$8.2 million or 8.1%, from approximately HK\$101.5 million as at 31 March 2020 to approximately HK\$93.3 million as at 31 March 2021.

Valuation on the property interests of the Group

The valuation of the Group's property interests (including but not limited to, interests in land and buildings held by the Group) (collectively, the “**Properties**”) as at 31 May 2021 have been conducted by the Valuer. The full text of the Valuation Report (including the certificates of the Properties) are set out in Appendix III to the Composite Document. According to the Valuation Report, the total market value in existing states of the Properties attributable to the Group in Hong Kong was approximately HK\$120.0 million as at 31 May 2021 (the “**Valuation**”).

We have reviewed the Valuation Report and discussed with the Valuer the methodology, bases and assumptions adopted in the Valuation and the adjustments made to arrive at the Valuation. We noted that the Valuer has valued those Properties which are located in Hong Kong by using the direct comparison approach. As disclosed in the Valuation Report, such approach is based on the assumption that the Properties will be sold in their existing states and by making reference to recent publicly available market sales transactions of comparable properties in the market (the “**Property Comparables**”). According to the Valuer, recent market sales evidences with features similar to the Properties are generally available.

After our discussion with the Valuer and our review of the Valuation Report, we understand that the information of recent market transactions of sales of comparable properties was derived from the sales of comparable properties located in the same building(s) and/or areas within five to ten minutes' walking distance to the Properties within the past four years. Based on our discussion with the Valuer and our review, we noted that: (i) Property 1 to Property 3, being industrial properties in nature, were valued by making reference to the average price per square feet of four Property Comparables and was then adjusted by, among others, the timing difference between the transaction dates of the Property Comparables and the date of the Valuation, location, floor level, age and size of the Property Comparables; and (ii) Property 4, being several car parks, was valued by making reference to the average unit price of five Property Comparables and was then adjusted by, among others, the location and floor level of the Property Comparables.

The above valuation methodology is, in our opinion, a commonly used and reasonable approach in establishing the respective market values of the Properties.

Further to the above, in compliance with the requirements under note (1)(d) to Rule 13.80 of the Listing Rules, we have assessed the qualifications and experience of the responsible person of the Valuer for its engagement as the independent valuer for the Valuation. We note that Ms. Joannau Chan, the

responsible person in charge of the Valuation, is a member of the Hong Kong Institute of Surveyors (General Practice), who has over 28 years of experience in the valuations of properties of similar types and nature. After our enquiry, we understand that the Valuer provided valuation services to the Company: (i) for the listing of the Shares in 2016; and (ii) for an acquisition in 2018. Both of the aforementioned valuation services had been completed. We have confirmed with the Valuer that it has no other relationship with the Company which may render the Valuer not independent and we are satisfied that the Valuer is independent from the Company. Furthermore, the Valuer also confirmed that it is an independent third party to Ace Source. In addition, we have also reviewed the Valuer's terms of engagement and noted that the scope of work is appropriate for arriving at the opinion in the Valuation. Nothing has come to our attention that the Company has made any formal or informal representation to the Valuer that contravenes our understanding of the Valuation. The Valuer has also confirmed that the Valuation has been prepared in accordance with The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors, The RICS Valuation – Global Standards published by The Royal Institution of Chartered Surveyors and the International Valuation Standards (IVS) published by The International Valuation Standards Council; and are in compliance with the Listing Rules and the Takeovers Code.

Adjusted net asset value

In evaluating the Offer, we have taken into account the adjusted unaudited consolidated net asset value (“NAV”) attributable to the Shareholders (the “Adjusted NAV”), which is provided by the Company and calculated based on the audited consolidated NAV attributable to the Shareholders as at 31 March 2021, adjusted with reference to the Valuation as at 31 May 2021. Details of the adjustment are set out in the table below.

	<i>HK\$</i>
Audited consolidated NAV attributable to the Shareholders as at 31 March 2021	93,282,000
<i>Adjustment:</i>	
Revaluation surplus arising from the Valuation (<i>Note 1</i>)	<u>55,821,807</u>
Adjusted NAV as at 31 May 2021	149,103,807
Adjusted NAV per Share (<i>HK\$</i>) (<i>Note 2</i>)	0.10
Offer Price (<i>HK\$</i>)	0.15
Premium represented by the Offer Price to the Adjusted NAV per Share	50.0%

Notes:

1. Represents the revaluation surplus arising from the excess of the market value of the property interests held by the Group in existing state of approximately HK\$120.0 million as at 31 May 2021, as appraised by the Valuer, over their corresponding book value of approximately HK\$64.1 million as at 31 March 2021.
2. Based on 1,512,000,000 Shares in issue as at the Latest Practicable Date.

