首盛資本集團
Alpha Financial Group

28 November 2025

To: The Independent Board Committee and the Independent Shareholders of China Kangda Food Company Limited

Dear Sirs/Madams,

UNCONDITIONAL MANDATORY CASH OFFER BY DL SECURITIES (HONG KONG) LIMITED FOR AND ON BEHALF OF THE OFFEROR FOR ALL THE ISSUED SHARES OF THE COMPANY (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND THE OFFEROR CONCERT PARTIES)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Offer, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the Composite Document dated 28 November 2025 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Board was notified by the Seller and the Offeror that on 18 October 2025, the Seller (as vendor) and the Offeror (as purchaser) entered into the Share Purchase Agreement pursuant to which the Seller has conditionally agreed to sell and the Offeror has conditionally agreed to acquire the Sale Shares, being 247,708,066 Shares, representing approximately 54.69% of the total issued Shares and the Seller's entire shareholding in the Company as at the date of the Share Purchase Agreement, for a total cash consideration of HK$65,642,637.49 (equivalent to HK$0.265 per Sale Share). The aggregate Consideration was determined after arm's length negotiation between the Seller and the Offeror, after taking into account, among others, (i) the business and the historical financial performance and financial position of the Group; and (ii) the Company's historical liquidity and share prices performance traded on the Stock Exchange.

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Immediately following Completion of the sale and purchase of the First Batch Sale Shares and as at the Latest Practicable Date, the Company had 452,948,000 Shares in issue, of which 240,748,400 Shares were held by the Offeror and Offeror Concert Parties (representing 53.15% of the total issued share capital of the Company). Immediately upon Completion for all of the Sale Shares, the Offeror will be interested in 247,708,066 Shares, representing approximately 54.69% of the total issued Shares.

As at the Latest Practicable Date, there were no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in issue other than the Shares.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, following the Completion for the sale and purchase of the First Batch Sales Shares, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance, and the members of the independent board committee should comprise all non-executive directors who have no direct or indirect interest in the offer.

An Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Hua Shi, Ms. Li Ying and Mr. Wang Cheng, has been established to advise and give a recommendation to the Independent Shareholders on whether the Offer is fair and reasonable and as to the acceptance of the Offer.

We, Alpha Financial Group Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. With the approval of the Independent Board Committee, we have been appointed by the Company to act as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the Offer, and in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

We are independent from and not connected with the Company, the Offeror, the Seller, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date, save for this appointment as the Independent Financial Adviser in respect of the Offer, Alpha Financial Group Limited has no significant connection, financial, business or otherwise with and there were no other engagements between Alpha Financial Group Limited and the Company, the Offeror, the Seller, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Offeror, the Seller and the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in or referred to in the Composite Document and the information and representations as provided to us by the Directors and the management of the Company (the "**Management**"). Our review procedures include review of the annual report of the Group for the year ended 31 December 2024 (the "**2024 Annual Report**"), the interim report of the Group for the six months ended 30 June 2025 (the "**2025 Interim Report**"), the Joint Announcement, the Composite Document, relevant announcements published by the Company, the industry trends of the Group's principal business, the share price performance, the trading liquidity of the Company and comparable companies to the Company. We have assumed that all information and representations that have been provided by the Directors and the Management are true, complete and accurate in all material respects at the time when they were made and up to the date throughout the Offer Period and should there be any material changes thereto, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiries and careful considerations.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Independent Shareholders will be notified of any material changes to such information provided in the Composite Document and our opinion as soon as possible. The Directors have confirmed, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company or the Offeror as set out in the Composite Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Offer.

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 resident overseas or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional advisers.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Offer, we have considered the principal factors and reasons as set out below:

1. Background of the Offer

The Board was notified by the Seller and the Offeror that on 18 October 2025, the Seller (as vendor) and the Offeror (as purchaser) entered into the Share Purchase Agreement pursuant to which the Seller has conditionally agreed to sell and the Offeror has conditionally agreed to acquire the Sale Shares, being 247,708,066 Shares, representing approximately 54.69% of the total issued Shares and the Seller's entire shareholding in the Company as at the date of the Share Purchase Agreement, for a total cash consideration of HK$65,642,637.49 (equivalent to HK$0.265 per Sale Share). The aggregate Consideration was determined after arm's length negotiation between the Seller and the Offeror, after taking into account, among others, (i) the business and the historical financial performance and financial position of the Group; and (ii) the Company's historical liquidity and share prices performance traded on the Stock Exchange.

Immediately following Completion of the sale and purchase of the First Batch Sale Shares and as at the Latest Practicable Date, the Company had 452,948,000 Shares in issue, of which 240,748,400 Shares were held by the Offeror and Offeror Concert Parties (representing 53.15% of the total issued share capital of the Company). Immediately upon Completion for all of the Sale Shares, the Offeror will be interested in 247,708,066 Shares, representing approximately 54.69% of the total issued Shares.

As at the Latest Practicable Date, the Company had 452,948,000 Shares in issue. On the basis of the Offer Price being HK$0.265 per Offer Share, the total issued share capital of the Company would be valued at HK$120,031,220.00.

Upon Completion and as at the Latest Practicable Date, assuming no new Shares are issued on or before the Closing Date, based on the Offer Price of HK$0.265 per Offer Share and 205,239,934 Offer Shares, the maximum consideration for the Offer would be HK$54,388,582.51.

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

2. Background information of the Group

(a) Principal business

Established in 1992, the Company is a diversified food manufacturing and processing group based in the People's Republic of China (the "**PRC**") and is primarily engaged in the production, processing, sale and distribution of: (a) processed foods which include a wide range of food products such as instant soup, curry food, chicken-based cooked products, roasted rabbit food, meatballs, de-oxygenated consumer packed chestnuts and seafood; (b) chilled and frozen chicken meat; (c) chilled and frozen rabbit meat; and (d) other products which mainly include pet food, dehydrated vegetables, poultry, rabbit organs, fruits, dried chili, pig liver, seasoning and high value-added healthcare products.

The Company's chilled and frozen rabbit meat is mainly exported to European Union (the "**EU**"). Besides selling products under its own brand names of "康大", "嘉府", "U味", and "KONDA", the Company also acts as an Original Equipment Manufacturer ("**OEM**") of a variety of processed foods including meatballs, seafood, chicken-based cooked products, chestnuts, instant soups and curry products and etc.

The Company currently distributes its wide range of products in 26 provinces and over 30 major cities in the PRC and exports to more than 15 countries and cities including Japan, the United Arab Emirates and certain countries in the EU. The Company is one of the major companies in the PRC authorised to supply rabbit meat to the EU and one of the largest PRC exporters of rabbit meat. The Company is also the first PRC Company to be granted the certification for breeding progeny rabbit in the PRC. The Company has further strengthened its foothold in this segment through stable expansion strategies.

(b) Listing Status of the Company

The Company is a company incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda, the Shares of which are currently primary listed on the Main Board of the Stock Exchange (stock Code: 834) and secondary listed in the Main Board of the SGX-ST (stock code: P74).