As set out in the above table, the Offer Price of HK\$0.15 per Share represents a premium of approximately 50.0% to the Adjusted NAV per Share of approximately HK\$0.10.

The appreciation in value of the Properties represented by the Valuation as shown above was mainly attributable to the fact that most of the Properties have been stated at cost in the consolidated financial statements of the Group since acquisition in accordance with the accounting policy adopted by the Group. We also note that all of the Properties since their acquisitions have been and are currently occupied by the Group as its own production bases or office.

Shareholding structure of the Company

The details of the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date were set out under the section headed “Shareholding Structure of the Company” under the Letter from the Board in this Composite Document.

Prospects of the Group

As mentioned in the 2020 Annual Report and the 2021 Annual Report, the uncertainties brought by the outbreak of the Pandemic has been adversely affecting the financial performance of the Group since early 2020. Due to the Pandemic, there has been a severe reduction of visitors to Hong Kong and different kinds of social restriction policies such as the maximum number of people per table for dine-in services at restaurants, the seating capacity limit of restaurants and the operating hour limit of restaurants have been adopted. The catering industry has been adversely affected by the significantly reduced number of visitors to Hong Kong. The aforementioned social restriction policies pose further challenges to the business environment of the catering industry. As such, the demand for food ingredients from food service operators is reduced.

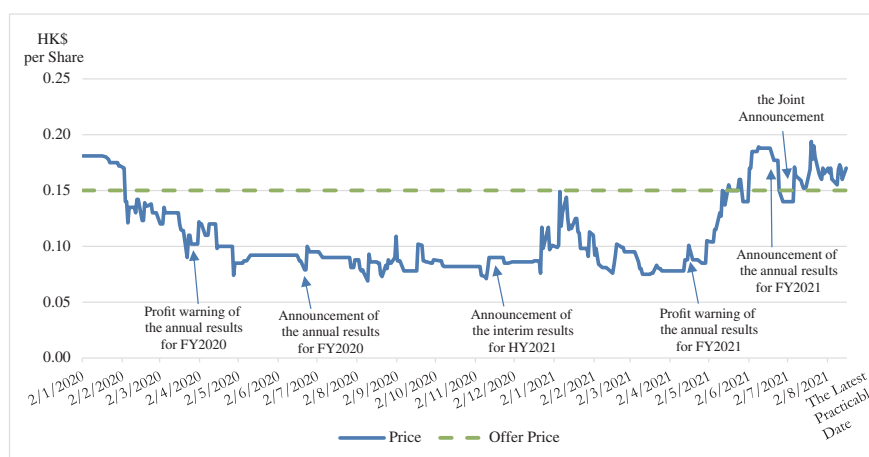
As further stated in the 2020 Annual Report and the 2021 Annual Report, it is expected that such challenges for the catering industry is likely to remain until the worldwide Pandemic situation improves. Although the Group will continue to closely monitor market conditions, explore new sources of vegetables and fruits supplies to lower its cost of sales and to increase gross profit, fine-tune its product mix and implement cost management measures (such as rearrangements of staff resources and rescheduling production plan amidst the Pandemic with an aim to lower its expenses), it is relatively unlikely for the catering industry to be fully recovered within a short period of time. As such, the prospects of the catering industry in the foreseeable future remain uncertain.

2. Analysis of the Offer Price

(i) Historical price performance of the Shares

Set out below is the chart showing the daily closing Share prices as quoted on the Stock Exchange during the period commencing from 1 January 2020 up to and including the Latest Practicable Date (the “**Review Period**”). In determining the length of the Review Period, we have considered: (i) if the length is too long such as three to five years prior to the Latest Practicable Date, it may not provide a good reference as it may not reflect the latest market conditions; and (ii) the catering industry in which the Group currently operates has been adversely affected by the Pandemic since early 2020, the Share price performance during such period would better reflect the Company’s current market value. Based on the above, we consider the Review period we adopted to be fair and reasonable.

Chart 1: Closing Share prices during the Review Period



As shown in Chart 1 above, the Shares traded below the Offer Price in most of the times during the Review Period, with an average of around HK\$0.11 per Share traded during the Review Period. Out of the 401 trading days in the Review Period, the Shares traded below the Offer Price in 325 of these trading days.