(c) Historical financial information

Set out below is a summary of the audited consolidated financial results of the Group for the years ended 31 December 2023 and 2024 ("**FY2023**" and "**FY2024**", respectively) and the six months ended 30 June 2024 and 2025 ("**HY2024**" and "**HY2025**", respectively), as extracted from 2024 Annual Report and 2025 Interim Report:

Table 1: Historical financial information of the Group

	FY2023	**FY2024**	**HY2024**	**HY2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	1,657,308	1,650,509	768,711	861,918
– Processed food	797,592	757,760	354,598	380,788
– Chilled and frozen chicken meat	643,667	694,892	320,010	378,163
– Chilled and frozen rabbit meat	187,990	175,479	79,630	96,437
– Other products	28,059	22,378	14,533	6,530
Gross profit	95,132	73,963	21,024	43,156
– Processed food	96,758	93,610	46,725	56,998
– Chilled and frozen chicken meat	(23,046)	(11,600)	(15,746)	(16,422)
– Chilled and frozen rabbit meat	19,886	(9,934)	(11,529)	1,315
– Other products	1,534	1,887	1,574	1,265
Loss before tax	(8,313)	(21,637)	(20,050)	(1,361)
Loss for the year attributable to owners of the Company	(8,353)	(21,473)	(20,290)	(1,535)
Gross profit margin	5.7%	4.5%	2.7%	5.0%
– Processed food	12.1%	12.4%	13.4%	15.0%
– Chilled and frozen chicken meat	(3.6)%	(1.7)%	(4.9)%	(4.3)%
– Chilled and frozen rabbit meat	10.6%	(5.7)%	(14.5)%	1.4%
– Other products	5.5%	8.4%	8.2%	19.4%

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Non-current assets	675,241	669,367	633,654
Current assets	906,886	654,195	857,735
Total assets	1,582,127	1,323,562	1,491,389
Non-current liabilities	121,412	106,452	97,163
Current liabilities	907,115	680,746	859,008
Total liabilities	1,028,527	787,198	956,171
Net current liabilities	229	26,551	1,273
Equity attributable to owners of the Company	542,471	525,368	524,001

FY2023 vs FY2024

The revenue decreased by approximately 0.4% from approximately RMB1,657.3 million for FY2023 to approximately RMB1,650.5 million for FY2024. Revenue derived from the production and sales of processed food, chilled and frozen chicken meat, chilled and frozen rabbit meat and other products contributed approximately 45.9%, 42.1%, 10.6%, and 1.4% of the revenue for FY2024 (FY2023: approximately 48.1%, 38.8%, 11.3%, and 1.8%), respectively. The contribution of processed food, chilled and frozen rabbit meat and other products decreased by approximately 5.0%, 6.7% and 20.2%, respectively, while the contribution of chilled and frozen chicken meat increased by approximately 8.0%. The increase of loss making was a net impact of the following: (i) decrease in income on government grants of approximately RMB5.2 million; (ii) decrease in gross profit of approximately RMB21.2 million due to decrease in revenue and gross profit margin; and (iii) decrease in other income of RMB12.2 million due to decrease in recognition of gain arising from changes in fair value less estimated costs to sell of biological assets.

Revenue derived from the production and sales of processed food products decreased by 5.0% to approximately RMB757.8 million for FY2024. Affected by the intense competition from other domestic suppliers, domestic revenue of processed food decreased. Revenue derived from the production and sales of chilled and frozen chicken meat increased by 8.0% to approximately RMB694.9 million for FY2024. With the consumption market recovering, the demand of chilled and frozen chicken meat increased, the Group actively released production capacity and increased slaughter volume to meet market demand. The sales of chilled and frozen rabbit meat products decreased by 6.7% to approximately RMB175.5 million for FY2024. Slowing demand of rabbit meat in overseas markets led to the sales decline of chilled and frozen rabbit meat in FY2024. Revenue derived from the production and sale of other products decreased by 20.2% to RMB22.4 million for FY2024. Due to changes in the market environment, the Group actively reduced the production and sale of pet food, and focused resources on processed food and chilled and frozen chicken meat. On a geographical basis, the revenue of the Group from PRC, EU and Japan contributed approximately 75.5%, 13.7% and 9.2% of the revenue for FY2024 (FY2023: approximately 73.6%, 15.3% and 9.2%), respectively. Revenue from PRC sales increased by approximately 2.1% to approximately RMB1,246.2 million for FY2024. Revenue derived from chilled and frozen chicken meat contributed the majority of domestic sales revenue growth. Revenue from export sales decreased by approximately 7.5% to approximately RMB404.3 million for FY2024. The decrease in seafood sales in the processed food segment led to the decrease in overseas revenue.

Other income for FY2024 was approximately RMB11.6 million, representing a decrease of approximately RMB18.0 million, from approximately RMB29.6 million for FY2023, where the decrease in other income was mainly due to the net impact of the following: (i) decrease of approximately RMB12.2 million in recognition of gain arising from changes in fair value less estimated costs to sell of biological assets as a result of decrease in market price of breeder chickens; and (ii) decrease of approximately RMB5.2 million in income on government grants.

The selling and distribution costs for FY2024 amounted to approximately RMB46.1 million, representing a decrease of approximately RMB7.2 million, from approximately RMB53.3 million for FY2023, mainly due to the less of advertising and promotion expenses incurred in FY2024.

The Group recorded administrative expenses, comprised mainly staff costs, professional fees, depreciation charge, travelling expenses and other miscellaneous administrative expenses, of approximately RMB36.1 million for FY2024, which was decreased from approximately RMB47.2 million for FY2023, representing a decrease of approximately RMB11.1 million. The decrease in administrative expenses was mainly due to recognition of foreign exchange gain of approximately RMB1.0 million for FY2024 (FY2023: gain of approximately RMB5.3 million) and deduction of remunerations of executive Directors.

Other operating expenses of the Group recorded approximately RMB13.7 million for FY2024, which represented a slight decrease of approximately RMB0.8 million as compared to FY2023 of approximately RMB14.5 million. The slight decrease was mainly due to the decrease in loss on disposal of investment property of approximately RMB1.2 million.

The finance costs incurred decreased by approximately 6.3%, from approximately RMB18.0 million for FY2023, to approximately RMB16.9 million for FY2024, which was mainly due to the decrease in average balance of bank borrowings in FY2024.

31 December 2023 vs 31 December 2024

As at 31 December 2024, the Group had net assets of approximately RMB536.4 million (31 December 2023: RMB553.6 million), comprising non-current assets of approximately RMB669.4 million (31 December 2023: RMB675.2 million), and current assets of approximately RMB654.2 million (31 December 2023: RMB906.9 million). The Group recorded a net current liability position of approximately RMB26.6 million as at 31 December 2024 (31 December 2023: RMB0.2 million), which primarily consisted of cash and cash equivalents balances amounted to approximately RMB234.2 million (31 December 2023: RMB284.3 million). Moreover, inventories amounted to approximately RMB105.0 million as at 31 December 2024 (31 December 2023: RMB114.9 million) and trade and bills receivables amounted to approximately RMB91.3 million as at 31 December 2024 (31 December 2023: RMB92.0 million) were also major current assets. Major current liabilities are trade and bills payables, interest-bearing bank borrowings and loans from related parties which amounted to approximately RMB269.8 million (31 December 2023: RMB414.0 million), approximately RMB149.5 million (31 December 2023: RMB188.0 million) and approximately RMB39.0 million (31 December 2023: RMB35.9 million), respectively, as at 31 December 2024.

As at 31 December 2024, the Group has cash and cash equivalent of approximately RMB234.2 million (31 December 2023: RMB284.3 million) and had total interest-bearing bank borrowings of approximately RMB149.5 million (31 December 2023: RMB188.0 million). The gearing ratio for the Group was approximately 73.7% as at 31 December 2024 (31 December 2023: 84.2%), based on total debt of approximately RMB387.3 million (31 December 2023: RMB457.0 million) and equity attributable to Company's owners of approximately RMB525.4 million (31 December 2023: RMB542.5 million).

HY2024 vs HY2025

The Group's revenue increase by approximately 12.1% from approximately RMB768.7 million for HY2024 to approximately RMB861.9 million for HY2025. Revenue derived from the production and sales of processed food, chilled and frozen chicken meat, chilled and frozen rabbit meat and other products contributed approximately 44.2%, 43.9%, 11.2%, and 0.7% of the revenue for FY2024 (FY2023: approximately 46.1%, 41.6%, 10.4%, and 1.9%), respectively. The loss for HY2025 decreased by approximately 93.4% over HY2024, mainly due to the increase in gross profit and the increase in other income and partly offset by the increase in administrative expenses.

Revenue derived from the production and sales of processed food products increased by approximately 7.4% to approximately RMB380.8 million for HY2025. The increase in revenue was mainly due to the increase in sales volume of export as a result of increase in demand from international trading. Revenue derived from the production and sales of chilled and frozen chicken meat increased by approximately 18.2% to approximately RMB378.2 million in HY2025. With the increase in market demand, the Group increased the number of broiler chickens raised and slaughter volume of broilers, resulting in an increase in the sales of chilled and frozen chicken meat. The sales of chilled and frozen rabbit meat products increased by approximately 21.1% to approximately RMB96.4 million in HY2025 which was mainly due to the increase in the selling price for both international and domestic market. Other products were mainly feed products and chicken and rabbit meat by-products. Revenue derived from the production and sales of other products decreased by approximately RMB8.0 million to approximately RMB6.5 million in HY2025. The decrease in other products' revenue of approximately 55.1% was mainly due to the decrease in unit price of other products in HY2025.

Other income, which comprised mainly gains arising from changes in fair value less estimated costs to sell of biological assets, rental income, government grants, and interest income on financial assets, was approximately RMB8.0 million for HY2025, representing an increase of approximately RMB4.0 million, from approximately RMB4.0 million for HY2024, where the increase in other income was mainly due to the net impact of the following: no loss arising from changes in fair value less estimated costs to sell of biological assets, increase in amortisation of deferred income on government grant of approximately RMB1.7 million, increase in recognition of government grants related to income of approximately RMB0.5 million, increase of rental income of approximately RMB1.5 million and decrease in interest income on financial assets stated at amortised cost of approximately RMB2.6 million.

The selling and distribution costs, comprised mainly salary and welfare, transportation costs and advertisement costs, amounted to approximately RMB24.7 million for HY2025, representing a slight decrease of approximately RMB0.8 million, from approximately RMB25.5 million for HY2024, mainly due to the decrease in advertising and promotion expenses.

The Group recorded administrative expenses, comprised mainly staff costs, professional fees, depreciation charge, travelling expenses and other miscellaneous administrative expenses, of approximately RMB15.8 million for HY2025, which remained general the same as compared to approximately RMB15.6 million for HY2024.

Other operating expenses of the Group recorded approximately RMB6.6 million for HY2025, which represented an increase of approximately RMB6.5 million as compared to approximately RMB0.1 million for HY2024. The increase was mainly due to reclassification of depreciation of investment property of approximately RMB6.0 million in HY2025.

The finance costs incurred, comprising interest charges on bank borrowings and interest on lease liabilities, increased by approximately RMB2.4 million, from approximately RMB3.0 million for HY2024, to approximately RMB5.4 million for HY2025.

31 December 2024 vs 30 June 2025

The Group had net assets of approximately RMB535.2 million (31 December 2024: RMB536.4 million), comprising of non-current assets of approximately RMB633.7 million (31 December 2024: RMB669.4 million), and current assets of approximately RMB857.7 million (31 December 2024: RMB654.2 million). The Group recorded a net current liabilities of approximately RMB1.3 million as at 30 June 2025 (31 December 2024: net current liabilities of RMB26.6 million). Cash and bank balances amounted to approximately RMB144.9 million (31 December 2024: RMB234.2 million), inventories amounted to approximately RMB165.2 million (31 December 2024: RMB105.0 million) and trade and bills receivables amounted to approximately RMB111.8 million (31 December 2024: RMB91.3 million) are the major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to approximately RMB497.6 million (31 December 2024: RMB269.8 million) and approximately RMB95.5 million (31 December 2024: RMB149.5 million), respectively.

As at 30 June 2025, the Group had cash and bank balances of approximately RMB144.9 million (31 December 2024: RMB234.2 million) and had interest-bearing bank borrowings of approximately RMB95.5 million (31 December 2024: RMB149.5 million). The gearing ratio for the Group was approximately 67.8% as at 30 June 2025 (31 December 2024: 73.7%), based on total debt of approximately RMB355.3 million (31 December 2024: RMB387.3 million) and equity attributable to owners of the Company of approximately RMB524.0 million (31 December 2024: RMB525.4 million).

(d) Going Concern/Disclaimer of Opinion

References are made to (i) the 2024 Annual Report; and (ii) the supplemental announcement of the Company in relation to the 2024 Annual Report dated 20 June 2025, the auditors of the Company are concerned with the Group's ability to continue as a going concern. As the Company and the lenders were still actively negotiating on the outstanding terms of the loan extension agreement, the Company was not able to provide the signed loan extension agreement to the auditors of the Company, accordingly, the auditors of the Company issued the disclaimer of opinion on the financial statements of the Company for FY2024 on its going concern (the "**Disclaimer of Opinion**"), which will be dependent on the Group's ability to generate sufficient financing and operating cash flows. For further details, please refer to the 2024 Annual Report and the aforementioned announcement of the Company dated 20 June 2025.

References are also made to (i) the supplemental announcement of the Company in relation to the 2024 Annual Report dated 20 June 2025; and (ii) the announcements of the Company in relation to quarterly updated on implementation of action plan dated 30 July 2025 and 30 October 2025, whereas the ongoing measures that has undertaken by the Company to address the Disclaimer of Opinion and, as the relevant loans will be regarded as a shareholder's loan upon Mr. Gao becoming the controlling shareholder of the Company, arrangements for the loan extension are expected to be made after the completion of the Offer, while Mr. Gao, Hong Kong High Quality Limited (which Mr. Gao is the sole shareholder), and the other entity (which Mr. Gao is a director) providing the relevant loans (i) do not intend to initiate any legal action or a winding up petition against the Company, and (ii) remain interested in maintaining and extending the relevant loans despite the relevant loans being due. Nonetheless, we are of the understanding that arrangements for the loan extension are expected to be made after the completion of the Offer. For further details, please refer to the aforementioned announcements of the Company dated 20 June 2025, 30 July 2025 and 30 October 2025 and Appendix II to the Composite Document.

In the event that the Group is not able to further renew its bank borrowings, extend the relevant loans, cash generated from its operating activities is insufficient, and/or any unforeseeable market event occurs that affects the operation of the Group, the Group might not be able to repay the debts that fall due and the Company might face liquidity risk which may adversely affect its business, financial condition, and results of operations.

As the Disclaimer of Opinion is only limited to the extension of the loan agreement, which the relevant loans will also be regarded as a shareholder's loan with Mr. Gao becoming the controlling shareholder of the Company. As such, together with the arrangements for the loan extension are expected to be made as announced by the Company in the announcement dated 30 October 2025, we consider that the Disclaimer of Opinion does not have significant implications on the Offer.