During the period from 1 January 2020 to 3 February 2020, the closing Share prices were stable and generally traded above the Offer Price at between HK\$0.170 per Share and HK\$0.181 per Share. It then dropped from HK\$0.170 per Share on 3 February 2020 to HK\$0.140 per Share on 4 February 2020. We did not note any notable event which led to such Share price movement.

During the period from 4 February 2020 to 11 May 2021, the closing Share prices generally traded below the Offer Price and between HK\$0.069 per Share and HK\$0.149 per Share. After our review of the Share price movement of the aforementioned period, we noted that following notable events during the aforesaid period:(i) the Company released a profit warning announcement on 31 March 2020 stating that the Group was expected to record a net loss of

approximately HK\$2.4 million for the eleven months ended 29 February 2020 as compared to a profit of approximately HK\$14.3 million was recorded for the eleven months ended 28 February 2019; and (ii) the Company released a profit warning announcement on 16 April 2021 stating that the Group was expected to record a loss of approximately HK\$3.6 million for the eleven months ended 28 February 2021 as compared to a loss of approximately HK\$1.2 million before professional fees for the Transfer of Listing for the corresponding period in 2020. Save for the above, we did not note any other notable events which could have led to the Share price performance during the aforesaid period.

Regarding the period from 12 May 2021 to 28 June 2021, the closing Share prices generally traded between HK\$0.137 per Share and HK\$0.189 per Share. During this period, one event noted was the release of the Company's annual results announcement for FY2021 on 22 June 2021.

It was further noted that the Share price closed below the Offer Price in most of time from 1 January 2021 up to and including 2 June 2021. Since then, the Share price closed above the Offer Price from 2 June 2021 to 24 June 2021. The Share price closed at HK\$0.14 on the Last Trading Day and surged by approximately 22.1% to HK\$0.171 on 7 July 2021, being the first trading day following the Joint Announcement. From 7 July 2021 to the Latest Practicable Date, the Shares traded between HK\$0.152 and HK\$0.194 with an average Share price of HK\$0.166. The Share price closed at HK\$0.170 as at the Latest Practicable Date. We are of the view that the aforesaid recent surge in the Share prices could have been driven by the Joint Announcement.

(ii) *Liquidity*

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total issued Shares and the public float during the Review Period:

Table 3: Trading volume of the Shares

	Total trading volume	No. of trading days	Average daily trading volume	Average daily trading volume to the total number of Shares in issue	Average daily trading volume to the number of Shares held by public Shareholders
	(No. of Shares)	Note 1	(No. of Shares)	(Approximate %) ^{Note 2}	(Approximate %) ^{Note 3}
2020					
January	1,190,000	20	59,500	0.005%	0.011%
February	4,020,000	20	201,000	0.016%	0.037%
March	2,840,000	22	129,091	0.010%	0.024%
April	3,470,000	19	182,632	0.014%	0.034%
May	920,000	20	46,000	0.004%	0.009%
June	940,000	21	44,762	0.004%	0.008%
July	110,000	22	5,000	0.001% ^{Note 4}	0.001%
August	4,180,000	21	199,048	0.016%	0.037%
September	3,230,000	22	146,818	0.012%	0.027%
October	140,000	18	7,778	0.001%	0.001%
November	1,310,000	21	62,381	0.005%	0.012%
December	52,800,000	22	2,400,000	0.190%	0.444%
2020 Average	6,262,500	21	290,334	0.023%	0.054%
2021					
January	41,080,000	20	2,054,000	0.163%	0.380%
February	4,400,000	18	244,444	0.019%	0.045%
March	640,000	23	27,826	0.002%	0.005%
April	840,000	19	44,211	0.004%	0.008%
May	19,010,000	20	950,500	0.075%	0.176%
June	13,380,000	21	669,000	0.053%	0.124%
July	110,750,000	21	6,152,778	0.488%	1.139%
August (up to the Latest Practicable Date)	8,290,000	11	753,636	0.060%	0.140%

Source: website of the Stock Exchange

Notes:

1. Number of trading days of the Shares represents number of trading days during the month/period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. The calculation is based on the average of the daily trading volume of the Shares divided by the total number of Shares in issue in the relevant period.
3. The calculation is based on the average daily trading volume of the Shares divided by 540,000,000 Shares, being the number of Shares held by the public Shareholders in the relevant period.
4. The average daily trading volume of 5,000 Shares represented approximately 0.0004% of the total number of Shares in issue. For presentation purpose, 0.0004% was rounded up to three decimal places to 0.001%.