3. Information and intention of the Offeror

Information of the Offeror

As stated in the section headed "INFORMATION ON THE OFFEROR" in the Letter from DL Securities, the Offeror is a company incorporated in Hong Kong with limited liability on 14 May 2025 and its principal activity is investment holding. As at the Latest Practicable Date, the Offeror is legally, beneficially and wholly owned by Mr. Gao who is also the sole director of the Offeror.

Mr. Gao, aged 68, is the sole legal and beneficial owner and the sole director of the Offeror. Mr. Gao has more than 30 years of experience in the food export and production industry. He is currently the Chairman and General Manager of Qingdao Kangda Holding Group Co., Ltd. (青島康大控股集團有限公司)(formerly known as Qingdao Kangda Foreign Trade Group Co., Ltd. (青島康大外貿集團有限公司)), comprising a group of companies engaging in various business activities in the PRC such as property development, hotel operations, agricultural development, food processing, animal feeds production and import and export business. Mr. Gao was a former non-executive chairman of the Board and non-executive Director until his resignation with effect from 19 June 2017. From April 1993 to March 1995, Mr. Gao was the general manager of Qingdao Jiaonan City Import and Export Company (青島市膠南進出口公司). Mr. Gao also worked as Factory Head of Jiao Nan City Foreign Trading Cold Storage Factory (膠南市外貿冷藏廠) from July 1989 to December 1991, and was the Vice Factory Head of Jiao Nan Pellet Feed Import and Export Company Integrated Processing Factory (膠南縣外貿顆粒飼料廠) from August 1985 to June 1989. In addition, Mr. Gao served the Qingdao Private Enterprises Committee (青島市民營企業協會) as Vice President. Mr. Gao currently serves as a representative of the Qingdao Municipal People's Congress. He obtained a bachelor's degree in Economics and Management from Qingdao University in July 1998.

Mr. Gao considers that the Acquisition presents a compelling investment opportunity yield for long term growth of the Company. By leveraging Mr. Gao's 40 years of industry experience within the food industry and the well-established full industry chain in processed and frozen agricultural products, the Acquisition is expected to bring significant benefits to the Company, including increased capital injection, expanded sales channels, product technology upgrades, diversified talent acquisition, and integration of domestic and international market resources, which will effectively support the Company in achieving its sustainable development strategic objectives.

We believe that the Group can benefit from Mr. Gao's 40 years of experience in the food industry as well as the knowledge in the full industry chain in processed and frozen agricultural products. As for the operation of principal business segment of the Group, we believe that the Mr. Gao can contribute with his knowledge and experience in the relevant industry. In addition, as Mr. Gao was a former non-executive chairman of the Board and non-executive Director until his resignation, we believe that Mr. Gao will be able to seamlessly integrate into the Group's current business operations and future development plans. From this perspective, we believe Mr. Gao may bring in positive influence to the future outlook of the Company.

Mr. Gao is the uncle of Mr. Gao Yanxu, an executive Director. As at the Latest Practicable Date, Mr. Gao is a director of two subsidiaries of the Company and a general manager of a subsidiary of the Company.

Intention of the Offeror

As detailed in the section headed "THE OFFEROR'S INTENTION ON THE GROUP" in the Letter from DL Securities, following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal business for long-term purposes and the Offeror does not intend to introduce any major changes to the existing operations and business of the Group immediately after close of the Offer and will neither redeploy nor dispose of any of the assets (including fixed assets) of the Group other than in the ordinary course of business.

Also as stated in the section headed "THE OFFEROR'S INTENTION ON THE GROUP" in the Letter from DL Securities, the Offeror confirms that, as at the Latest Practicable Date, it did not have any intention, understanding, negotiation, arrangement, and agreements (formal or informal, express or implied) to downsize or dispose of any existing business or assets of the Group; and no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to (a) the injection of any assets or business into the Group; or (b) the disposal of any assets or business of the Group. Nevertheless, following the close of the Offer, the Offeror will conduct a detailed review on the existing principal operations and business, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group, and, subject to the results of the review and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth.

Proposed change of the Board composition

As at the Latest Practicable Date, the Board comprises Ms. Lang Ying, Mr. Gao Yanxu and Mr. An Fengjun as executive Directors; and Mr. Hua Shi, Ms. Li Ying and Mr. Wang Cheng as independent non-executive Directors.

According to the Joint Announcement, the Offeror intends to nominate new Directors to the Board to facilitate the business operation, management and strategy of the Group, and according to the Letter from DL Securities, as at the Latest Practicable Date, the Offeror has not yet finalised the proposed nomination of new Directors. Details of the change of the Board composition and biographies of the new Directors will be announced in accordance with the requirements of the Takeovers Code and the Listing Rules as and when appropriate.

4. Future prospects and outlook of the Group

The Group is principally engaged in the production and trading of food products, breeding and sale of livestock, poultry and rabbits.

As disclosed in the 2024 Annual Report and 2025 Interim Report, with re-emergence of trade protectionism and global recession, the industry is facing complicated external environment and challenges. As the Company focuses on a consumer products industry, the business is affected by economic growth, consumers' preferences, industry cycle and animal epidemics.

According to the Food Outlook published by the Food and Agriculture Organization of the United Nations in November 2025, the world meat production is forecasted to reach 383.5 million tonnes in 2025, up by 1.4%, from 378.1 million tonnes from 2024, with poultry meat being the expected driver which is expected to grow at 2.9%. Global meat trade is also expected to reach 43.0 million tonnes in 2025, up from 42.2 million tonnes in 2024, where poultry and pig meat trades expected to only grow at 1.1% and 1.5%, respectively.

Further, we also look into the consumer markets of the PRC and the EU, which contributed approximately 75.5% and 13.7% to the revenue of the Group during FY2024, respectively, where both are considered major geographical markets of the Group that contributed over 10% to the revenue of the Group during FY2024.

Citing from the China Economic Update published by The World Bank in June 2025, it is anticipated that the GDP growth is projected to slow down from 5.0% in 2024, to 4.5% and 4.0% in 2025 and 2026, respectively, as higher trade restrictions slow export growth and heightened uncertainty weighs on manufacturing investment and labor demand. In the same report, it also highlighted that uncertainty around trade policy and global growth poses downside risks to China's growth outlook in a global sense, and prolonged weakness in the property sector could further temper investment in a domestic sense, where further softening of labor market conditions due to higher uncertainty and delayed corporate investment could weigh on consumption. In addition, the consumer market is expected remain sluggish, with the consumer price index is anticipated to grow at a low rate of 0.5% in 2025. Accordingly, as the Company engages in a consumer products industry, with the sluggish environment of the consumer market, we are of the view that the outlook of domestic market that the Company operates remain uncertain.

For the consumer market in the EU, which represents the majority of the Group's overseas market, citing from the Autumn 2025 Economic Forecast published by the European Commission in November 2025, it is anticipated that the GDP growth in the EU will be at 1.5% for 2025 and 2026, which was slower than previously estimated due to high inflation and energy prices. The ongoing conflict in Ukraine and volatile energy markets in the EU continues to result in a cautious spending environment, which dampens the consumer market in the EU. Accordingly, we are of the EU consumer of overseas market that the Company operates also remain uncertain.

Also taking into account that (i) the Group has been making losses for FY2023, FY2024 and HY2025 as discussed in the section headed "2 (c) Historical financial information" in this letter; (ii) the auditors has issued the Disclaimer of Opinion as the Company and the lenders were still negotiation on the outstanding terms of the loan extension agreement, as discussed in the section headed "2 (d) Going Concern/Disclaimer of Opinion" in this letter; (iii) the sluggish PRC consumer market that the Company operates, as cited from China Economic Update published by The World Bank in June 2025; and (iv) the stagnant EU consumer market which forms the majority of the Group's overseas market, where slower growth was forecasted due to high inflation and energy prices, as cited from the Autumn 2025 Economic Forecast published by the European Commission in November 2025, we consider that the Group's outlook and prospects remain uncertain.

5. Principal terms of the Offer

As stated in the Letter from DL Securities, DL Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer on the following basis:

For each Offer Share ..... HK$0.265 in cash

As disclosed in the Letter from DL Securities, the Offer Price of HK$0.265 per Offer Share under the Offer is equal to the price per Sale Share paid by the Offeror for the 247,708,066 Sale Shares under the Share Purchase Agreement.

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

The Offeror confirms that the Offer Price is final and will not be increased.

Immediately following Completion of the sale and purchase of the First Batch Sale Shares and as at the Latest Practicable Date, the Company had 452,948,000 Shares in issue, of which 240,748,400 Shares were held by the Offeror and Offeror Concert Parties (representing 53.15% of the total issued share capital of the Company). Immediately upon Completion for all of the Sale Shares, the Offeror will be interested in 247,708,066 Shares, representing approximately 54.69% of the total issued Shares.

As at the Latest Practicable Date, there were no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in issue other than the Shares.

As at the Latest Practicable Date, the Company had 452,948,000 Shares in issue. On the basis of the Offer Price being HK$0.265 per Offer Share, the total issued share capital of the Company would be valued at HK$120,031,220.00.

Upon Completion and as at the Latest Practicable Date, assuming no new Shares are issued on or before the Closing Date, based on the Offer Price of HK$0.265 per Offer Share and 205,239,934 Offer Shares, the maximum consideration for the Offer would be HK$54,388,582.51.

For further details of the terms of the Offer, please refer to the "Letter from DL Securities" contained in the Composite Document.

5.1 The Offer Price

The Offer Price of HK$0.265 per Offer Share represents:

(i) a discount of approximately 46.46% the closing price of HK$0.495 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 16.23% over the closing price as quoted on the Stock Exchange on the Last Trading Day of HK$0.228 per Share;

(iii) a premium of approximately 16.74% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) trading days up to and including the Last Trading Day of HK$0.227 per Share;

(iv) a premium of approximately 15.72% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) trading days up to and including the Last Trading Day of HK$0.229 per Share;

(v) a premium of approximately 17.78% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) trading days up to and including the Last Trading Day of HK$0.225 per Share;

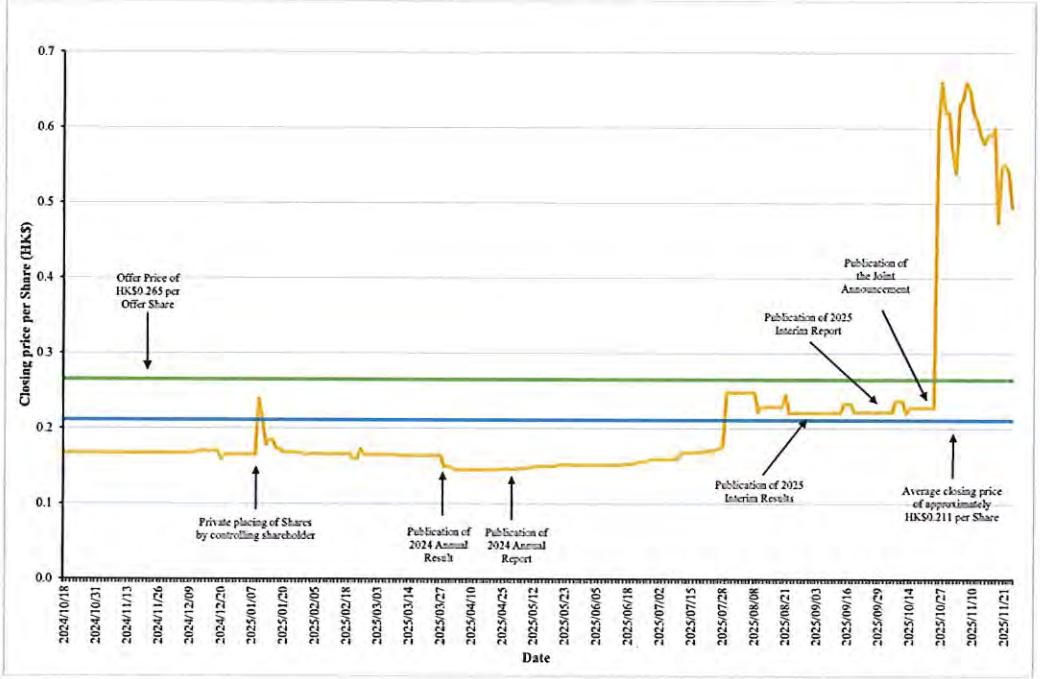
(vi) a discount of approximately 78.85% to the audited consolidated net asset value attributable to Shareholders of approximately HK$1.253 per Share, based on the audited consolidated net assets attributable to Shareholders as at 31 December 2024 at the central parity rate of RMB to HK$ as at 31 December 2024 as announced by the People's Bank of China and the number of Shares in issue as at the Latest Practicable Date; and

(vii) a discount of approximately 79.12% to the unaudited consolidated net asset value attributable to Shareholders of approximately HK$1.269 per Share, based on the unaudited consolidated net assets attributable to Shareholders as at 30 June 2025 at the central parity rate of RMB to HK$ as at 30 June 2025 as announced by the People's Bank of China and the number of Shares in issue as at the Latest Practicable Date.

5.2 Historical performance of the Shares

We have reviewed the movements in the closing price of the Shares for the Review Period. We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer Price and is also a common approach when assessing historical performance of Shares in a general offer. Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 18 October 2024, being the twelve-month period prior to the Last Trading Day and up to and including the Latest Practicable Date (the "**Review Period**"):

Daily closing price of the Shares on the Stock Exchange



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

Note: Trading of the Shares on the Stock Exchange has been suspended from 20 to 23 October 2025 pending the release of the Joint Announcement.

We noted from the above charts that, during the Review Period, the Shares closed on the Stock Exchange within the range of the lowest of HK$0.145 per Share during the period from 2 April 2025 to 23 April 2025 to the highest of HK$0.66 per Share on 6 November 2025. The Offer Price is higher than the average closing price of approximately HK$0.211 per Share during the Review Period, which represents a premium of approximately 25.5% over the average closing price per Share during the Review Period. We noted that the closing price of the Shares has been below the Offer Price prior to the publication of the Joint Announcement during the Review Period.

We observed that the closing price of the Shares fluctuated between HK$0.145 to HK$0.248 per Share from the start of the Review Period until around mid-May 2024. Subsequent to the announcement in relation to the private placing of the Shares by controlling shareholder of the Company on 9 January 2025, the closing price of the Shares experienced a hike to HK$0.239 per Share on the same day.