As illustrated above, the average daily trading volume of the Shares for the respective month/period during the Review Period ranged from 5,000 Shares to 6,152,778 Shares which represented approximately 0.001% to 0.488% of the total issued Shares and approximately 0.001% to 1.139% of the issued Shares held by the public.

The average daily trading volume for the period from 1 January 2020 to the Last Trading Day was approximately 419,837 Shares, representing approximately 0.078% of the Shares held by the public Shareholders. The highest daily trading volume during this period was recorded on 6 January 2021, the trading volume reached approximately 15.8 million Shares, representing approximately 2.926% of the number of Shares held by the public Shareholders. However, we did not note any notable event which led to such high trading volume.

On the first trading day after the release of the Joint Announcement (i.e. 7 July 2021), the daily trading volume of the Shares increased to approximately 56.7 million Shares from nil Share as recorded on the Last Trading Day, representing approximately 10.500% of the number of Shares held by public Shareholders. Such increase in trading volume of the Shares would have been the initial market reaction to the Joint Announcement. Although the trading volume of the Shares was active on the first trading day after the release of the Joint Announcement (i.e. 7 July 2021), the trading volume reduced to approximately 8.6 million Shares on the next trading day (i.e. 8 July 2021), representing approximately 1.600% of the number of Shares held by public Shareholders. The average daily trading volume in July 2021 was approximately 6,152,778 Shares, representing: (i) approximately 0.488% of the total number of issued Shares; and (ii) approximately 1.139% of the number of Shares held by the public Shareholders.

We consider that the relatively high daily trading volume in July 2021 might have been attributable to the initial market reactions to the Share Transfer, the Subscription and the Offer after the release of the Joint Announcement. The trading of the Shares was generally thin during the Review Period. Given that the generally very thin liquidity of the Shares during the Review Period, it is

uncertain whether there would be sufficient liquidity in the trading of the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. We therefore consider that the Offer provides the Independent Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of part or all of their Shares at the Offer Price if they wish to.

(iii) Share price comparisons

The Offer Price of HK\$0.15 per Offer Share represents:

- (i) a discount of approximately 11.76% to the closing price of HK\$0.170 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 7.14% over the closing price of HK\$0.14 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 4.46% to the average closing price of approximately HK\$0.157 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 11.76% to the average closing price of approximately HK\$0.170 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day;
- (v) a discount of approximately 10.18% to the average closing price of approximately HK\$0.167 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the Last Trading Day;
- (vi) a premium of approximately 102.70% over the audited consolidated NAV attributable to the Shareholders of approximately HK\$0.074 per Share as at 31 March 2021 (calculated based on the audited consolidated NAV attributable to the Shareholders of approximately HK\$93.28 million as at 31 March 2021 and 1,260,000,000 Shares in issue as at 31 March 2021); and
- (vii) a premium of approximately 50.00% over the Adjusted NAV per Share attributable to the Shareholders of approximately HK\$0.10 as at 31 March 2021. The calculation of the Adjusted NAV is set out in the paragraph headed “Adjusted net asset value” under the section headed “1. Information on the Group” above.

3. Industry Comparables

As mentioned under the section headed “1. Information on the Group” above, the Group is principally engaged in the sourcing, processing and supplying of food ingredients with a focus on the provision of vegetables and fruits to food service operators in Hong Kong. In assessing the fairness and reasonableness of the Offer Price, we have identified comparable listed companies (the “**Industry Comparables**”) which are principally engaged in similar principal business activities as those of the Group (i.e. sourcing, processing and/or supplying food ingredients which are mainly vegetable and/or fruits) with the following selection criteria:

- (i) listed on the Stock Exchange;
- (ii) with approximately 50% of its latest reported annual revenue generated from sourcing, processing and/or supplying food ingredients which are mainly vegetable (including grains) and/or fruits (the “**Produce Supply Segment**”);
- (iii) with market capitalisation of no more than HK\$1 billion; and
- (iv) the trading of their respective shares has not been suspended for more than three months.