During the period from 24 October 2025 (from the resumption of trading after the release of the Joint Announcement) up to and including the Latest Practicable Date (the "**Post-Announcement Period**"), the Offer Price of HK$0.265 per Share represents (i) a discount of approximately 44.2% to the lowest closing price of HK$0.475 per Share; and (ii) a discount of approximately 59.8% to the highest closing price of HK$0.66 per Share during the Post-Announcement Period. We believe that the aforesaid surge in closing prices of the Share from the start of the Post-Announcement Period was likely linked to the market reaction to the Joint Announcement and driven by the surge in trading volume during the same period, which might be a temporary and unsustainable market reaction to the Offer. During the Post-Announcement Period, we also noted that since the highest closing price of HK$0.66 per Share as mentioned above, the closing price of the Shares has exhibited a generally decreasing trend and closed at HK$0.495 per Share on the Latest Practicable Date, while reaching a lowest point of HK$0.475 per Share on 19 November 2025.

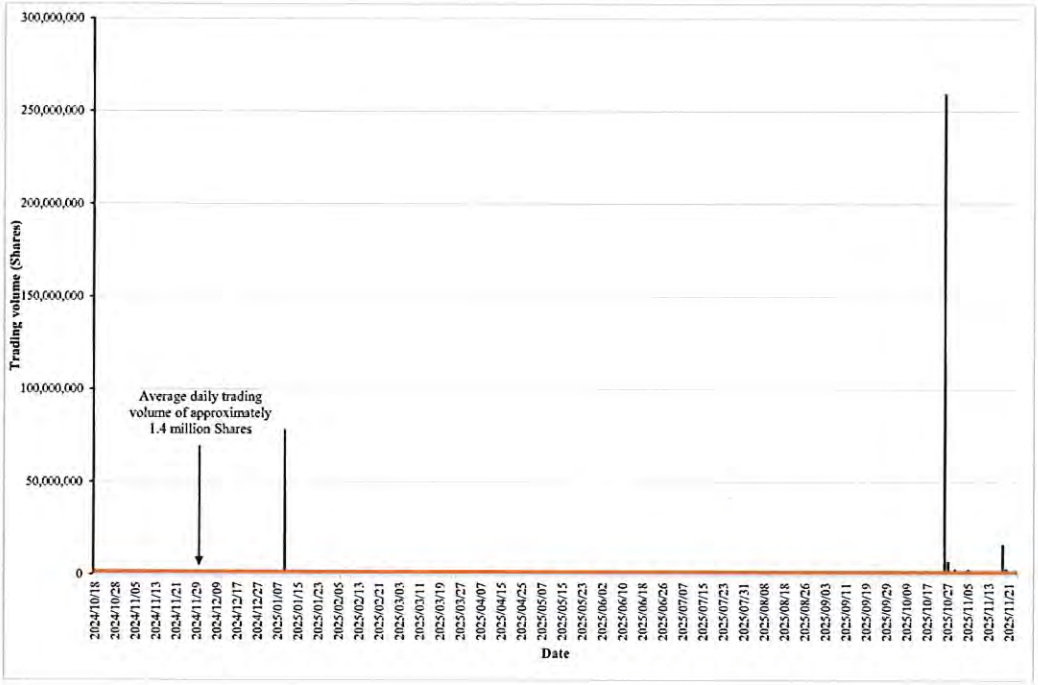
As the Offer Price represents a premium over the average closing price per Share during the Review Period and the closing price of the Shares has been below the Offer Price prior to the publication of the Joint Announcement during the Review Period, from the standpoint of the historical performance of the Shares, we are of the view that the Offer Price is fair and reasonable. However, as the closing price of the Shares experienced a surge from the start of the Post-Announcement Period, which was likely linked to the market reaction to the Joint Announcement and might be a temporary and unsustainable market reaction to the Offer, the Independent Shareholders should also closely monitor the market price of Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer should they intend to accept the Offer.

5.3 Historical trading volume of the Shares

Set out below are the table and chart showing the daily trading volumes of the Shares on the Stock Exchange during the Review Period:

Month/Period	No. of trading days	Average daily trading volume	% of total issued shares[2]	% of public float[3]
Oct 2024 (from 18 October 2024)	10	0	0.0000%	0.0000%
Nov 2024	21	2,095	0.0005%	0.0016%
Dec 2024	20	8,200	0.0018%	0.0064%
Jan 2025	19	4,105,474	0.9064%	2.0003%
Feb 2025	20	15,400	0.0034%	0.0075%
Mar 2025	21	2,667	0.0006%	0.0013%
Apr 2025	19	5,684	0.0013%	0.0028%
May 2025	20	25,600	0.0057%	0.0125%
Jun 2025	21	2,095	0.0005%	0.0010%
Jul 2025	22	4,364	0.0010%	0.0021%
Aug 2025	21	6,286	0.0014%	0.0031%
Sep 2025	22	2,182	0.0005%	0.0011%
Oct 2025 [1]	16	16,993,025	3.7517%	8.2796%
Nov 2025 (up to the Latest Practicable Date)	17	1,978,353	0.4368%	0.9639%

Daily trading volume of the Shares on the Stock Exchange



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

Notes:

(1) Trading of the Shares on the Stock Exchange has been suspended from 20 to 23 October 2025 pending the release of the Joint Announcement.

(2) Calculated based on average daily trading volume over the month/period divided by the total number of 452,948,000 Shares in issue as at the end of each month/period during the Review Period.

(3) Calculated based on average daily trading volume over the month/period divided by the total number of public shares at each month/period end according to the announcements of the Company disclosing relevant information regarding the public float of the Company.

Trading volume of the Shares during the Review Period

The daily trading volume of the Shares on the Stock Exchange has been thin during the Review Period, given that it had only recorded 32 out of 269 trading days with over 40,000 Shares (which is 10 board lots based on 4,000 Shares per board lot as at the Latest Practicable Date) during the Review Period, for which a majority were on the days after the publication of the Joint Announcement, where a surged in trading volume was recorded (notably on 24 October 2025 where approximately 259.1 million Shares were traded). The issued shares of the Company of 452,948,000 Shares remained the same during the Review Period and up to the Latest Practicable Date.

The average daily trading volume of the Shares on the Stock Exchange amounted to approximately 1.4 million Shares during the Review Period, representing approximately 0.3% of the Company's issued share capital as at the Latest Practicable Date, or representing ranging from approximately no trading at all throughout October 2024 (from 18 October 2024) to approximately 17.0 million Shares, or approximately 3.75% in in terms percentage to the total number of total issued Shares and approximately 8.28% in terms of percentage to the public float of the Company as at the end of the respective month, in October 2025.