The above selection criteria were adopted after taking into consideration that the Group operated as a single operating segment of sourcing, processing and supplying of food ingredients with a focus on the provision of vegetables and fruits to food service operators. As such, the Industry Comparables’ principal business activities do bear significant resemblance with that of the Group and we consider the Industry Comparables to be a fair and representative sample for our analytical purpose. However, Independent Shareholders should note that only two out of five Industry Comparables, namely Golden Resources (as defined below) and Chaoda (as defined below) (collectively, the “**Geographical Market Comparables**”), operate in the same geographic location as the Group (i.e. Hong Kong) but such group of the Industry Comparables is the closest comparables we have exhaustively identified.

For the selection of the valuation multiples, we have first considered price-to-earnings multiple(s) (“**P/E Multiple(s)**”) and price-to-book multiple(s) (“**P/B Multiple(s)**”). As the Company recorded net losses in both FY2021 and FY2020, P/E Multiple would not be applicable for our comparison. P/B Multiple, on the other hand, is selected given that it is a more stable valuation multiple which can readily quantify the relative value between the businesses’ NAV and their market valuation. We have also supplemented our analysis with price-to-sales multiple (“**P/S Multiple(s)**”) which would provide an indication on the market value that investors have placed on the Industry Comparables’ revenue.

Set out below are five Industry Comparables together with the relevant market capitalisation, P/S Multiples and P/B Multiples:

Table 4: List of Industry Comparables

No.	Company (stock code)	Company descriptions	Main geographical market(s)	Market capitalisation (HK\$' million) (Note 1)	P/S Multiple (times) (Note 2)	P/B Multiple (times) (Note 3)
1	Golden Resources Development International Limited ("Golden Resources") (677) (Note 4)	The company sources, imports, wholesales, processes, packages, markets, and distributes rice. The company also engages in the operation of convenience stores and restaurants, property investment and development and securities investment.	Hong Kong and Vietnam	1,018.4	0.63	0.87
2	Asian Citrus Holdings Limited (73) ("Asian Citrus")	The company is principally engaged in the planting, cultivation and sales of orange, and other agricultural products and distribution of oranges, and other fruit.	The PRC	699.9	1.29	4.49
3	Chaoda Modern Agriculture (Holdings) Limited (682) ("Chaoda")	The company is principally engaged in the growing and sales of crops. Its agricultural products include fruits and vegetables, individually quick frozen products, livestock, rice and mushrooms.	Hong Kong	171.4	1.97	0.55
4	S&P International Holding Limited (1695)	The company is principally engaged in manufacturing and trading of coconut cream powder, low fat desiccated coconut and other related products.	West Indies	113.4	0.70	0.53
5	China Green Holdings Limited (904) (Note 5)	The company is principally engaged in the processing and sales of agriculture produce which includes sweet corns, lotus roots, radishes and watermelons, and processed products.	The PRC	87.2	0.16	0.20
		Maximum			1.97	4.49
		Minimum			0.16	0.20
		Average			0.95	1.33
		Median			0.70	0.55
	The Offer			226.8 (Note 6)	2.13 (Note 7)	2.43 (Note 8) 1.50 (Note 9)

Notes:

1. The market capitalisation on the Latest Practicable Date.

2. P/S Multiples of the Industry Comparables are calculated by dividing the respective market capitalisation of the Industry Comparable as at the Latest Practicable Date by the revenue of the Industry Comparables as disclosed in the respective annual report for the latest financial year. For the above calculations, the figures of the revenue reported in: (i) RMB were converted into HK\$ at the exchange rate of HK\$1.2027 to RMB1, which was published by the State Administration of Foreign Exchange on its website as at the Latest Practicable Date; (ii) Malaysian Ringgit (“MYR”) were converted into HK\$ at the exchange rate of HK\$1.8344 to MYR1, which was extracted from Bloomberg as at the Latest Practicable Date; and (iii) Singapore dollar (“SGD”) were converted into HK\$ at the exchange rate of HK\$5.7393 to SGD1, which was extracted from Bloomberg as at the Latest Practicable Date.
3. P/B Multiples of the Industry Comparables are calculated by dividing the respective market capitalisation of the Industry Comparable as at the Latest Practicable Date by the equity attributable to the shareholders of the Industry Comparables as disclosed in the respective annual report for the latest financial year. For the above calculations, the figures of the equity attributable to the shareholders reported in: (i) RMB were converted into HK\$ at the exchange rate of HK\$1.2027 to RMB1, which was the middle rate published by the People’s Bank of China on its website as at the Latest Practicable Date; (ii) MYR were converted into HK\$ at the exchange rate of HK\$1.8344 to MYR1, which was extracted from Bloomberg as at the Latest Practicable Date; and (iii) SGD were converted into HK\$ at the exchange rate of HK\$5.7393 to SGD1, which was extracted from Bloomberg as at the Latest Practicable Date.
4. Based on the annual report of Golden Resources for FY2021, the amount of revenue generated from rice operation accounted for approximately 48.4% of its annual revenue which is very close (i.e. within 2%) to our second selection criteria of requiring at least 50% of the relevant company’s latest reported annual revenue be generated from the Fresh Produce Supply Segment. We prefer to be inclusive and have included Golden Resource.
5. The trading of shares was suspended since 2 August 2021.
6. The implied market capitalisation of the Company (the “**Implied Market Value**”) under the Offer of approximately HK\$226.8 million is calculated by multiplying the Offer Price of HK\$0.15 per Offer Share and the number of issued Shares of 1,512,000,000 Shares as at the Latest Practicable Date.
7. The implied P/S Multiple of the Company under the Offer (the “**Implied P/S Multiple**”) of approximately 2.13 times is calculated by dividing the aforesaid Implied Market Value of approximately HK\$226.8 million by the Group’s revenue of approximately HK\$106.7 million for FY2021.
8. The implied P/B Multiple of the Company under the Offer (the “**Implied P/B Multiple**”) of approximately 2.43 times is calculated by dividing the aforesaid Implied Market Value of approximately HK\$226.8 million by the equity attributable to the Shareholders of approximately HK\$93.3 million as at 31 March 2021.
9. The implied price-to-Adjusted NAV multiple of the Company under the Offer (the “**Adjusted Implied P/B Multiple**”) of approximately 1.50 times is calculated by dividing the Offer Price of HK\$0.15 by the Adjusted NAV per Share of HK\$0.10.

As shown in the table above, the P/S Multiples of the Industry Comparables ranged from approximately 0.16 time to approximately 1.97 times, with an average P/S Multiple of approximately 0.95 times and a median P/S Multiple of approximately 0.70 time. We note that the Implied P/S Multiple of approximately 2.13 times is significantly above both the average and median P/S Multiples of the Industry Comparables.

As shown in the table above, the P/B Multiples of the Industry Comparables ranged from approximately 0.20 time to approximately 4.49 times, with an average P/B Multiple of approximately 1.33 times and a median P/B Multiple of approximately 0.55 time. We note that: (i) the Implied P/B Multiple of approximately 2.43 times is significantly higher than both the average and median P/B Multiples of the Industry Comparables and the Implied P/B Multiple is only behind that of Asian Citrus, being the highest P/B Multiple of the Industry Comparables of 4.49 times; and (ii) the Adjusted Implied P/B Multiple of approximately 1.50 times is higher than both the average and median P/B Multiples of the Industry Comparables.

As shown in the table and mentioned above, the Geographical Market Comparables operate in the same geographic location as the Group (i.e. Hong Kong). It was noted that the P/S Multiples of Golden Resources and Chaoda of approximately 0.63 time and 1.97 times are lower than the Implied P/S Multiple of approximately 2.13 times while the P/B Multiples of Golden Resources and Chaoda of approximately 0.87 time and 0.55 time are significantly lower than both the Implied P/B Multiple of approximately 2.43 times and the Adjusted Implied P/B Multiple of approximately 1.50 times.

Taking into account, among others, (i) the Implied P/S Multiple of approximately 2.13 times is significantly above both the average and median P/S Multiples of the Industry Comparables; (ii) the Implied P/B Multiple of approximately 2.43 times is significantly higher than both the average and median P/B Multiples of the Industry Comparables; (iii) the Adjusted Implied P/B Multiple of approximately 1.50 times is higher than both the average and median P/B Multiples of the Industry Comparables; and (iv) the Implied P/S Multiple, the Implied P/B Multiple and the Adjusted Implied P/B Multiple also compare favourably against those of the Geographical Market Comparables, we consider the Offer Price to be fair and reasonable.

4. Information on Ace Source and the intention of Ace Source on the Group

(i) Information on Ace Source

As stated in the “Letter from Somerley”, Ace Source is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, save for entering into of the Share Purchase Agreement and the Subscription Agreement, Ace Source has not engaged in any substantial business activities. As at the Latest Practicable Date, Mr. Hooy, Mr. Zhong and Mr. Lau Yau Chuen Louis were the directors of Ace Source.

As at the Latest Practicable Date, Ace Source was owned by China Wantian, Yap Global and Hooy Investment as to 81%, 12% and 7% equity interest, respectively.

China Wantian is an investment holding company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date, China Wantian was owned by Wise Global Holding Limited and Courage Rise Holdings Limited as to 60% and 40% equity interest, respectively. As at the Latest Practicable Date, Mr. Hooy, Mr. Zhong and Mr. Lau Yau Chuen Louis were the directors of China Wantian.

Each of Wise Global Holding Limited and Courage Rise Holdings Limited is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, Mr. Hooy was the sole beneficial owner and sole director of Wise Global Holding Limited, while Mr. Zhong was the sole beneficial owner and sole director of Courage Rise Holdings Limited.

Yap Global is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, Yap Global was beneficially owned by each of Ms. Yap Hong Akiw and Ms. Yap Hong Kek as to approximately 16.67% equity interest, and each of Ms. Yap Yuk Kiew, Mr. Yap Fong Kee, Ms. Yap Hong Leng, Mr. Yap Kong Meng, Ms. Yap Siew Chow, Ms. Yap Siew Ngoh, Ms. Yap Su Chai and Mr. Yek Hon Su as to approximately 8.33% equity interest. As at the Latest Practicable Date, Ms. Yap Yuk Kiew and Ms. Yap Su Chai were the directors of Yap Global.

Hooy Investment is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, Hooy Investment was beneficially owned by each of Mr. Hooy Say Kai and Mr. Hooy Kwok Pun as to approximately 28.57% equity interest, and each of Mr. Hooy Kok Kuen, Ms. Hooy Siew Kuen and Ms. Leong Kwai Ho as to approximately 14.29% equity interest. As at the Latest Practicable Date, Mr. Hooy Kwok Pun, Mr. Hooy Say Kai and Ms. Hooy Siew Kuen were the directors of Hooy Investment.

Mr. Hooy Say Kai and Ms. Leong Kwai Ho are the parents of Mr. Hooy; each of Mr. Hooy Kwok Pun, Ms. Hooy Siew Kuen and Mr. Hooy Kok Kuen is a sibling of Mr. Hooy; Ms. Yap Yuk Kiew (“**Mrs. Hooy**”) is the spouse of Mr. Hooy; each of Ms. Yap Hong Akiw, Ms. Yap Hong Kek, Mr. Yap Fong Kee, Ms. Yap Hong Leng, Mr. Yap Kong Meng, Ms. Yap Siew Chow, Ms. Yap Siew Ngoh, Ms. Yap Su Chai and Mr. Yek Hon Su is a sibling of Mrs. Hooy and a sibling-in-law of Mr. Hooy.

As at the Latest Practicable Date, Mr. Zhong was not a family member or close relative of any of the ultimate beneficial shareholders of Ace Source.

As disclosed in the Joint Announcement, since Ace Source has expressed its intention to obtain not less than 50.1% of the issued Shares during the negotiations among the parties to the Agreements, there is an understanding between the Vendor and Ace Source to enable Ace Source to consolidate control of the Company. The Vendor and Ace Source are therefore acting in concert.

(ii) Intention of Ace Source in relation to the Group

As set out in the “Letter from Somerley”, Ace Source intends to continue the principal business of the Group and has no intention to dispose of the Company’s businesses immediately after completion of the Offer. Following the closing of the Offer, Ace Source will conduct a detailed review of the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, Ace Source may consider diversifying the business of the Group with an objective to broaden its income source. However, as at the Latest Practicable Date, no such investment or business opportunities had been identified nor had Ace Source entered into any agreements, arrangements, understandings, intention or negotiation in relation to injecting any assets or business into the Group. As at the Latest Practicable Date, Ace Source had not entered into any agreement, arrangements, understandings, intention or negotiations in relation to redeployment of the employees, disposal and/or redeployment of the assets of the Group, or termination or scaling-down of any of the Group’s business.

Save for the intentions of Ace Source regarding the Group as set out above, Ace Source has no intention to make material changes to the business of the Group, to discontinue the employment of any employees (save for the proposed changes to the Board as set out below) or to dispose of or re-deploy any fixed assets of the Group other than those in its ordinary course of business.

(iii) Changes to the Board composition of the Company

As at the Latest Practicable Date, the Board was made up of two executive Directors, being Mr. Liu and Ms. Wu Shuk Kwan, a non-executive Director, being Mr. Wong Chung Yeung and three independent non-executive Directors, being Ms. Li On Lei, Mr. Ng Ki Man and Mr. Lo Siu Kit. Save for Mr. Liu who will remain as an executive Director, Ace Source intends for the aforesaid Directors to remain in their office after the close of the Offer until such time suitable candidates are identified for nomination to the Board in their place.