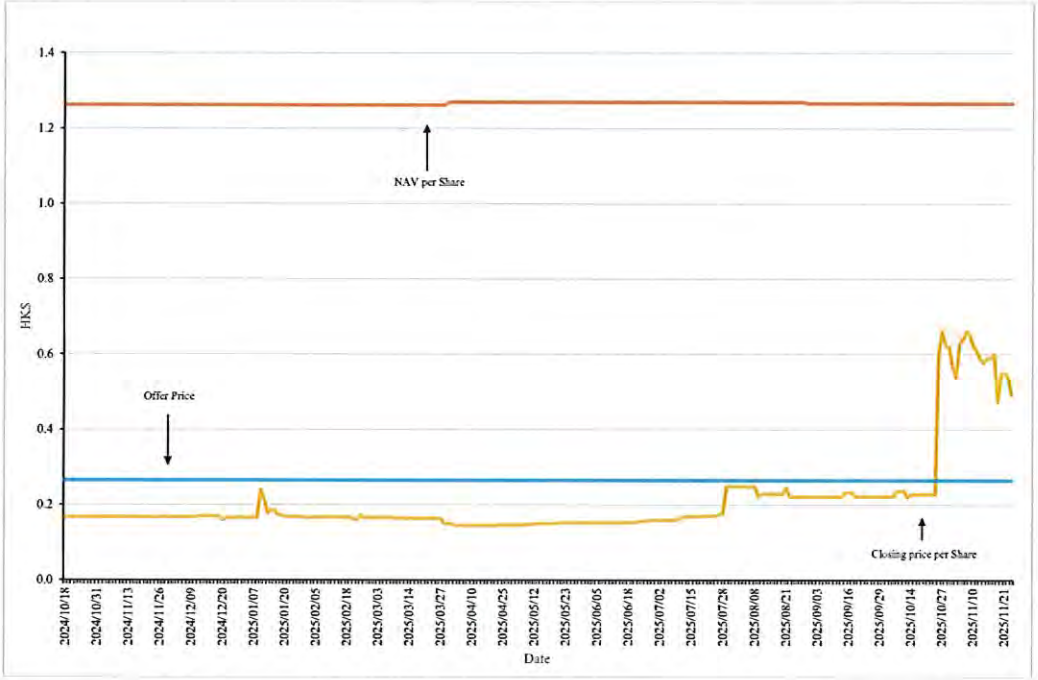
There are only 22 trading days which recorded trading volume of more than 0.5% of the issued share capital of the Company during the Review Period. It indicates that the liquidity of the Shares had been inactive during the Review Period not to mention that there has been more than 204 out of 269 trading days during the Review Period which recorded zero trading volume.

Given the thin historical daily trading volume of the Shares during the Review Period, it is uncertain as to whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the Share price on the market. As such, we are of the view that the prevailing market price of the Shares may not necessarily reflect the actual proceeds that the Independent Shareholders (especially those with more sizeable holdings) may receive if they elect to dispose of their Shares on the open market. Therefore, we are of the view that the Offer represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of the Shares, to dispose of part or all of their Shares at the Offer Price if they so wish to. The Independent Shareholders who wish to realise their investments in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period.

5.4 Historical discounts to net asset value per Share

The Offer Price represents a discount of approximately 79.1% to the unaudited consolidated net asset value attributable to Shareholders ("**NAV**") of approximately HK$1.269 per Share as at 30 June 2025. The chart below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the Review Period, and up to the Latest Practicable Date against the Offer Price and the latest available NAV of the Company at the relevant time.

NAV per Share



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

Note: The NAV per Share was calculated based on the latest available net assets as set out in the respective interim or annual results of the Company at the relevant time, divided by the total number of Shares in issue.

As shown in the chart above, the Shares have been trading at a substantial discount to the NAV per Share for most of the time during the Review Period. The Offer Price represents a lesser discount of approximately 79.1% to the NAV of approximately HK$1.269 per Share as at 30 June 2025, where the Shares have been trading at an average discount of approximately 83.3% to the NAV over the Review Period. In addition, as the Shares have been trading at a discount to the NAV during the entire the Review Period and the Offer Price represents a lesser discount to the NAV than the average discount that the Shares have been trading at during the Review Period in turn, implies that the Offer Price represents a better valuation than that of how market has been valuing the Shares from the NAV perspective. On this basis, we are of the view that the Offer Price is fair and reasonable from the perspective of the NAV per share so far as the Independent Shareholders are concerned.

5.5 Comparative Analysis

In order to further assess the fairness and reasonableness of the Offer Price, we have considered the price-to-book ratio (the "**P/B Ratio**"), the price-to-earnings ratio (the "**P/E Ratio**") and dividend yield which are commonly adopted trading multiple analyses. Given that the Group was loss-making for the years ended 31 December 2022, 2023 and 2024 and no dividend was distributed for the years ended 31 December 2022, 2023 and 2024, we were unable to analyse with reference to P/E Ratio and dividend yield. Accordingly, we consider the P/B Ratio to be an appropriate indicator of the fair values of the comparable companies.

As at the Latest Practicable Date, the Company had 452,948,000 Shares in issue. On the basis of the Offer Price being HK$0.265 per Offer Share, the total issued share capital of the Company would be valued at HK$120,031,220. The P/B Ratio of the Company implied by the Offer Price is approximately 0.2 times (the "**Implied P/B Ratio**") based on the unaudited consolidated net assets attributable to Shareholders as at 30 June 2025.

For the purpose of comparison, we have identified an exhaustive list of 3 other listed companies on the Stock Exchange based on the criteria that at least 75% of its revenue for the latest full financial year was generated from the provision of sales, production and trading of food and meat products and breeding and trading of livestock and poultry in the PRC, which is similar to that of the Company (the "**Peer Comparable(s)**"). We noted that the theoretical market capitalisation of the Company was only approximately HK$120.0 million with reference to the Offer Price, we would limit the selection from a market capitalisation perspective, as other 2 comparable companies within the above selection are with market capitalisation of above HK$5 billion, which are disproportionally larger than that of the Company. Nonetheless, in order to provide a limited number of comparable companies in our analysis for the Independent Shareholders, we would include our search to small-cap listed companies of market capitalisation of less than HK$1 billion in search for boarder comparables for comparison.

Although the number of the Peer Comparables were limited, we are of the view that the valuation of the peer listed companies is comparable to that of the Company because the Peer Comparables also engage in the provision of sales, production and trading of food and meat products and breeding and trading of livestock and poultry in the PRC, and we consider that the Peer Comparables represent the companies operating in the same business segment and in the same geographical location to that of the Company. Based on the above, having considered the exhaustive list of Peer Comparables having met the selection criteria, we are of the view that the Peer Comparables are representative samples and it is fair and reasonable for the Peer Comparables to represent companies similar to that of the Company for comparison purpose and thus provide a limited reference of the valuation based on market trading prices of companies for the Independent Shareholders to take reference of.

The table below illustrates the market capitalisation and net asset value of the Peer Comparables as well as the calculated P/B Ratio:

Company name (Stock code)	Principal activities	Market capitalisation as at the Last Trading Day	Net asset value *(Note 1)*	P/B ratio
China Yurun Food Group Ltd (1068)	Principally engaged in provision of a wide range of meat (chilled and frozen) and processed meat (low temperature meat products and high temperature meat products) with a particular focus on pork products	HK$251.5 million	Net liabilities of HK$716.0 million	N/A *(Note 3)*
GDH Guangnan (Holdings) Ltd (1203)	Principally engaged in the distribution and trading of fresh and live foodstuffs and provision of slaughtering services	HK$798.7 million	HK$2.7 billion	0.3 times
Huisheng International Holdings Ltd (1340)	Principally engaged in pig slaughtering and meat trading	HK$40.6 million	HK$390.2 million	0.1 times
The Company (834) (The Offer)	Principally engaged in the production and trading of food products, breeding and sale of livestock, poultry and rabbits	HK$120.0 million *(Note 2)*	HK$524.0 million	0.2 times

Source: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Peer Comparables

Notes:

1. The P/B Ratios of the Peer Comparables are calculated based on the market capitalisation of the respective Peer Comparable as at the Last Trading Day divided by the net assets value of the respective Peer Comparable as extracted from their respective latest published interim or annual results as at the Last Trading Day.