To facilitate the business operation, management and strategy of the Group, Ace Source had nominated (i) Mr. Hooy as an executive Director, the chairman of the Board and the chairman of the nomination committee of the Board; and (ii) Mr. Zhong as an executive Director. The Board had approved such nominations, and the aforesaid appointments of Mr. Hooy and Mr. Zhong shall take effect after the posting of this Composite Document on 19 August 2021. The biographies of the proposed Directors are set out in the section headed “Changes to the Board Composition of the Company” under the Letter from Somerley in this Composite Document. Mr. Liu will be redesignated from the chairman to vice chairman of the Board with effect after the posting of this Composite Document on 19 August 2021. Mr. Liu has given notice to resign as the chairman of the nomination committee of the Board effective after the posting of this Composite Document on 19 August 2021.

Given that (i) Mr. Hooy, being one of the beneficial owners of Ace Source and the proposed Directors, has experience in the health food industry in the PRC but not experience in sourcing, processing and supplying of food ingredients in Hong Kong; (ii) Mr. Zhong, being one of the beneficial owners of Ace Source and the proposed Directors, has catering industry experience in the PRC but not experience in sourcing, processing and supplying of food ingredients in Hong Kong; (iii) Ace Source will consider diversifying the business of the Group to broaden its income source, however, as at the Latest Practicable Date, Ace Source had not identified such investment or business opportunities for the Group; and (iv) the challenging environment posed by the Pandemic for the catering industry, we are of the view that the future prospects of the Group would remain uncertain.

(iv) Public float and maintaining the listing status of the Company

As mentioned in the “Letter from Somerley”, Ace Source intends the Company to remain listed on the Stock Exchange. The Directors, the new Directors to be appointed to the Board (namely Mr. Hooy and Mr. Zhong), and the directors of Ace Source have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer.

Pursuant to the Listing Rules, if, after the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, is held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend trading in the Shares.

(v) Compulsory acquisition

Ace Source does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired pursuant to the Offer after the close of the Offer.

OPINION AND RECOMMENDATION

In view of the above and having considered in particular that:

- (i) the Group incurred net loss attributable to Shareholders in the recent two financial years and such net loss increased significantly from approximately HK\$4.7 million in FY2020 to approximately HK\$8.2 million in FY2021, which was largely attributable to the substantial increase in the impairment on the Group’s trade receivables;

- (ii) the fact that it is relatively unlikely for the catering industry to be fully recovered from the Pandemic within a short period of time. As such, the prospect of the catering industry as stated in the paragraph headed “Prospects of the Group” under the section headed “1. Information of the Group” above would cast uncertainty on the future prospects of the Group;
- (iii) the fact that the closing Share price traded below the Offer Price of HK\$0.15 per Offer Share in most of the time during the Review Period (i.e. with an average of around HK\$0.11 per Share traded during the Review Period);
- (iv) the liquidity of the Shares was generally thin as discussed in the paragraph headed “(ii) Liquidity” under the section headed “2. Analysis of the Offer Price” above. The disposal of the Shares in the open market may exert downward pressure on the market price of the Shares. The Offer therefore represents a good opportunity for the Independent Shareholders to dispose of their holding in the Shares at a fixed cash price without disturbing the market price; and
- (v) the Implied P/S Multiple, the Implied P/B Multiple and Adjusted Implied P/B Multiple compare favourably against those of the Industry Comparables and the Geographical Market Comparables,

we consider the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned. We, therefore, recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to accept the Offer.

However, as the market price of the Shares has exceeded the Offer Price since the Joint Announcement, closing at HK\$0.17 as at the Latest Practicable Date, it is advisable for the Independent Shareholders to consider selling their Shares in the open market if the market price of the Shares exceeds the Offer Price during the period when the Offer are open and the sales proceeds, net of transaction costs, from disposal of the Shares exceed the amount receivable under the Offer. The Independent Shareholders should also monitor the overall trading volume of the Shares, as they may or may not be able to dispose of their Shares in the market at prices higher than the Offer Price.

However, those Independent Shareholders who are attracted by or confident in the future prospects of the Group with Ace Source becoming the new controlling shareholder of the Company may consider to retain their Shares in full or in part.

Yours faithfully,
For and on behalf of



Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 13 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

* *For identification purpose only*