2. The Implied P/B Ratio is calculated based on the theoretical market capitalisation of the Company with reference to the Offer Price.

3. P/B ratio is not applicable due to the net liabilities position of China Yurun Food Group Ltd (1068) as at 30 June 2025.

As illustrated in the table above, the Implied P/B Ratio of the Company calculated based on the theoretical market capitalisation of the Company with reference to the Offer Price is approximately 0.2 times, which is similar to the average of approximately the Peer Comparables and within range of approximately 0.1 to 0.3 times. Accordingly, this indicates the implied valuation of the Company based on the Offer Price is within range of the valuations of the Peer Comparables based on their respective closing share prices from the perspective of P/B Ratio. On this basis, as a limited reference for the Independent Shareholders, we are of the view that the Offer Price is fair and reasonable from a price-to-book valuation standpoint.

5.6 General offer precedents

We are of the view that past general offer transactions of companies listed on the Stock Exchange may not be a good reference for assessing the fairness and reasonableness of the Offer Price considering these companies are from different industries, which therefore have different market fundamentals and prospects. Accordingly, we consider the analysis in the sections above to be more relevant for the Independent Shareholders.

5.7 Conclusion

We noted that:

(i) the Offer Price of HK$0.265 per Share represents premium over the closing price of the Shares during the entire Review Period prior to the publication of the Joint Announcement, representing a premium of approximately 25.5% over the average closing price of HK$0.211 per Share during the Review Period and up to approximately 82.8%;

(ii) the Offer Price of HK$0.265 per Share represents a discount of approximately 55.1% to the average closing price of approximately HK$0.59 per Share during the Post-Announcement Period, which was driven by the recent volatility and surge in closing price of the Shares after the publication of the Joint Announcement and might be a temporary and unsustainable market reaction to the Offer;

(iii) the thin historical daily trading volume of the Shares during the Review Period may raise uncertainty as to whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the Share price on the market, particularly for those who hold a large volume of the Shares;

(iv) the P/B Ratio of the Company implied by the Offer Price of approximately 0.2 times is similar to the average and within range of the P/B ratios of the Peer Comparables, as a limited reference for the Independent Shareholders; and

(v) the Offer Price represents a lesser discount of approximately 79.1% to the NAV of approximately HK$1.269 per Share as at 30 June 2025 than the average discount of 83.3% to the NAV that the Shares has been trading at over the Review Period, which, in turn, implies that the Offer Price represents a better valuation than that of how market has been valuing the Shares from the NAV perspective.

While the Offer Price represents a discount to the average closing price during the Post-Announcement Period, which might be a temporary and unsustainable market reaction, as illustrated in the above (ii), considering that the Offer Price represents a premium to the prevailing closing price of the Shares prior to the Joint Announcement and a lesser discount to the NAV, as illustrated in the above (i) and (v); the implied P/B Ratio of the Offer Price is within range of the Peer Comparables perspective, as illustrated in the above (iv), and that the Offer represents an opportunity for the Independent Shareholders to dispose of their Shares with the uncertainties as illustrated in the above (iii), on balance, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

6. Public float and maintaining the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares (excluding treasury shares), are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. In such event, trading in the Shares on the SGX-ST may also be suspended.

As disclosed in the Letter from DL Securities, the Offeror intends the Company to remain listed on the Stock Exchange and the SGX-ST. Mr. Gao, the sole director of the Offeror, and the new Director(s) to be appointed (if any) to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares.

Therefore, it should be noted that upon the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. Further announcement(s) regarding the restoration of public float (if any) will be made by the Company as and when appropriate.

RECOMMENDATION

Based on the foregoing, having considered the aforementioned principal factors and reasons for the Offer, we noted that:

(i) the Offer Price represents premium of over the closing price of the Shares during the entire Review Period prior to the publication of the Joint Announcement, representing a premium of approximately 25.5% over the average closing price per Share during the Review Period and up to approximately 82.8%, as discussed in paragraphs headed "5.7 Conclusion" in this letter;

(ii) the Offer Price of HK$0.265 per Share represents a discount of approximately 55.1% to the average closing price of approximately HK$0.59 per Share during the Post-Announcement Period, which was driven the recent volatility and surge in closing price of the Shares after the publication of the Joint Announcement might be a temporary and unsustainable market reaction to the Offer, as discussed in paragraphs headed "5.7 Conclusion" in this letter;

(iii) the thin historical daily trading volume of the Shares during the Review Period may raise uncertainty as to whether there is sufficient liquidity for the Independent Shareholders to dispose of a significant number of Shares on the Stock Exchange without creating downward pressure on the Share price on the market, particularly for those who hold a large volume of the Shares, as discussed in paragraphs headed "5.3 Historical trading volume of the Shares" in this letter;

(iv) the Offer Price represents a lesser discount of approximately 79.1% to the NAV of approximately HK$1.269 per Share as at 30 June 2025 than the average discount of 83.3% to the NAV that the Shares has been trading at over the Review Period, which, in turn, implies that the Offer Price represents a better valuation than that of how market has been valuing the Shares from the NAV perspective, as discussed in paragraphs headed "5.4 Historical discounts to net asset value per Share" in this letter; and

(v) the Group has been making losses for FY2023, FY2024 and HY2025 and the Group's outlook and prospects remain uncertain, as discussed in the paragraphs headed "4. Future prospects and outlook of the Group" in this letter.

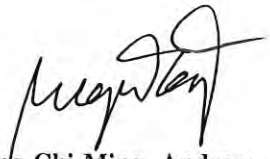
Considering that the Offer Price is higher than the closing price of the Shares during the entire Review Period prior to the publication of the Joint Announcement, the recent volatility and surge in closing price of the Shares after the publication of the Joint Announcement might be a temporary and unsustainable market reaction to the Offer, and that the Offer represents an opportunity for the Independent Shareholders to dispose of their Shares given the thin historical daily trading volume of the Shares during the Review Period, on balance, we are of the view that the Offer is fair and reasonable so far as the Independent Shareholders are concerned.

However, in view of the recent volatility of the closing prices of the Shares, those Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price of Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer. On this basis, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to accept the Offer if the amount they can receive under the Offer is higher than the net proceeds from the sale of such Shares in the open market.

In addition, we would like to remind the Independent Shareholders that they should bear in mind the potential difficulties they may encounter in disposing of the Shares after the close of the Offer in view of the historical low trading liquidity of the Shares and there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period. The Independent Shareholders are strongly advised that the decision to realise or to continue to hold the Shares is subject to individual circumstances and investment objectives of the Independent Shareholders. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

The Independent Shareholders are also reminded to read carefully the procedures for acceptance of the Offer, details of which are set out in Appendix I to the Composite Document and the accompanying Acceptance Form(s), if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Alpha Financial Group Limited



Cheng Chi Ming, Andrew
Managing Director

Yours faithfully,
For and on behalf of
Alpha Financial Group Limited

Irene Ho
Vice President

Mr. Cheng Chi Ming, Andrew is the Managing Director of Alpha Financial Group 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. Cheng has over 22 years of experience in the corporate finance industry in Hong Kong.

Ms. Irene Ho is the Vice President of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities (under the licensing condition that in the capacity as an adviser to a client on matters/ transactions falling within the ambit of the Takeovers Code, act together with another adviser not subject to the same condition). Ms. Ho has over 11 years of experience in the corporate finance industry in Hong Kong.